How Master Negotiators Give, Take, And Create Value

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What differentiates Master Negotiators like James Baker, former U.S. Secretary of State; Robert Johnson, the founder of Black Entertainment Television (BET); Ambassador Charlene Barshefsky, former U.S. Trade Negotiator; Leigh Steinberg, America’s Sports Super Agent; Kenneth Fienberg, Washington lawyer and former Special Master of the September 11th Victim Compensation Fund; Shimon Peres, the President of Israel; Eric Benhamou, the former chairman of 3Com; and Richard Trumka, the President of the American Federation of Labor Congress of Industrial Organizations (AFL-CIO) from most other negotiators? Based on personal interviews with 30 master negotiators in business, diplomacy, sports, and labor, I highlight six dimensions that characterize their attitudes and approach to effective negotiation.

COMPATABILITY

In the late 1970s, Johnson, a Washington lobbyist for the cable industry trade association, realized that African-Americans had a lot of buying power, but no cable television outlet. He quickly realized the tremendous business potential of offering a cable channel devoted to African-Americans. However, to become a cable programmer, Johnson needed money, which he didn't have. But he knew people with money. One of them was John Malone, "the King of Cable," whom Johnson knew through industry meetings.

In an interview in his office in Washington D.C., Johnson said: "The biggest negotiation I did in business was to convince Malone to invest in my idea, in creating Black Entertainment Television." To convince him, Johnson pitched his idea intentionally appealing to the things that Johnson felt were important to Malone as well as to himself. "I knew Malone believed in entrepreneurial initiatives and in individuals helping themselves and not relying on the government to help them," Johnson says, "and so everything that I talked about with him was designed to hit these points. I had to convince him that I shared his value system in a way that he would come into this deal." When Johnson was ready to make the pitch, he flew to Denver, Colorado to meet Malone and present his business plan. "How much money do you need?" Malone asked him. "It would take $500,000 to get it going," Johnson replied. At that time Malone was interested not only in owning the cable wires, the hardware, but also in owning the programming, the content. "I'll buy 20 per cent of your company . . . and I'll loan you the rest," Malone offered.

Johnson said yes and a one-page agreement was drawn up immediately and Johnson got a check for $500,000. The deal, which took less than one hour to put together, became a great financial success. Twenty-two years later, BET was sold to Viacom International for more than two billion dollars!

Most negotiators tend to focus on differences, on incompatibilities, a tendency known as the incompatibility bias. Master negotiators like Robert Johnson focus on compatibilities and
connect through similarities. If Johnson would give one piece of advice, he would say: Identify and build on similarities first and deal with differences later.

CREATIVITY AND RESILIENCE

“When it comes to a creative negotiator,” said Leigh Steinberg, “there is a fellow named Carmen Policy, the former president and CEO of the Cleveland Browns [a football team], who has a critical quality – resilience. He has the ability to come back from the most frustrating negotiation situation, which seems completely inexplicable, so contorted that there is no way that it will ever be resolved. And yet, he comes back with a fresh approach.”

The negotiation over Dennis Rodman’s contract with the Chicago Bulls was not easy and reaching an agreement was nearly impossible -- the gap was too wide. Rodman, known for his eccentric tendencies and missing too many games, was a risky player for Jerry Krause, the Bulls General Manager. Krause was not willing to spend a lot of money on Rodman. The parties, however, not deterred by the long stalemate and near impasse, finally reached a creative agreement. Instead of the risky fixed-amount contract that Rodman demanded, a contingent contract was designed. The contract offered Rodman low base salary and incentives that rewarded him for performance while playing in each game. In this deal, Rodman in fact got more money than he had asked for initially. The Bulls also got a good deal -- a dependable basketball star.

In difficult negotiations said Eric Benhamou, the former chairman of 3Com, the negotiators have to be creative and flexible, especially when the parties are deadlocked. They have to come up with creative ideas to undo the impasse. This kind of negotiation, he said, “leaves you with the most satisfaction. Just when you thought you were headed to a brick wall toward a no-deal, some other angle is revealed, and you find a way to accomplish your objectives and also meet the objectives of the other side without giving up much.”

Master negotiators would tell you that wide gaps between the negotiating parties are quite obvious and rather expected. The challenge, therefore, is to stay at the table and creatively unbundle complex issues, suggest risk sharing schemes, and design fair contingent contracts.

BOTH SIDES OF THE TABLE

Shimon Peres, the 92-years old President of Israel, has more than 60 years of diplomatic and political negotiation experience. “In negotiation,” he suggests, “You must understand the other person sitting across the table from you.” In my negotiation, he said: “I try to map in my mind the interests and the difficulties that the other side might have and invest a great deal of thought on how to overcome them.” Prior to his negotiations with French officials, for example, he became an expert on France. He studied France’s interests and needs in depth because he knew that by just listing Israel’s interests and arguing why it needs France’s assistance and political support would not suffice. He had to develop compelling arguments to convince the French officials that it is in France’s best interest to support Israel.
Taking the other’s side perspective, however, is not easy because, as former U.S. Secretary of State James Baker said, “Most negotiators are self-centered. They are preoccupied with what they need and want and pay much less attention to what the other side needs and wants.” In The Fog of War, a documentary film, Robert McNamara, former U.S Secretary of Defense, admitted that the United States never understood the Vietnamese well enough to comprehend their motivation. We, McNamara, suggested, must try to put ourselves inside the skin of the other side and look at ourselves through their eyes in order to understand the way they think and what lies behind their decisions and actions. In order develop this mental ability, Kathryn Anderson, former vice president of AT&T, suggested that a negotiator should prepare for a negotiation by mentally bargaining from both sides of the table.

Negotiators come to the table with interests, aspirations, capabilities, and constraints, and will not, as Leigh Steinberg suggested, “do things against their self-interests.” This is why it is essential to craft an agreement that will have a real benefit to the other side. You have to see the world as your counterpart sees it.

**NO-DEAL**

“In every deal,” said Robert Johnson, “there are things that are so important to the success of the business that if I can’t get them, there is no point in making the deal.” When he negotiated a new joint venture with a young and talented music artist, the artist insisted that Johnson, a multi-billionaire, forgo future investment opportunities in other music record label companies and invest in their new music record label company only. Johnson boldly refused and said: “I was putting up all the money and giving him [the young artist] a controlling interest in the business. I had to have the right to invest in other record companies if I wanted. I have huge amounts of money in other business interests and there is no way that you,” he told his potential partner, “expect me to say: ‘I will never invest in another record label, just in yours.’” “Well, if you retain the right to do that,” countered the young artist, “then I have to get the right to buy you out when you do that.” Johnson was puzzled. “I am not going to give you that right” he replied, “and if you are going to insist on that, then go and find three million dollars from somebody else. There is not going to be a deal.”

Johnson, with a good measure of empathy and reason, softened his punch and skillfully triggered a turning point in order to de-escalate the situation. “Look,” Johnson told the young artist, “I have no intention of investing in another record label company. I like you. Why do you think I came to you? But, I just can’t give you that kind of control over my business interests.” They made the deal.

Carlos Gutierrez, the former CEO of Kellogg, also does exactly that. He knows his bottom line and conditions himself mentally to walk away if necessary. "Even though this was a deal that I desperately wanted [to acquire Keebler], I conditioned myself mentally that I might not have it. “That” said Gutierrez, “helped me to stand firm on my price.”

In negotiation there must be a point of no return and the no-deal option should be considered. Many negotiators, biased towards making deals, do not think about the no-deal option nor prepare themselves mentally to walk away. But not Sumner Redstone, the chairman of Viacom. In the process to acquire Paramount Pictures, a global producer and distributor of films, he was not going to do a deal at any cost, only if it made sense.
TAKE IT OR LEAVE IT

“I sat there very quietly and did not say a word. I did not worry. I did not look upset. I did not look scared, and I did not look interested. I just had a blank expression on my face. And then, after about two minutes, he actually calmed down and we just went on as though it never happened. But, had I jumped right in and said ‘How dare you?’ or ‘Your views are preposterous; this would have spiraled out of control.’ This was how Ambassador Charlene Barshefsky reacted to an ultimatum. Usually she disarms their destructive energy and softens them through laughter and humor. But not this time – different cases call for different reactions.

Richard Trumka, like Barshefsky, does not let the potential escalation get him off track. He continues to focus on what he wants to accomplish – an agreement. “[If] somebody makes a threat or gives me an ultimatum,” he says, “I just look at him or her. I just continue the negotiation process.” When you get an ultimatum says, Kenneth Feinberg, “You poo-poo it.” When somebody threatens in mediation, Fienberg said, I urge him to withdraw the threat. It is ill advised ever to say this is my final offer, take it or leave it.

While Barshefsky, Trumka, and Feinberg recommend not using escalation tactics and diffuse them by either ignoring them or going around them, Sumner Redstone is more direct and dramatic. When he was pursuing the acquisition of Paramount Pictures, he was short on cash and needed several hundred million dollars. John Clendenin, the CEO of BellSouth Corporation together with Bruce Wasserstein of the investment banking firm Wasserstein, Perella & Company, were prepared to invest billions of dollars, much more than Redstone really needed. Meeting with Redstone to explore a possible deal, Clendenin announced that in return for his investment, he wants 50 percent of the deal. For a moment Redstone thought 50 percent of Paramount. No, Clendenin clarified, fifty percent of Viacom International! If that was not outrageous enough for Redstone, Clendenin made a threat. If you will back out on this deal, he told Redstone, he would go to Barry Diller, who was bidding against Redstone to acquire Paramount. Following the threat, Clendenin asked Redstone for his response. Redstone could not be more dramatic. He walked out of the room.

Threats and ultimatums are used in order to pressure the other side. Most negotiators tend to use them too casually and too frequently, which most often result in failure. Master negotiators recognize the destructive power of threats and ultimatum and refrain from issuing them too hastily.

HOMEWORK

“You would be surprised how many negotiators don't know what they want with the kind of precision that a negotiation demands,” said Ambassador Charlene Barshefsky. “Consequently, she added, “they end up with either no deals or bad deals.” Similarly, Leigh Stenberg, who has been negotiating billion of dollars of sports contracts, suggested that most negotiators enter a negotiation virtually unprepared and negotiate before they are ready. They do not have the sharp clarity that the negotiation requires and thus rarely get the results they want. Even in large-scale and critical negotiations like mergers and acquisitions, 250 executives involved in mergers and acquisitions admitted, in a recent study, that their due-diligence efforts failed to uncover critical issues.

For master negotiators preparation and planning is a serious matter not to be underestimated. For Barshefsky, mastery of substantive issues was the centerpiece of her negotiating style. “I am high on substance, low on drama. I don’t pound the table and don’t make threats. I want to win the argument and have the other side see my point.” For Secretary Jim Baker, meticulous preparation was what he learned at a very young age when he was conditioned by “the rule of 5Ps” – Prior Preparation Prevents Poor Performance – taught to him by his father.
Diligent preparation and planning is a continuous process. Master negotiators follow Napoleon’s military doctrine by adjusting their plans to the changing circumstances during the negotiation process. Napoleon’s military genius rested on being both a meticulous planner and a flexible improviser. While he drew up his battle plans in advance, he remained flexible, always adapting to the changing circumstances on the battlefield. Call it scenario and continuous planning.

Master negotiators have many qualities. In this paper, I briefly described their ability to focus on similarities and commonalities first and deal with differences later. They recognize that a wide gap between the parties’ interests calls for resilience and creative mutual value creation. Thus, they naturally focus on how their interests can be harmonized. However, as much as they are interested in harmonizing interests and deal making, they condition themselves to walk away from the table when necessary. Master negotiators recognize the fragility of the deal making process, are motivated by a spirit of cooperation, persistently search for value, and rarely use destructive power moves such as threats and ultimatum. Lastly and perhaps most importantly, is their investment in continuous planning and preparation, and never underestimating it.