

# WANT TO WIN IN NEGOTIATIONS? YOU'LL NEED THESE THREE TOOLS

## KEY TAKEAWAYS

- It's important to understand the full range of issues at play during a negotiation.
- A mindset that seeks a win-win outcome is ideal.
- Know your needs and how to “read” the other side.

Over the years, we've observed that success—in business and in life—often results largely from knowing what skills work extremely well and then practicing those skills, a lot.

That seems to be especially true when it comes to negotiating. You can almost always get what you ask for—if, that is, you are able to ask the “right” way. And we find that highly successful self-made multimillionaires, high-caliber professionals and other high achievers are typically extremely skilled negotiators.

Here's how they do it.



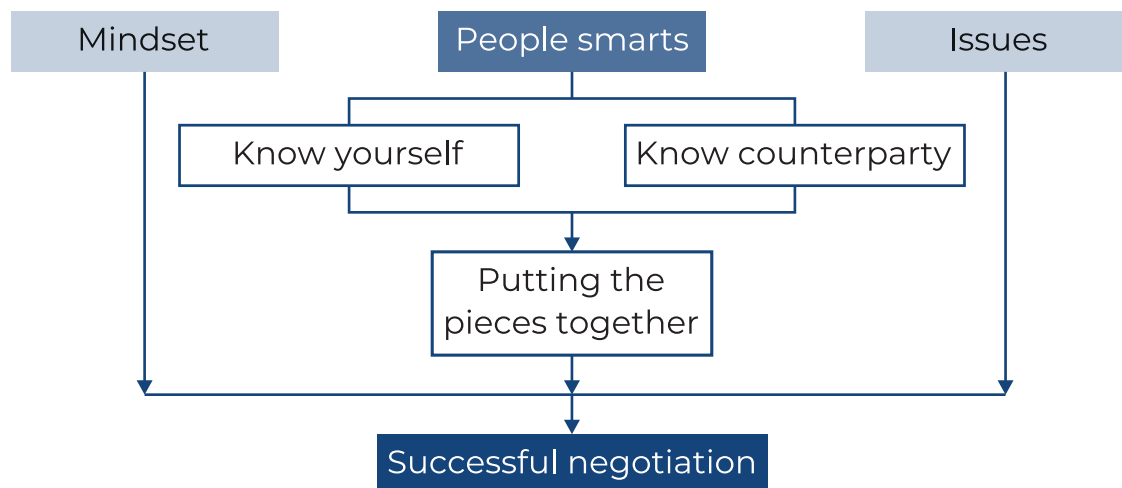
## THREE NEGOTIATION MUST-HAVES

Based on extensive interactions over many years with three groups—the self-made Super Rich (people with a net worth of \$500 million or more who earned that wealth through working), professionals such as lawyers whose success is predicated on negotiating prowess, and successful entrepreneurs—we see that the most successful negotiations are based on a combination of three factors:

- A particular mindset
- People smarts
- A solid understanding of the issues

### EXHIBIT 6

## THE COMPONENTS OF SUCCESSFUL NEGOTIATIONS



## UNDERSTANDING OF THE ISSUES

In most business negotiations, a solid grasp of the issues involved—technical, legal, financial—is essential. Being able to effectively understand the relative importance of proposed terms is usually foundational to effective bargaining. Sometimes, a superior comprehension of the intricacies of the various proposed terms of an agreement can lead to superior results. There are instances, for example, when greater sophistication concerning the legal or financial aspects of a negotiation translates into better outcomes.

## YOUR MINDSET

Ideally, you want to get the most you can from a negotiation—satisfying your complete set of wants. But you should absolutely hit a minimum set of conditions—your needs—to close a deal. If you conclude the negotiations feeling good about the outcomes and how you handled the bargaining process, that’s a big plus. All of this is true for your counterparties, as well.

This classic win-win scenario is what you should strive for. You are most likely to get more of what you want if you really care about helping your counterparties get more of what they want. Very often, this is just good business.

That said, although you are motivated to come up with a deal that gives all sides much of what they want, it is important that you not make a deal that fails to address your needs. A bad deal is almost always worse than no deal at all.

## PEOPLE SMARTS

The proper mindset and even an expert grasp of all the issues are, by themselves, unlikely to get you the outcomes you are looking for. You’re also going to need people smarts. As the famed Chinese military strategist Sun Tzu stated:

*“If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.”*

This law of human nature and human interaction has been shown to be true innumerable times over the centuries. Still, many people do not really understand how to employ it when negotiating.

## A DEEPER DIVE ON PEOPLE SMARTS

Let’s look at each aspect of people smarts:

### KNOW YOURSELF

For the self-made Super Rich and accomplished entrepreneurs, successful negotiations are often as much about emotional and psychological factors as they are about the numbers and the terms. Being people smart is about knowing yourself and being able to size up your counterparties, taking into account the particular negotiation.

You should go into any negotiation with clear ideas of what you need and want to accomplish, and use that information as a filter when it comes to making decisions.

Be able to answer questions such as:

- What do you want out of the negotiations?
- What do you need out of the negotiations?
- What is at stake, from the financial to the psychological?
- What will happen if an agreement is not reached?
- What will happen at different levels of agreement?

You have to decide just what is in your enlightened self-interest, and be clear and honest with yourself. Often, people become somewhat overoptimistic or not appropriately self-reflective—and so they fail to have clear knowledge about how much various factors actually matter in a negotiation. Also, they tend not to know what constitutes success. Many times, in these circumstances, people end up negotiating with themselves and are amazingly successful—until the counterparty gets involved.

## **KNOW YOUR COUNTERPARTIES**

There are many ways to become informed about the people with whom you will be negotiating.

- When possible, look at deals they have done in the past and how they played out.
- Often, it's during the bargaining process itself that the greatest insights are gained. But gaining insight takes deep and careful listening, which is often not people's first consideration during a negotiation. Work to be nonjudgmental as you listen to another party's views, arguments and conditions. Doing so will encourage them to share more with you and help you get a good understanding of what matters most to them.
- Ask open-ended and probing questions, backed up with a real interest in learning what they hold valuable and how they think.

## **PUT THE PIECES TOGETHER**

Your insights into yourself and the people on the other side of the table—from the technical details of the deal to the egos and emotional aspects at play—form a mosaic that usually provides you with ways to craft a deal that satisfies both you and the counterparties. By being able to see the bigger picture formed by each piece of the mosaic, you can potentially increase the likelihood of a great outcome.

The message is clear: Arm yourself with these three tools and practice them repeatedly, and you can find yourself getting what you need—and what you want—in negotiation after negotiation. That, in turn, can help you build a rock-solid business.



## ADOPT BEST PRACTICES

By and large, the self-made Super Rich have proven that they know what to do—and what not to do—in order to create, grow and maintain sizable wealth. By avoiding major slipups on your own path to wealth creation, you can potentially encounter fewer financial potholes along the way.



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