

Master Negotiators: Intelligences and Competencies

Dr. Michael Benoliel
mbenoliel@centerfornegotiation.com
mbenoliel@aol.com

Abstract

While some individuals are innately skilful negotiators, this is not a common skill. However, it can be developed, and this chapter offers guidelines to this end. It discusses the different types of intelligences and competencies that negotiators need to succeed, as well as the principles followed by successful negotiators. The theoretical concepts are exemplified by anecdotes from leading negotiators who come from diverse backgrounds. By articulating a multiple intelligences model and a quadruple competencies model for negotiators, this chapter hopes to enable more individuals to become successful negotiators, which will, in turn, help them craft more beneficial agreements.

Master Negotiators: Intelligences and Competencies

*When a fine sword first comes out of a mold, it cannot cut or pierce until it is sharpened.
When a fine mirror comes out of a mold, it cannot reflect clearly until it is ground and polished. Learning is...a way to sharpen and polish people.*

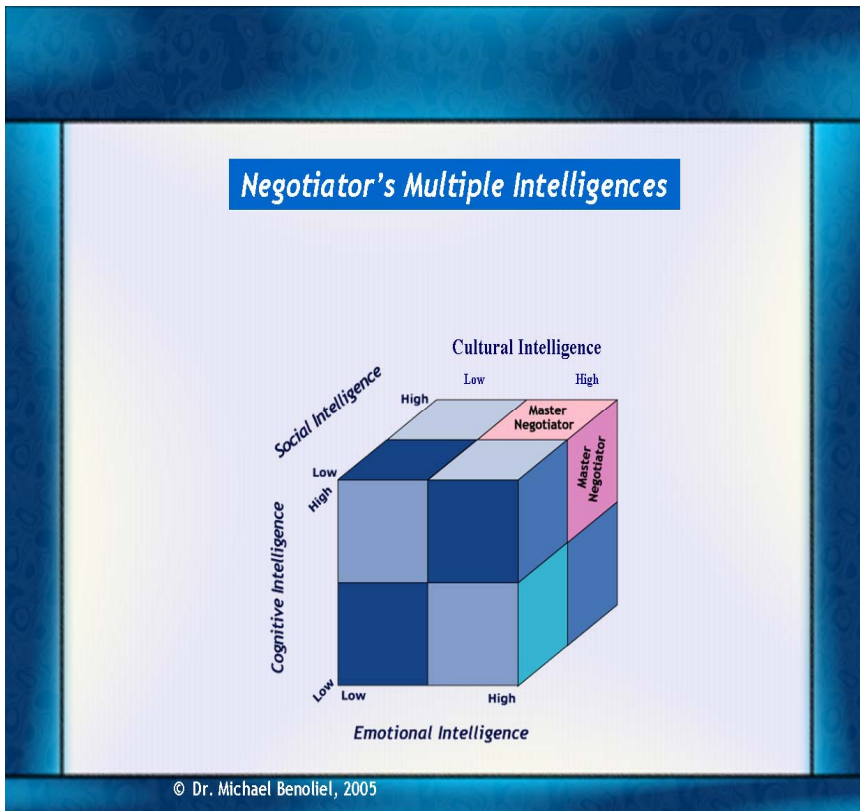
Francois de Callieres, a French diplomat, recognized the importance of negotiating masterfully nearly three hundred years ago. He wrote: “The art of negotiation with princes is so important that the fate of the greatest states often depends upon the good or bad conduct of negotiations and upon the degree of capacity in the negotiators employed.”

In modern times, however, negotiation has generally not been recognized as an important skill. Until recently, most graduate schools of business, law and diplomacy did not offer courses on negotiation. To this day, some schools still do not do so. Despite this, many executives, lawyers, and diplomats, who lack training in negotiation, believe that they are competent enough to negotiate.

“How many of you consider yourselves effective negotiators?” I often ask students and managers at the beginning of my academic courses and professional workshops on negotiation. Most of them raise their hands- this is not surprising. Untrained negotiators often have an overblown sense of their own capabilities because they have a misconception of what is required to become a Master Negotiator. They are trapped in a self-serving illusion of competence because they believe that the ability to negotiate is an innate skill that one possesses either from birth or not at all. This is a mistaken view, as negotiating is a competency acquired both by training and by possessing a complex set of attitudes and intelligences.

Negotiator's Multiple Intelligences

The growing interest in cross-border transactions and the increasing complexity of agreements has led to negotiation becoming a much more important skill. Skilful negotiators possess multiple intelligences – cognitive, emotional, social, and cultural – and know how to apply them appropriately while negotiating.



Cognitive Intelligence

In the science-and-technology-dominated West, cognitive intelligence has long been regarded as the supreme type of intelligence. This can be seen in the achievement tests developed in the twentieth century to determine a person's "intelligence quotient" (IQ). They used formulas that were based on the ratio of a person's age to his mental

capabilities (based on his test answers). Schools used these IQ measures to decide where to place students, while the military uses them to classify soldiers into different roles.

Cognitive intelligence is needed during negotiations for multiple reasons: to comprehend complex ideas, manage a vast amount of information, create and analyze multiple proposals, design bundled trade-offs and assess their value, make judgments based on facts and figures, plan a course of action, and make rational decisions.

Cognitive abilities are especially important for designing contingent agreements, such as dividing the equity of startups between entrepreneurs and venture capitalists who disagree on the fair value of the firm, or for capitalizing on unknown potential future benefits. For example, imagine that you are the business agent of a Hollywood film star who wants to capitalize on the potential future benefits of your client's upcoming film. To do that, you could design a contingent contract comprising three elements: (1) a fixed salary amount; (2) a fixed bonus amount that is paid if your client wins an acting award; and (3) a percentage of the film's future merchandizing sales, which also kicks in if your client wins an acting award.

To come up with such a contract, you have to make many decisions. These include: a) determining what the fixed salary amount should be; b) assessing the likelihood that your client will win an acting award; c) estimating the expected revenue from merchandizing sales in both scenarios (i.e. if your client wins or does not win an award); d) discovering the level of risk your client is comfortable with; e) setting the fixed bonus amount; and f) calculating the combined net present value of the three elements of the deal. This task requires a higher level of cognitive ability than simply

negotiating a single issue: an example of the latter would be negotiating only the price of a house and nothing else in the process of buying it.

Some researchers have argued that cognitive intelligence can play a decisive role in complex negotiations that involve multiple parties and continue for an extended period of time. Negotiators who possess superior cognitive abilities and negotiate rationally are more likely to avoid costly psychological traps, such as irrational commitments to escalation (pursuing a failing course of action) or making judgments on the basis of irrelevant information.

The following anecdotes illustrate the value of cognitive abilities in negotiations. Eric Benhamou, 3Com's Chairman, has said that he likes negotiating because he can use systematic logic to plan the negotiation process, assess his goals in advance, and build convincing arguments to support his case. Former United States Trade Representative, Ambassador Charlene Barshefsky, has commented that substantive mastery was the centerpiece of her negotiating style: "I am high on substance, low on drama....I want to win the argument and have the other side see the point." John Jeffrey Louis, the founder of the financial investment firm, the Parson Group, views the process of negotiation not as a power struggle between two sides, but rather as a challenging cognitive exercise in problem-solving, in which the two sides, armed with information and logic, figure out a way to arrive at a mutually beneficial solution.

Thus, negotiations provide effective negotiators, such as Eric Benhamou, Charlene Barshefsky, and John Jeffrey Louis, the opportunity to apply their cognitive intelligence to the task of negotiation.

Emotional Intelligence

Cognitive ability is necessary, but not sufficient, to be a good negotiator. To negotiate effectively, negotiators must also possess emotional intelligence. Studies on the effect of emotions in negotiations have shown that negotiators who manage their emotions well and are in a positive mood are able to process information more effectively, are more creative, and are thus more innovative in solving problems. Since emotions are contagious, positive emotions make the parties less contentious and more optimistic about the future, which, in turn, increases the chances that they will search for multiple options and find a more integrative (i.e. a “win-win”) agreement.

Daniel Goleman popularized the concept of multiple intelligences in his book, *Emotional Intelligence*. He defined emotional intelligence as “the extent to which a person is attuned to his or her own feelings and to the feelings of others.” Emotional intelligence is a complex concept and consists of self-awareness, self-regulation, self-motivation, patience, and empathy. Each of these characteristics must be possessed by a successful negotiator.

Self-Awareness

Self-awareness means being cognizant of your own thoughts, moods, impulses and behaviors, how they affect you, and how they may affect the people with whom you are negotiating.

As the chairman of the 1996 Northern Ireland peace talks, former Senate Majority Leader, George Mitchell, demonstrated this ability. After meeting for a year and a half, and listening for hundreds of hours to the same arguments, he looked inward and reflected on his feelings. “I felt frustrated and angry,” he wrote. “I worked hard not to

let my anger show.... I was very angry and considered letting it all out,” he continued, because he thought “[p]erhaps an emotional outburst would shock them all out.” But, Mitchell concluded, “It was too late. Nothing I said now could produce an agreement...I had to look to the future.... Once again, I would have to be upbeat.” This emotional awareness -- looking inward and connecting to his emotions --makes George Mitchell a well-respected Master Negotiator.

Self-Regulation

The importance of restraining and regulating emotions in negotiations has been recognized for centuries. In 1716, Francois de Callieres, a French diplomat, commented in his book, *On the Manner of Negotiation with Princess*: “A man who is naturally violent and easily carried away is ill fitted for the conduct of negotiation.”

Self-regulation does not imply masking all of one’s feelings; on the contrary, it refers to channeling one’s emotions into behavior that is appropriate to the situation. Thus, self-regulation should be understood as mastering one’s emotions, so that one can repress extreme anger when it is important to do so, while at the same time, being able to convey it when it is strategically necessary.

Unskilled negotiators tend to negotiate combatively, as they are driven by their emotions. Jay O. Light, a professor at Harvard University, often hears such negotiators say, “If the other side thinks that he can get the best of me, he has a surprise coming. When it comes to negotiating, I’m not one to mess around with. The other side will learn soon enough that I don’t crack easily and that when I want something, I get it”. This bravura is quite different from the way skilled negotiators manage their emotions and want to come across to their opponents. For example, a leading Washington attorney,

Michael Hausfeld, describes his negotiating style as “calm, soft spoken, measurably firm, resolute, never showing anger.”

James Baker, the former U.S. Secretary of State, recounts how his negotiations with Hafez al-Assad, the ex-President of Syria, were grueling, protracted, exasperating, and often emotional. Most of the time, Baker was able to monitor and regulate his strong emotions very well. For example, in one session, Baker was furious when Assad suddenly reopened issues for negotiation that he had previously assured Baker were a done deal. Baker consciously modulated his irritation and referred to Assad’s calculated reversal as a misunderstanding.

At the same time, when Baker felt a display of emotion might advance the negotiating agenda, he expressed his anger. In the midst of one particularly frustrating session with Assad, which had lasted nine hours and forty-five minutes without a break, Baker intentionally slammed his briefcase shut with some force to let the Syrian leader know how angry he was.

Baker’s rare theatrical drama was the result of emotional exhaustion brought on by a long and frustrating effort to finalize a deal. In this instance, Baker used drama to send a signal as to how far the other side could push. The action was especially effective because it was so uncharacteristic of him.

Self-Motivation

Self-motivation is the quality that enables individuals to pursue their goals with persistence and energy in the face of difficulties and frustrations, and to maintain a laser-like focus on what they want to achieve.

Studies of Olympic athletes, world-class musicians, and chess grand masters show that they all share a common trait: the ability to push themselves and rise above difficulties and disappointments. In 1996, Lance Armstrong, “The Golden Boy of American Cycling,” had excruciating pain from what he later discovered was cancer, which had spread to his lungs and his brain. Chances of recovery were low, much lower than fifty-fifty. But, he remained optimistic and continued to fight. Eventually, he overcame cancer, returned to cycling, and once again, won the famous and challenging Tour de France.

Many point to President Jimmy Carter’s self-motivation as the central force behind the extraordinary success of the 1978 summit between Israel and Egypt, which resulted in the historic Camp David peace accord. President Carter displayed not only a command of the substantive issues and impressive social skills during the two weeks of the summit; he also showed that he had stamina. In one of the most intense episodes of negotiation between Prime Minister Menachem Begin of Israel and President Anwar el-Sadat of Egypt, Carter’s faith, optimism, and dogged determination pushed him to creatively find compromises where others might have relented.

Self-motivation may be difficult to maintain in high-stakes negotiations, especially when they are between parties who have been involved in a decades-long, protracted and violent conflict. However, Shimon Peres, the former prime minister of Israel has commented that the wars and peace between Egypt, Jordan, and Israel have taught him that what was impossible yesterday is possible today. “I am an optimist,” he says, “and when I get a ‘no’ as an answer, I am not angry. I don’t lose my patience. I don’t lose my persistence.”

Patience

Wide gaps between parties take time to resolve. In labor-management negotiations, the give-and-take can be protracted and the desired goal may take a long time to be achieved. As AFL-CIO Secretary-Treasurer Richard Trumka has said, “You just keep working your way through that.” It is the virtue of patience that propels you. “If you expect to come and have everything fall into place in two hours and then go to dinner,” Trumka says, “then probably, you are not suited to be a negotiator. Sometimes it takes weeks, sometimes longer – months and years.”

It took, for example, fourteen years to negotiate the Panama Canal treaty. It took two years and 575 meetings to negotiate an end to the Korean War. The direct Israeli-Palestinian negotiations have been going on and off since 1993, and so far there has not been any resolution. “You can’t go into negotiations and expect a very rapid resolution of differences,” former President Gerald Ford says, “The differences are often very valid. They require gradual movement.”

Washington lawyer and master mediator, Kenneth Feinberg, defines a Master Negotiator as someone who is flexible, persistent, creative, and optimistic. Optimism, Feinberg says, is important “because no matter how difficult the disputed gap between the parties might be, if one maintains an optimistic view that reasonable people can reach an accommodation, that optimism goads you forward.”

On the first day of the business mediation over Agent Orange (a toxic chemical that was sprayed from the air over North Vietnam by the United States military during the Vietnam War), Feinberg asked the lawyers representing American Vietnam veterans how much money they wanted. They replied: \$1.2 billion. “I then turned to the chemical

companies, Dow and Monsanto,” Feinberg says, “and I asked them what they were willing to pay in response to this demand. Together, they said, they would pay \$25,000.” It took a lot of optimism, persistence, time, and patience to close this gap.

Kenneth Novack, the former vice-chairman of America Online (AOL), says that when he negotiated the mega-merger between AOL and Time-Warner in 1999, the big issue of ownership split was particularly difficult. The first offer was to split the equity 50-50 between AOL and Time Warner. But Steve Case, AOL’s Chairman at that time, changed the proposed equity split to 60-40 in favor of AOL. “We kept on dribbling the ball,” Novack says, “even when it seemed that there was no air in it. Eventually, we compromised by splitting the difference, 55-45 in favor of AOL.”

Empathy

Empathy is the fifth component of emotional intelligence. It builds on self-awareness and can be defined as the propensity to understand the feelings of others and take their views into account when formulating tradeoffs and offers. Empathy also refers to the ability to read emotions via verbal messages and non-verbal cues, such as tone of voice, gestures, and facial expressions. It is, as Robert Johnson, the founder of Black Entertainment Television (BET) points out, “the ability to read the [negotiation] room.”

Palestinian Chief Negotiator Sa’eb Erakat believes respect is a stepping stone to empathy. He advises, “Respect the other side. Don’t ever undermine his or her concerns. Try to understand his or her point of view, whether you agree or disagree with it. Try to feel what the other side is feeling.”

Every year on the evening of Holocaust Memorial Day, a siren sounds all over Israel for two minutes as a mark of remembrance, and all activities come to a halt. Traffic

stops and people stand silent. Erakat has lived under Israeli occupation for more than 40 years, ever since he was a boy of twelve. Nonetheless, he says, when he was negotiating with the Israelis in Tel-Aviv on one such day, he stood up silently beside the Israeli negotiators when the siren went off.

The five dimensions of emotional intelligence - self-awareness, self-regulation, self-motivation, patience, and empathy – are all necessary and important qualities for managing emotions – yours and the other side’s.

Social Intelligence

In his influential 1983 book, *Frames of Mind*, Howard Gardner challenged the importance of the IQ test and suggested instead that individuals possess a wide spectrum of intelligences. These include the spatial intelligence of artists and architects; the kinesthetic intelligence of dancers and athletes; the musical talent of composers, musicians and singers; and the social intelligence of successful diplomats, salespeople, mediators, and teachers. Social intelligence is the ability to understand other people and their motivations, and how to work cooperatively with them.

In the late 1970s, Robert Johnson was a Washington lobbyist for the cable industry trade association. At that time, African-Americans had a lot of buying power, but no TV outlet. When he examined the programming available on cable television in 1979, Johnson quickly realized that filling that gap—offering a cable channel devoted to African-Americans—had tremendous business potential.

To become a cable programmer, Johnson needed money, which he didn’t have. But, he did know people with money. One of them was John Malone, the “King of Cable,” whom Johnson knew through cable industry meetings.

“The biggest negotiation I did in business,” Johnson says today, “was to convince John Malone to invest a half million dollars in my idea, in creating Black Entertainment Television.” To convince Malone, Johnson applied what I call the *compatibility principle*: he appealed to the things he felt were important to both Malone and him.

“I knew Malone and what he believed in,” Johnson says. “Malone, for example, believed in entrepreneurial initiatives and in individuals helping themselves and not relying on the government to help them. 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 to this deal.”

When Johnson was ready to make the pitch, he flew to Denver, Colorado, to meet with Malone and present his business plan. After a half-an-hour pitch, a one-page agreement was drawn up, and a few moments later, Johnson received a check for \$500,000.

Socially intelligent negotiators like Robert Johnson are connectors. They know how to build relationships, are good listeners, and enjoy interaction. They also tend to be good at organizing groups, coordinating their activities, and leading them. They excel in finding mutually acceptable solutions. They are social analysts – perceptive, attentive, and able to detect what motivates people and what they are concerned about.

Cultural Intelligence

Societies live in cultural silos. “I am always astonished by the fact that ministries of foreign affairs pay so little attention to historians and cultural anthropologists,” says Tommy Koh, Singapore’s former Ambassador to the United Nations. Multinational corporations, as well, usually pay little attention to the host countries’ cultures. They

often relocate executives who are culturally ill-equipped to deal with the host country's business practices.

Culture refers to the collective programming of the mind through socially-transmitted values that shape the way negotiators from the same culture think and act. Effective negotiators understand that different cultural roots shape the negotiator's mindset differently – basic assumptions, beliefs, values, and behaviors.

Western cultural values, for example, were shaped by Athenian philosophers, like Socrates, Plato, and Aristotle, who promoted critical thinking, formal logic, the categorization of ideas, and the decomposition of problems into small components. It is a linear form of thinking where logic is king. Eastern cultural values were shaped largely by Confucianism. In contrast to Western values, Eastern values saw the world as complex, contextual, and integrated. Events are holistic, interconnected, and have consequences. Nothing can be separated neatly into discrete and independent components.

Richard Shell, in his book entitled, *Bargaining for Advantage*, described how Armand Hammer, the CEO of Occidental Petroleum, established rapport with the Libyans. When he presented his bid to purchase a Libyan oil concession, it was written out on sheepskin parchment, rolled up, and tied with two-color ribbons-- green and black—the Libyan national colors. For the Libyans, Hammer had demonstrated that he was familiar with their culture and respected it. He won the contract.

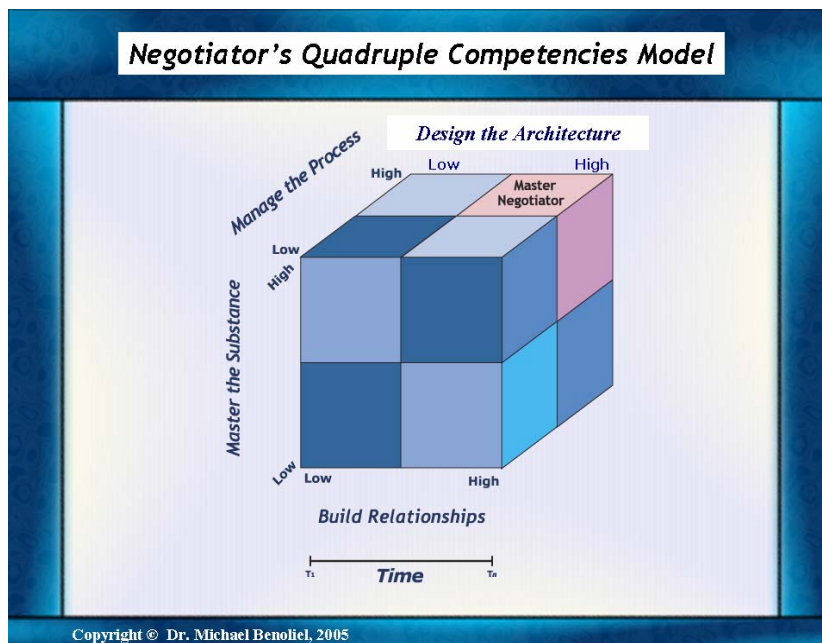
Culturally intelligent negotiators understand that they are embedded in their own culture and are influenced by different cultural values. These values include: the degree to which the culture is individualistic or collectivistic; the degree to which power is

shared between individuals; the degree to which communication styles vary; the degree to which individuals tolerate uncertainty and are willing to take risks; the degree to which people display emotions; the role that time plays; the value of relationships and how trust is being build; and the value of human dignity (“face”). To be a persuasive negotiator, you should understand these differences and “extend” yourself out of your cultural silo.

As the Negotiator’s Multiple Intelligences Model indicates, master negotiators rank high on cognitive intelligence, emotional intelligence, social intelligence, and cultural intelligence.

Negotiator’s Quadruple Competencies Model

Individuals who rate highly on all four forms of intelligence- cognitive, emotional, social, and cultural- will be able to develop the four competencies that are essential for becoming Master Negotiators. These four competencies are: due diligence and substance mastery; building relationships and trust; designing the architecture of the negotiation; and managing the negotiation process.



Due-Diligence and Substance Mastery

Due-diligence and substance mastery is often likened to dental flossing. Everyone knows that it is important but only a few practice it daily. In a survey of executives who were recently involved in mergers, half of the 250 respondents acknowledged that their due diligence efforts had failed to uncover critical issues. Therefore, it is not surprising that the failure to do one's homework sometimes leads to adverse financial consequences. For example, Quaker Oats did not realize any financial value from its \$1.7 billion acquisition of Snapple. Consequently, Quaker Oats sold Snapple twenty eight months later for 20 percent of what it had paid.

Master Negotiators appreciate the power of information and avoid the trappings of superficial due diligence that is based on secondary data. They secure the resources that are necessary to collect primary data themselves. For instance, John Connaughton, Bain Capital's managing director, has pointed out that too many practitioners accept secondary data, such as industry reports and other third party information, as being factually accurate when carrying out their due diligence. "We, at Bain Capital", he said, "throw out the secondary research. We build our point of view from the bottom up based on primary data."

Similarly, before Cinven, a leading European private equity firm, acquired Odeon Cinema, it sent its own team of analysts to the streets to collect primary data by "hanging out at the movies." The analysts had to examine each theatre's location and figure out its financial potential.

Master Negotiators know that what is critical in negotiations is not how much you know; rather, it is what you *do not know*. Thus, they avoid typical cognitive biases and

hazards, such as the *information availability bias* — the tendency to collect easily available information and ignore information that it is not easily available; the *confirmatory bias* — the tendency to search for information that verifies our preexisting beliefs and ignore or devalue disconfirming information; and the *agency problem* — relying on agents who sometimes do not invest enough time and effort in conducting due diligence because they lack the right incentives.

Building Relationships and Trust

In any negotiation, the issues divide the parties that are involved; however, common human traits tend to unite. The relationships and trust between the negotiators, according to some Master Negotiators, are the *sine qua non* of successful negotiations, more important than anything else. People will be more transparent and will reveal important information because of the good relationships they have with their counterparts.

Chicago Tribune president and publisher Scott Smith has played a central role in negotiating the company's key acquisitions. "If I am the lead negotiator," he says, "I want to be clear who the real players on the other side are. Then, I invest time in getting to know them for the purpose of building relationships with them."

Effective negotiators invest in building relationships and trust by creating opportunities for informal interaction before the negotiations; finding out their counterparts' likes and dislikes; making thoughtful gestures and offering small gifts; using flattery and humor tactfully; taking some risks by sharing information; playing fair; delivering on their promises; expressing empathy; and respecting the other side.

Designing the Architecture

In designing physical structures, architects think about functionality, aesthetics, and form. Thus, structure follows function. Once the structures have been constructed, they remain static for a long period of time, and are usually difficult to modify.

Negotiators, unlike architects, should think and act like flexible jazz musicians or football coaches. A football coach, for example, knows that structures (different configurations of the football players) influence the process (how the football game will be played), and will also determine the results of the game. Thus, they continuously assess how the structure affects the process. When the structure seems ineffective, that is, it does not facilitate a productive process, they quickly modify it. To achieve superior results, structures and processes ought to be flexible.

Master negotiators, as designers of structures, should consider these components of the structure: the *parties* – who will or can participate in the negotiation; the *issues*-- setting the agenda of the issues; the *sequence of the issues* – the order and importance of the issues; the *interests* – identifying the underlying needs and goals; the *alternatives* – thinking of and creating options; the *agreement* – determining the ripeness of the potential deal; the *linkages* – thinking about how the current negotiation might be connected to other negotiations; the *time* – how the passage of time will affect the outcomes of the negotiation; and the *location, venue, and schedule* – where the negotiations will take place and how long will last for.

Managing the Process

A recent Harvard study of two-hundred and thirty-seven participants undergoing training in negotiation found that managing the negotiation process was the most difficult

skill to master. The reason: it has to be continuously adjusted. Negotiators learn things in the give-and-take that goes on at the negotiation table that they did not know before, and they have to respond instantaneously. This unpredictability of the negotiation process makes it a challenge.

For example, what do you do, for example, if your counterpart, unexpectedly, gives you an ultimatum? Do you ignore it and continue to negotiate? Do you walk out of the room? Do you call for a short break? Do you counter the ultimatum with your own ultimatum? Your choice of how to deal with the ultimatum will certainly influence the negotiation process.

Managing the negotiation process is difficult because it is also multi-dimensional. One dimension is *temporal*. The negotiation process has three phases: pre-negotiation; negotiation; and post-negotiation. Each phase calls for different set of skills. Another dimension is *psycho-social*. To manage the psycho-social process well, a negotiator has to understand how individuals behave and how teams interact. This requires another set of skills to deal with psycho-social issues, including potential hazards such as overconfidence, the illusion of superiority, reactive devaluation, and groupthink. A third dimension of the negotiation process is *organizational*-- managing internal and external resources, communications, coordination, and decision-making. This dimension also calls for a different set of skills.

To manage the multi-dimensional negotiation process well, negotiators have to continuously monitor, assess, and influence the events, the behaviors, and the decisions of all the parties involved in the negotiation.

Dynamic Model

The Negotiator's Quadruple Competencies Model is dynamic because it includes time. At different phases of the negotiation process, different competencies are required. In the pre-negotiation phase, for example, negotiators should focus on substance mastery and use their due-diligence, preparation, and planning skills. As the negotiation moves from the pre-negotiation phase to the negotiation phase, the focus should shift from substance mastery to building relationships and trust. In this phase, therefore, negotiators should use their relationships and trust-building skills. In the negotiation phase, the negotiation process increasingly gains momentum. Thus, negotiators also have to focus on managing the process by using their process management skills. As negotiators build strong relationships and trust increases, their focus should shift more and more toward managing the negotiation process. There are two reasons for this. First, the trusting parties tend to accept each other's claims at face value and thus conduct less due diligence verification. Second, the relationships and trust are already intact and need only good maintenance. However, since negotiation processes do not always progress linearly in a predictable fashion, a progression might be followed by a regression. For example, if there is a sudden crisis of relationships because of a violation of trust, the focus should shift from managing the process to repairing the relationships and restoring trust.

The implication of the negotiator's quadruple competencies model is that negotiators should have multiple competencies and, according to the specific situation, use them together or separately.

Negotiator's Multiple Intelligences and Competencies

Cognitive intelligence is central to conducting effective due-diligence, mastering the substance of the negotiation, planning the negotiation, and designing the structure of the negotiation. Emotional intelligence and social intelligence are critical for building good relationships and nurturing trust between the negotiators. Cognitive, emotional, and social intelligences are important for managing the negotiation process. In global and multi-cultural negotiations, cultural intelligence combined with cognitive, emotional, and social intelligences are essential for improving our understanding of how negotiators from other cultures think, feel, and act.

The Principles of Master Negotiation

Whether intuitively or consciously, Master Negotiators understand and adhere to the basic principles that govern their performance and make them successful.

The Principle of Mastery

Malcolm Gladwell, in his book, *Outliers*, described the driving ambitions of Bill Gates, the co-founder of Microsoft; Bill Joy, the co-founder of Sun Microsystems; and the Beatles rock band. Their mastery in computers and music is largely attributed to the principle of 10,000 hours of hard work.

The Beatles started to play music together in 1957. In the clubs of Liverpool, their home town, they played short sessions-- only one hour long. In the clubs of Hamburg, Germany, in contrast, they had to play eight hours seven days a week. In just over a year and a half, they performed 270 times. By the time the Beatles came to the USA, in

February 1962, they had seven years of experience and many thousands of hours of playing music together.

Much is known about Bill Gates' post Harvard's dropout years. Not much, however, is known, about him at Lakeside middle school in Seattle. In 1968, when Bill was in eighth grade, Lakeside started a computer lab; well before many universities had computers. From that moment on, writes Galdwell, "Gates lived in the computer room."

Mastery is a mindset. It is all consuming. To become a Master Negotiator, you have to dedicate yourself and invest thousands of hours in learning and practicing negotiation.

The Principle of Visioning

Negotiators create the future. Whether they resolve a protracted conflict, or negotiate a successful business deal, they create a new and hopefully better reality.

The visionary negotiator has an idealized goal that proposes something better than the status quo. Master Negotiators like Shimon Peres in politics and Sumner Redstone in business will tell you that they are optimists. They are always looking forward to the future and to a better future, either in politics or in business. They have the capacity to articulate a vision that is abstract, symbolic, but also pragmatic-- an agenda for change. Master Negotiators, as visionaries, are risk takers, not gamblers. They are first-movers who are ahead of the crowd, seeing possibilities that others do not see.

The Principle of Pragmatism

In March 1995, Leigh Steinberg negotiated Drew Bledsoe's multi-year contract for the first time with Bob Kraft, the owner of the New England Patriots. Kraft proposed paying Bledsoe \$29 million over seven years. Steinberg immediately countered with \$51

million. Kraft, disappointed and angry, shook his head, got up and left the chaotic Arizona Biltmore hotel lobby in Phoenix where the National Football League (NFL) was holding its annual meeting. “Bledsoe doesn’t want to do anything with my team”, Kraft told himself. “He wants to be a free agent.”

It would take six months for Steinberg to call Kraft and invite him for dinner at an Italian restaurant near the waterfront in Boston where they could negotiate quietly. Aware of how emotionally charged the case was, Steinberg let Kraft vent his anger and frustration and assured him that Bledsoe would prefer to stay with the New England Patriots. Leaving the team was not an issue, Steinberg reassured Kraft.

After a conversation that lasted well past midnight, they made a deal. The next morning, they met again to refine it - a seven-year \$42 million package that included an \$11.5 million signing bonus, the largest in league history.

It was a successful resolution of the impasse because Steinberg was pragmatic and focused on the goal rather than on his ego. “My clients--sports professionals--,” he says, “have a short career span, especially if they get injured. So, I can not allow anything to impact my clients’ careers.”

Effective negotiators set high, challenging, but realistic goals. They are motivated by practical considerations and do not get entangled in abstract ideological principles or their own egos. When necessary, they even negotiate with villains. Ambassador Richard Holbrooke negotiated with the Balkan leaders, whom he described as thugs and murderers. In 1993, the late Prime Minister of Israel, Yitzhak Rabin negotiated with Yasser Arafat whom he had previously called a terrorist and murderer.

The Principle of Compatibility

Generally, in negotiations, there are areas of both compatibility and incompatibility. Successful negotiators focus more on the areas of compatibility and use them as a foundation for building a common ground or a bridge. Inexperienced negotiators, in contrast, tend to be more competitive and overlook compatible issues. They often assume that the compatible issues are incompatible and thus miss the opportunity to build bridges.

Master Negotiators recognize that in negotiations, some issues are compatible and others are not. To negotiate successfully, however, they focus primarily on compatible issues and on building a common ground by trying to harmonize all parties' interests.

The Principle of Harmonizing

Unskilled negotiators focus exclusively on their self-interest. They can not step into their counterparts' shoes. A United States arms control negotiator, for example, was once asked if he could craft a proposal that took into consideration the interests of both the Soviet Union and the United States. He was dumbfounded. Why in the world would the United States care about the Soviet Union's interests?

The essence of negotiation, according to Francois de Callieres, is "to harmonize the interests of the parties concerned" -- to create reciprocal advantages, where both parties benefit, because an agreement not advantageous to both sides contains the seeds of its own dissolution.

Master Negotiators look at the situation from multiple perspectives, incorporating both their own interests and others' interests as well. It is essential to craft an agreement

that will have a real benefit to the other side, says sports agent, Leigh Steinberg, because “people are not going to do something against their interests.”

The Principle of Creativity

Effective negotiators are creative and flexible, according to Eric Benhamou, the Chairman of 3Com, especially when the parties are deadlocked. They then have to come up with creative ideas to undo the impasse. This kind of negotiation, he says, “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.

When it comes to creative negotiators in sports, Leigh Steinberg says that, “there is a fellow named Carmen A. Policy, the President and CEO of the Cleveland Browns (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 to fight another day.”

Creative negotiators are also masterful deal designers. Netscape released its Web browser, Navigator, in 1994. Within two years, Netscape was the dominant player in the industry with 80 percent share of the market. To Microsoft, this was a serious competitive threat. “If there were ever a bullet with Microsoft’s name on it,” a senior executive from Microsoft said then, “Navigator is it.”

In August 1995, Microsoft released its own Web browser, Internet Explorer. It was bundled free with Windows. By then, America Online (AOL) was already booming with more than five million customers and 250,000 new ones joining every month. When

Microsoft's chairman, Bill Gates, pitched his browser to AOL's chairman Steve Case, he was rebuffed. However, Microsoft couldn't afford to lose the browser war to Netscape. How could Microsoft, which had a poor relationship with AOL and an inferior browser, convince AOL to choose its product over Netscape's superior Navigator browser?

The answer was to think strategically and structure a creative deal. Microsoft designed a deal that played well to Microsoft's overall strengths — and to AOL's needs — rather than focusing merely on price and the browser's technological strengths and weaknesses.

Microsoft proposed offered to provide Internet Explorer free to AOL, to integrate it seamlessly into AOL's software, and to place the AOL icon on the Windows desktop “the most valuable desktop real estate in the world.” It was a creative knock out for Netscape, which focused on the price of Navigator and its technical performance.

The Principle of No-Deal

Master Negotiators are optimistic, resilient, creative, and harmonizers. They work hard at making deals. At the same time, they condition themselves not to fall in love with a deal so that they can walk away from it. In mergers and acquisitions, for example, successful acquirers always set a walk-away price, and dispassionately prepare themselves to do just that: walk away, even at the very last minute. For example, when Carlos Gutierrez, the former CEO of Kellogg negotiated with Keebler, a deal he desperately wanted, he mentally conditioned himself that he might not have it. He did that so that he would be able to stand firm on his price. Master Negotiators never fall in love with a deal and know that ***no deal is better than a bad deal.***

The Principle of Balanced Adjustment

Negotiation is the interplay of the planned and the spontaneous, the deliberate and the accidental, the defined and the undefined, the structured and the unstructured.

Effective negotiators are flexible and adjust the extremes by loosening rigid structures and processes to encourage creativity and progress, and tighten loose structures and processes to prevent disorder and chaos. Sports agent, Jeff Moorad, used the balanced adjustment principle to get a successful deal for Travis Lee, a baseball player. Travis was the second pick in the 1996 draft and was somehow able to become an unrestricted free agent. Moorad, knowing the difference between negotiation, auction, and negotiauction, began to receive inquiries about Travis, and immediately sensed the growing interest in Travis. To intensify the competition, he told me, "I refused to name a price. Teams would call and ask me 'What are you looking for?' I never answered the question until the eleventh hour when we were close to making the deal with the Arizona Diamondbacks... It was not until the process played itself out that I ever felt comfortable naming a price. First of all, I didn't know that we were heading to \$10 million. If I had been forced to name a price early on, I might have said five million dollars."

The Principle of Strategizing

Strategic negotiators, like master chess players, are cognizant of all the possibilities that exist long before they start to play. They examine their options early in the game and select the moves that are most advantageous in enhancing their overall goal. While tactical negotiators are interested in short term gains, strategic negotiators, in contrast, are interested in long term mutual gains. They are creative, flexible, and anticipatory. Like good hunters, they do not aim at the flying bird. If they do, they will

miss. They aim ahead of the bird, anticipating its travel path and time. They know that each negotiation exercise requires its own tailor-made strategy.

The Panama Canal negotiations between the United States and Panama had continued for over a decade without much success. When lawyer-diplomat Sol Linowitz took over the negotiations in 1977, he had to design a more promising strategy. He decided to design a two-stage negotiation strategy. The first stage would deal with the security issue—important to the United States—and the second would deal with Panamanian sovereignty over the canal—important to the Panamanians. He was right. After so many years of impasse, it took only six months for Linowitz to bring the negotiation into a successful conclusion.

Former Secretary of State James Baker was described this way: “James Baker is a strategic negotiator. He is always thinking ahead: when to play and when not to play, not giving away too much too soon, holding back, and being tough when he had to be tough, but also flexible and ready to go out on a limb when he had to.”

Master Negotiators, like Baker, understand that the complex and dynamic nature of negotiating is neither linear nor sequential. Multiple events happen on several fronts at the same time. Therefore, they focus on and act in several fronts simultaneously. They plan their actions, anticipate the actions of others, consider consequences, act wisely, evaluate results, and stand flexible to change, if necessary.

The Principle of Uniqueness

No two negotiations, says Tommy Koh, former Singapore’s Ambassador to the United Nations, are identical. Each negotiation has its own agenda, cast of negotiators, tone, momentum, challenges, and complexities. A good negotiator must, therefore, never

become complacent and must always consider the uniqueness of the situation. He or she must resist the temptation to apply negotiation practices universally, because “a negotiator who has successfully negotiated three mergers,” says Jerry Pearlman, former Chairman of Zenith Corporation, “might make a mess of the fourth,” if he or she did not think about the uniqueness of the situation.

While each episode of negotiation is unique, some negotiation practices are, however, universal. The practices of due-diligence, mastering the substance, planning in advance, building relationships, and nurturing trust, for example, are common to all negotiations. There are, however, other practices that have to be designed to fit each unique case. The practices of when and how to make offers, respond to offers, and give or ask for concessions, for example, will vary from one negotiation case to the next.

Summary

Negotiation mastery may be an inherent gift for some individuals, but for most of us, it is a learned and practiced skill. Effective negotiators are endowed with multiple intelligences – cognitive, emotional, social, and cultural -- and use them to various degrees before, during and after the negotiation.

The multiple intelligences are the foundations on which negotiation competencies are built. Your four core negotiation competencies are: due-diligence and mastery of the substance; building relationships and trust; designing the architecture; and managing the negotiation process.

To become a Master Negotiator, you have to passionately master the art and science of negotiation; create a vision of a successful future; be pragmatic; focus on

compatibilities and build a common ground; harmonize the parties' interests by searching for creative options; walk away from bad deals because no-deal is better than a bad deal; remain flexible and continuously adjust the negotiation structure and process; think and act strategically, and always remember that each negotiation case is unique.

Negotiation is a stressful, time-consuming, sometimes frustrating, and often exhausting process. United States Ambassador Dennis Ross vividly recalls one week during a series of negotiations in 1997 when he negotiated all night, every night for six nights in a row. "We would end about seven in the morning, go back to the hotel, take a shower, take a nap, and then go back to work."

But Ross and other Master Negotiators will readily tell you that negotiating is also an exciting, energizing, unusually satisfying mental activity. Many enjoy the process itself, not just completing the deal. Former Secretary of State, James Baker loves "interacting with other human beings at a very high intellectual level." Scott Smith, president and publisher of the *Chicago Tribune*, finds negotiation to be "a stimulating blend of interpersonal and analytical dynamics."

Other negotiators, like former Senator Bill Bradley, are more fascinated by what the negotiation process allows them to accomplish. "I like to negotiate when I feel there is something important at stake," he says. Whether the final accomplishment is a new company, a new law, a new treaty, or a new contract that satisfies both sides, most Master Negotiators say negotiating enables them to walk away with the satisfaction of having created something valuable in the process.

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