

Leadership: How to Negotiate

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When it comes to leadership, negotiation skills are all too often overlooked. Conventional wisdom suggests that leaders should possess core traits such as vision, charisma, and unwavering self-confidence, with negotiation only being needed for *external* dealings with partners, customers, and suppliers. However, this couldn't be further from the truth! The best leaders understand that negotiation is an integral part of their role, as they often encounter situations where their authority alone is insufficient. The ability to reach mutually beneficial agreements, effectively present their case, and communicate their desires is crucial for leadership figures and managers.

In this lesson, we'll define negotiation and draw from Jeswald W. Salacuse's illuminating book, "Leading Leaders: How to Manage Smart, Talented, Rich, and Powerful People." We'll delve into three key aspects of negotiation—interests, voice, and vision—to enhance your power and persuasiveness as a leader. We will then do a round-up of some of the most important skills which you can use to unlock opportunities and accelerate your career.

Leadership goes beyond just wielding authority; it necessitates understanding the *interests* of those you lead. If you believe that charisma, position, or vision alone are enough to inspire followers, you may find yourself in trouble. Wise negotiators recognise the importance of comprehending the other party's interests, and effective leaders employ this exact same principle. People choose to follow leaders when they perceive it as being in *their* best interest. By aligning organisational goals with the interests of their followers, leaders can motivate and guide their teams more effectively. In fact, failure to grasp the true interests of those you lead can have dire consequences. For example, an inability to understand the differing interests of board members could result in the sale of a CEO's company against their wishes! By taking the time to understand individual interests, leaders can shape their messages and actions to accommodate them while achieving their leadership goals.

As the famed American poet Walt Whitman once said, "Surely, whoever speaks to me in the right voice, him or her I shall follow." In other words, persuasive communication lies at the heart of effective leadership! It's important to recognise the significance of tailoring leadership communications to address individual concerns, interests, and styles. The medium chosen for communication also plays a crucial role in shaping relationships between leaders and their followers. Consider a CEO aiming to persuade the board of directors to support an acquisition. Sending a generic memo to each member might inadvertently convey a lack of regard for their opinions and imply that their support is taken for granted. On the other hand, *personally* meeting with each director to explain the acquisition's importance demonstrates respect for their autonomy and judgment. Through one-to-one interactions, leaders can acquire insights into the interests and concerns of their team members, allowing them to structure arrangements that satisfy those interests while still advancing the organisation's goals.

Next, establishing a cohesive *vision* is crucial for leaders entrusted with guiding organisations, regardless of their size. Within an organisation, diverse perspectives on what the company represents and aspires to become are prevalent among its members. Therefore, the challenge lies in forging a single vision from the multiplicity of views held by the group. For example, the leaders at *Goldman Sachs* encountered this exact challenge when negotiating the company's transformation into a publicly traded corporation. The partnership structure had its advantages, such as insulation from stock market fluctuations and a strong culture of teamwork, but it hindered growth through stock acquisitions. Convincing the *Goldman Sachs* partners to accept the recommendation required intensive, face-to-face coalition building. It was only through one-on-one conversations between the co-chairperson and nearly all partners that a shared vision finally emerged. This process highlights the negotiation aspect of articulating a vision, wherein leaders must engage in multilateral negotiations and build coalitions.

Having covered the leadership-specific aspects of negotiation, let's now delve into some general strategies that can elevate your negotiation skills. This is particularly important as extensive research shows that certain negotiation tactics continually yield results in both remote and face-to-face bargaining.

If you're committed to becoming a better negotiator, you must have a clear understanding of how both you and your "negotiating partner" view a deal. This is because the best negotiations are ones that yield *mutual* gain. To this end, you should aim for "win-win" outcomes. It's important to avoid a "win-lose" mindset, as it can lead to alienation and missed opportunities for future interactions. Approaching negotiations as a competition for a fixed set of benefits can result in cutthroat behaviour and harm your professional reputation. Therefore, to achieve sustained success in business, whether it's a corporation, small business, or personal portfolio, it is crucial to view negotiation partners as *partners* rather than adversaries.

According to an article by *MasterClass*, making the first offer in a negotiation can be a powerful strategy to gain control of the bargaining process. Skilled negotiators often

take the initiative by setting the initial terms of the negotiation. For sellers, this means establishing a high value for their item and allowing the other party to propose a lower price. Conversely, buyers can make the first offer, aiming for a lower price. Research has indicated that when the seller sets the opening offer, final prices tend to be higher, while prices tend to be lower when the buyer makes the initial offer. Whether the subject matter is sales-related or not, by speaking first, you can influence the direction of the discussion and guide it towards your desired outcomes. Embracing this opportunity to make the first offer can give you a strategic advantage in negotiations.

Utilising the power of *silence* is a shrewd negotiation strategy that can significantly impact the outcome of your discussions. When employed effectively, silence can create discomfort and influence the decision-making of the other party. By maintaining eye contact without speaking, you can encourage your counterpart to fill the void with concessions or additional information that they may not have offered otherwise. Skilled negotiators seize these moments to make counteroffers that benefit their own interests. Silence provides valuable insights into the other party's perspective and can be leveraged to enhance your own position.

Additionally, asking open-ended questions and *actively* listening can be instrumental in achieving your desired outcome. Instead of relying on simple yes/no questions, open-ended inquiries compel the other party to provide valuable information. For instance, when dealing with a project deadline, rather than asking your team if they can meet it, try asking something like, "What steps do you think we can take to ensure we meet this deadline successfully?" This approach empowers your team to brainstorm and come up with innovative solutions, fostering collaboration and motivation to achieve the desired outcome.

According to Martin Rand, for Forbes, effective negotiation begins with thorough preparation and a clear understanding of your goals. It is important to define your ideal outcome, aiming for a higher bar rather than settling for less. Additionally, establishing your walk-away point helps determine which trade-offs are non-negotiable for you. By defining your interests and priorities in advance, you can identify what you are willing to give up to achieve them. It is also crucial to consider the key issues or terms for negotiation and find potential areas for compromise! Building rapport and trust with the other party is another critical aspect of successful negotiation. Opening up and being transparent at the beginning of the negotiation can lead to mutual gains. Understanding the priorities of the other party provides valuable insights that guide potential trade-offs and concessions. It is advisable to avoid discussing price initially and instead leave the toughest items for the end to maintain a positive atmosphere throughout the negotiation process.

Anchoring is a negotiation tactic that involves establishing a reference point or starting point for the negotiation. It sets the tone and provides a frame of reference for subsequent offers and counteroffers. The anchor is typically a proposed value or position around which the negotiation revolves. However, it should be used carefully, taking into account the available market information. Unrealistic anchors can potentially

harm relationships, create hostility, or even lead the other party to walk away. When faced with an unrealistic anchor, it is important to communicate that it is unacceptable and realign the negotiation strategy before making another offer.

On the flipside, “naming the game” involves calling out manipulative tactics during negotiation to disrupt their progress. Recognising and addressing these tactics helps regain control of the negotiation process.

Finally, deploying multiple equivalent simultaneous offers (MESOs) can be an effective approach, especially in complex negotiations. By presenting options of equal value but with different priorities, new value can be created, and valuable information about the other party's preferences can be gathered.

In conclusion, effective leadership requires strong negotiation skills. Leaders must understand and align the interests of their team members, tailor their communication to address individual concerns, and negotiate and build coalitions to establish a shared vision. In addition, utilising strategies such as adopting a win-win mindset, making the first offer, embracing silence, asking open-ended questions, and active listening can enhance negotiation outcomes. Thorough preparation, building rapport, and employing anchoring techniques are also important. By mastering these skills, leaders can unlock opportunities and manage their teams far more effectively.

If you remember one thing from this session, remember this: negotiation is not just about reaching agreements but about understanding and aligning the interests of all parties involved.

This week, test out using silence where you might not ordinarily embrace it. Rather than trying to fill gaps in conversation or asking lots of questions, remain quiet. Take time afterwards to reflect on whether this was an effective strategy.

That's all for now. Have a rewarding rest of your day!
