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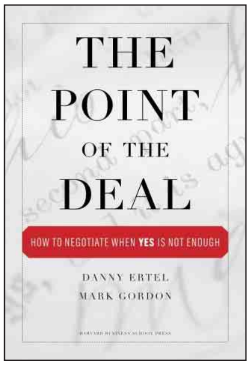

The Point of the Deal

How to Negotiate When “Yes” Is Not Enough

by Danny Ertel and Mark Gordon
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240 pages

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Take-Aways

- Making deals is not sufficient. You need to make deals you can implement.
- The more people involved in a deal, the more implementation matters.
- Implementation also matters greatly if you will have a lot of interaction with the other party after the deal is signed.
- To create deals you can implement, involve all major stakeholders in the process.
- How you negotiate creates precedents for future interactions.
- To make successful implementation more likely, share information about your goals and fears. Insist on making all commitments crystal clear.
- To manage negotiators, insist on preparation. Rehearse and review all your strategic choices.
- Structure your incentives to reward successful implementation, not just closings.
- Integrate your deal makers with the rest of the organization, so you can learn from the process, and keep implementation and negotiation linked.
- Create a negotiation road map to keep everyone informed and to make sure you’ve planned for all stages of the process.

Rating (10 is best)

Overall	Applicability	Innovation	Style
9	**10**	**9**	**9**

Relevance

What You Will Learn

In this Abstract, you will learn: 1) Why negotiating good deals isn't enough; 2) Why implementation matters; and 3) How emphasizing implementation changes negotiation practices and relationships.

Recommendation

The first line of this book's preface asks what many potential readers may be thinking: "Yet another book about negotiation?" The answer is yes, and a much-needed one. Many books on making deals are out there. Some are good, others bad, but most focus on the negotiation process. Even those that emphasize extensive preparation and research tend to focus on the deal itself – making it, improving it, wording it. Danny Ertel and Mark Gordon focus elsewhere. They direct readers to a single core concept: implementation. In doing so, and in illustrating what focusing on implementation means in practice, they add genuinely new insight into negotiation. Shifting the focus to how the deal will work long-term, if it will work, and what sort of precedent the negotiation process establishes for ongoing interaction is extremely valuable. As a result, *getAbstract* recommends this book to anyone involved in negotiation.

Abstract

An Introduction to Negotiation

Most people emphasize one aspect of negotiation: making the deal. That is important, and if you're never going to work with the other party again, it's all that matters. However, if you are going to work together after the deal, shift your focus now and emphasize implementation. Instead of seeing the deal as the end of the process, begin to view it as the first step in establishing an ongoing relationship. This shift changes the nature of the deal, but what's the point of winning an agreement if it won't be carried out?

"In some deals implementation is wholly irrelevant – for example, in day trading. But if you negotiate deals in which implementation is key – they're pointless unless the parties do something together after the agreement is signed."

When both parties approach negotiation with the goal of deal making, several things can go wrong. One party might not even plan to uphold the deal, may have good intentions but interpret the deal differently or may simply be unable to fulfill the agreement. The deal itself might be flawed or inadequate. What's more, a focus on deal making weakens your process by pushing for speed, limiting the number of people at the table, limiting the information flow and accenting sanctions for nonperformance. These elements may help you close, but they won't help you implement. This is understandable. Often, organizations emphasize "results," and signed contracts look like results. Some companies use third-party negotiators or specialized personnel who work only with the deal, not the aftermath.

"Why do so many deals look good on paper but end up in tatters? It turns out that for most deals, simply getting to 'yes' is not enough."

To negotiate well, identify when a deal is enough and when you should focus on implementation. Use these criteria: The longer the deal will take to implement and the more people involved, the more important implementation is. If the two parties will interact extensively after the deal, implementation matters greatly. The further apart the two parties start out on core points, the more you need smooth implementation. To achieve it, you'll have to deconstruct some common negotiation assumptions. Sometimes it is difficult to limit the information flow during negotiations, because you can't judge how far apart the parties' interests are. You can't treat the deal as distinct from later business, because it will establish a precedent for your interaction. You can't ignore difficult issues. Voicing them may slow the deal making, but it enhances the likelihood of smooth implementation. Don't push for a fast deal. Seek a deal that can be carried out and that meets your needs. Shift from getting to "yes" to getting an agreement that will work.

"If you are underinclusive, you put implementation at risk. But if you are overinclusive, you put the deal at risk."

Focusing on Implementation

A deal has no inherent value; it is an intermediate step to a future goal. It started with an idea. You explored the possibilities, came to the table and made a deal. You want the parties to commit to the deal and to act on it. Let the goal of implementation shape how you behave in the negotiation. Determine the point of your negotiation; know how you want things to be different once the deal is made. Then move on to implementation. What does your team need to get so that the deal works at that stage? Do you have it? Do the other parties know what they need for implementation? Helping them understand what they are agreeing to do is in your best interests.

"When you are trying to put together an alliance worth having, being 'nice' is the last thing you want from your negotiators."

Having more people in a negotiation makes it harder to reach an agreement. This creates a drive to limit the number of people at the table. Fight this, because when you focus on implementation, you want all the key parties involved. You need to hear from anyone with information, and to include people whose trust and help you will need. Strike a balance: Involve all the essential parties, but no unnecessary players.

You're looking for four kinds of people. "Blockers" won't be active in implementation, but they are essential for deal making. You need to educate and persuade them. "Bystanders" aren't involved in the deal or implementation, so limit their presence. "Enablers" have no say in making the deal, but they play a major role in implementing it. For instance, if biochemical firms make a deal, their lab directors will be enablers: They will make the chemical compounds, but they will have no say in negotiations. Make sure your enablers get what they need to do their jobs. Finally, "Essentials" are necessary to the deal and the implementation. Identify them on both sides and plan ways to satisfy them. Spell out who will be involved in the negotiation on your side, and educate the other side about your players. Make sure the other party has everyone they need. This will require dialogue and more information sharing than is usual in traditional negotiations.

"You learn a lot about your counterparts during the negotiation that affects what you think about them as you head past the signing and into implementation."

The history of your negotiation will color your future interactions with the other party. Let your goals guide you. You cannot destroy your counterparts at the table and then expect them to care about your concerns later. Establish the moral, emotional and procedural precedents you want them to follow. Give them respect and the benefit of the doubt. Seek creative solutions, and hold to your commitments. If you have a chance to use power, remember that the other side may get that chance in the future.

"Behaviors that are disrespectful tend to give rise to strong emotions in the other party, and they are likely to linger long after the negotiation team has been swapped for the implementation team."

Don't make yourself vulnerable by sharing too much information and don't pressure the other side with probing questions. Instead, offer information selectively and productively. Share perspectives, so that both sides understand what brought everyone to the table. While it will be delicate, you need to "air your nightmares." Articulate what you are most afraid might go wrong. Spend time on the most likely or most threatening scenarios, and work together to minimize risk. Discuss risk management directly during the negotiations, acknowledging that talking about these issues is difficult. This also will help the other side voice its fears.

Beware of the risk of overcommitment. In fact, traditional negotiation tactics contribute to this risk. If you push your counterparts too much, you might push them farther than they can go. You want their commitments to be realistic. To test this, project into the future; ask them to imagine which 20% of the deal's details they'll wish they had clarified when they try to implement it. After you reach an agreement, have a joint "handoff" session to explain the deal to all parties. This will reduce miscommunication and misinterpretation, and set a precedent for cooperation.

"There will be deals that shouldn't be done even when they are within the negotiator's limits, and some good deals will be unnecessarily delayed or even lost because they are outside those limits."

Managing Negotiations

Most businesses manage sales or manufacturing, but few manage negotiations. Managers who oversee negotiators tend to do it badly. They often overmanage or undermanage. What's more, some of their tools make things worse: Many incentives reward deal making, speed and low cost. That's understandable – these are the easiest factors to measure – but not ideal. Instead, use the goal of implementation to manage negotiations.

As a manager, insist on extensive, focused preparation. Train negotiators and monitor how they use their tools. Coach them about the deal's purpose (successful implementation and profitability) and its key stakeholders. Help them articulate their worries and think in terms of establishing precedent. Assure that everyone is clear about what both sides are committing to, what it means to them and how it will work in practice. Develop a "negotiation road map" to orient your team at every step. Align deals with your larger strategy and your ability to implement them. You can't develop a fixed script, but you can produce a general adaptable plan. Rehearse the negotiation with role playing. Have your negotiators try different potential openings, then review their successes.

"If implementation matters, then the deal itself cannot be the end goal."

Rather than directly telling your negotiators what to do, ask prompting questions about all areas of the negotiation and implementation. Don't let them go to the table until they're clear on the deal's purpose and players. During the negotiation, you might co-facilitate or observe to track their progress. Give feedback during breaks. Help your people learn when to walk away from deals that can't be implemented. Coach them as they near the end, so they don't wrap up before all the details are in place. After the deal, help them harvest lessons from their experience.

"Negotiation should be subjected to the same rigors and analysis as other business processes, and negotiators should be expected to apply quantifiable measures to their work."

Manage your negotiations within an organization structured to prioritize implementation, not deal making. Enron offers a great lesson. Enron paid its negotiators "bonuses based on the net present value of the projected future cash flows of the project." So it paid people millions on deals as they were written, not on how well they worked. Don't base your negotiators' rewards completely on implementation, because its success is beyond their control; instead, base part of their incentives on how well their deals unfold.

Several common factors shape organizations for deal making, not implementation. A separate "deal department" is efficient, but it isolates negotiators from the rest of the company. Using outside negotiators sounds as if it would insulate you from the negative emotions in a negotiation, but it doesn't. It keeps you from learning from the process and leaves you in the hands of deal makers who depart once the paper is signed. "Using deal-making metrics" to track measurable activity sounds good, but it accents the deal, not the aftermath. Some negotiators like to control the deal under claims of protecting it, but the result is that other stakeholders don't get to examine the package. However, limiting the negotiators' power too narrowly – by enacting deal-specific criteria or insisting that they must reach a deal – defeats creativity and, again, focuses on the deal, not the relationship. Create the opposite of such a culture.

"The problem is not measuring negotiation, but how you do so."

The Danger of Poor Implementation

Some negotiations matter more than others. Any time you combine businesses, whether through mergers, joint ventures or acquisitions, you are engaging in a "critical deal." You have a lot on the line. More than half of such combinations fail – not because the initial deal was badly negotiated, but because of poor implementation. This stems from a culture that values the deal above all else, driving companies to acquire one another without considering "strategy or the price they should pay." In the rush to close high-profile deals, people communicate poorly and companies fail to consult key stakeholders. Due diligence is done as a legal safeguard, without a focus on working together later. Often, third parties broker the deal and end their involvement when the contract is signed. If you're the outside consultant, educate the businesses involved on the challenges of implementation. Lots of negotiators can drive slick, fast deals, but you can do more. Stand out by tracking your deals' successes over time and showing that they work. Educate clients about the need to include all their stakeholders and to make realistic commitments.

"Negotiation remains the last great unmanageable frontier in business."

Not only do most mergers fail, many strategic alliances also fail, even when they are pursued for the best reasons possible. People want negotiating to be pleasant, and so they don't raise difficult, painful issues – but you must. As a negotiator, your job is to identify differences between the organizations that might complicate implementation. Highlight the relationship they will have after the deal and figure out what's needed to make that work. Because outside negotiators usually get paid for making deals, they tend to rush away without paying enough attention to the "handoff" from deal making to implementation. Prevent this by integrating implementation into the negotiation.

"Stake your reputation and competitive differentiation on doing deals that work in the long term."

Outsourcing is another popular – but often disappointing – subject of negotiations on cooperative arrangements. Failure and renegotiation rates are very high, because companies focus on getting contracts, not on delivery. Companies that limit the flow of information constrain how well their partners can plan implementation. Firms often try to deal with this by establishing noncompliance penalties and limiting their deals to known factors, such as price. Driving the price of supply down can lead to hard feelings and to overcommitted suppliers. To avoid this, widen your discussions. Include plans for implementation and insist on complete information. You're not making a deal; you're starting an ongoing relationship, so involve representatives of your delivery team from the onset. Invite suppliers to be creative in how they fulfill your needs.

"In most cases, getting the handshake, nod or contract signature is only the beginning of building value."

Extend this sort of creativity to all your sales and purchases. While you want the best price, that's not all you can get – and it is worthless if one side defaults (which is more likely if you use an outside negotiator). Instead, explore areas that may be harder to measure, but that ultimately do more for your bottom line. Instead of just providing the lowest cost, can your suppliers improve production methods or provide better products? If you want to get answers to such questions, you can't isolate the deal makers on either side. Procurement managers must communicate with all sides. This isn't about creating "partners," although that is key; this is about paying attention to the entire negotiation transaction to create ongoing profitable relationships.

About the Authors

Danny Ertel is the author or co-author of several works on negotiation. Mark Gordon is a senior adviser to the Harvard Negotiation Project at Harvard Law School. They co-founded a negotiations consulting firm.