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FLASH REPORT

SAVVY NEGOTIATING: TO GET THE MOON, ASK FOR THE STARS

One key way to build serious wealth—whether in a business or your everyday life—is to effectively and consistently negotiate deals that are good for you and your bottom line. Ideally, everyone walks away from a negotiation feeling good about the outcome—a win-win scenario. But ultimately, to be successful you must achieve your minimum goals and preferably a whole lot more.

Trouble is, it's common for people to end up failing to get what they want due to how they approach negotiations right from the start—from the first declarations of their terms. Here's how you can avoid that negative outcome and get the results you truly want when hashing out a deal or arrangement with another party.

START WITH YOUR GOALS

Clarity about goals is job one. In any negotiation, you will be well-served by being quite clear about what you want to walk away with. Most people in negotiations have a range of goals, and it's important you specify the top and bottom of the range. For example:

- High-end goals. These are the results you would achieve if the negotiations went extraordinarily well for you. Achieving these goals would make you exceptionally satisfied.
- Minimally acceptable goals. These goals will close the deal if you achieve them, but you'll walk away from the bargaining table feeling far from thrilled. If you don't achieve these goals, there is no deal.

By spelling out your range of goals, you are more likely to not get caught up in the negotiations themselves and make a deal that doesn't work for you.

TAKE YOUR INITIAL POSITION—AND MAKE IT BIG

When bargaining, self-made billionaires commonly make demands they do not expect the people they are negotiating with to accept. Often these are terms and conditions that many would consider extreme or even outrageous. They are, in effect, asking for the stars—a whole lot more than just about anyone would give them.

These billionaires recognize that they will give a little or even a lot along the way, which is both expected and perfectly acceptable. However, they are using the anchoring effect to better their bargaining position and come away with a deal that works well for them.

The anchoring effect is a type of cognitive bias that occurs when people make decisions and act on the initial information they receive—the anchor. Once the anchor is set, people tend to be biased toward interpreting other information around the anchor.

There are a number of ways to create an anchor. The easiest is to ask for an outsize outcome at the start of the negotiation. This will usually influence the perception of value for the other party throughout the negotiations.

The anchoring effect also sets the stage for you to implement your concession strategies. This is how you methodically go from asking for the stars to getting the moon—your acceptable result.

STEPS FOR SAVVY NEGOTIATING

Haggling is an integral part of good negotiation, and most people go into negotiations expecting some back-and-forth around numbers and terms. When both sides make concessions, both will more likely walk away satisfied.

By using the anchoring effect, your goal is to give yourself as much room as possible to make concessions and walk away with at least the minimum results you are looking for.

In every negotiation, the concessions you make are based on a combination of art and science. You can't concede too much or act too quickly, nor can you be inflexible.

To optimize results, there is a delicate balance of give and take that you can strike by keeping these ideas top of mind:

- Know what you can give up easily and what is very hard to give up. In business negotiations, there are regularly multiple issues, values and conditions. Some will be more important to you, and some less. You will be well-served if you know what really matters and what does not before going into a negotiation.
- When you give, make sure you get. Concessions should be reciprocal. If you make a concession, you should be looking to get a concession you see as equally valuable. If you make a unilateral concession, you are negotiating with yourself—and are absolutely losing.
- Incremental concessions are best. If you ask for the stars at the start and too quickly give up a great deal of ground, you will likely lose all credibility and power. Making a large concession willingly tells the other party that there is a lot more you will give up.
- Make concessions slowly. You want to communicate that these concessions are tough decisions. Tough decisions are ones you usually have to think long and hard about. Therefore, take your time and pace out making concessions.
- Have a final concession ready to close the deal. Many negotiations—especially complex business deals—are just about there after a lot of back-and-forth, but still do not close. You want something in your back pocket to push negotiations to an acceptable conclusion. It's therefore often helpful to have a "final" concession you can offer to close the deal you like.

POSSIBLE RESULTS

By shrewdly asking for outsize terms that the people you're negotiating with cannot (or should not) take seriously, you arrange the pieces on the chessboard to your advantage. Then, by skillfully making concessions and getting concessions in return, you meaningfully increase the probability of getting the results you really desire.

These are a few possible outcomes of "asking for the stars":

- You get the stars. While you might think your requests are outrageous, that does not necessarily mean the people you are negotiating with won't give them to you. Your counterparties might, for reasons you are unaware of, be so motivated to make the deal that they will accept your over-the-top numbers, terms and conditions. While this outcome generally has a low probability, it is a possibility.
- You induce the other person to discontinue negotiations. Your requests might be so extreme that the counterparty does not believe you can ever come to an understanding. Consequently, the counterparty might end the negotiations. Like the previous outcome, this one has a low probability of occurring.
- You get the moon. The moon is your high-end negotiating goal, and you end up making smart concessions and getting good concessions that result in you getting it.

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