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**THE SECRET TO
SUCCESSFUL NEGOTIATIONS**

Using Bargaining Power to Get What
You Want and Deserve

The Secret to Successful Negotiations

By Russ Alan Prince, John J. Bowen Jr. and Frank V. Carone

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The Key Takeaways

Being an effective and highly successful negotiator is a crucial skill for entrepreneurs—whose results are typically driven more by the deals and agreements they put together than by what they deserve (or think they deserve).

But despite the vital role that negotiating plays in entrepreneurs' success, too many business owners lack important deal-making tools that can empower them to achieve ideal outcomes.

In this report, we identify some of the most important tools that entrepreneurs who are exceptional negotiators consistently use to build significant self-made wealth. They include:

- 1. Developing an understanding of people's "backstage" areas.** Exceptional negotiators are highly motivated to truly understand the people they are dealing with in order to gain powerful bargaining advantages. Often, that requires being able to see things about the other parties involved that those people don't want seen or noticed—their so-called backstage areas, where their deepest motivations and anxieties reside. The ability to see into someone's "backstage" and understand it can allow you to maximize your negotiation goals.
- 2. Appealing to other people's enlightened self-interest.** During a negotiation, top negotiators seek to identify some commonality between what they most want and what the other person most wants. By acting to further the other person's interests and help them meet their goals, top negotiators are actually able to further their own interests in the deal. By leveraging enlightened self-interest, you can get what you want through helping others get what they want—because there is a direct link between those two outcomes.
- 3. Learning from your bargaining mistakes and bad deals.** Failing some of the time is inevitable. Even great negotiators make errors that result in negative outcomes for themselves and their companies. The key, however, is to do the hard work needed to assess why a deal went wrong and apply the lessons from it moving forward so they aren't repeated. Indeed, we find that top negotiators use a formal process to "autopsy" their deals that died before crossing the finish line.

We believe business owners will find the insights and action steps of their highly successful peers to be extremely valuable as they endeavor to become skilled and effective negotiators—and to continually improve their deal-making capabilities as they reach ever-higher levels of professional success.



Wanting to Become a Better Negotiator

"In business, you don't get what you deserve but what you negotiate."
—Chester L. Karrass, author, *The Negotiating Game*

On the topic of negotiation, it doesn't get much truer than that quote!

Negotiation—the process of reaching an agreement between two or more parties—is central to the functioning of society. It is characteristic of many social interactions that define how we get what we want, or some variation of what we want—or in some cases, nothing at all. It is not hyperbole to say that negotiation is a cornerstone to many entrepreneurs' personal and professional accomplishments.

What's more, negotiations are ubiquitous. Really, *any* interaction where someone wants something from someone else is a negotiation. It impacts all aspects of our lives, from the personal (our dealings with our spouses and children) to careers and business.

Simply put: Getting what you want in business and in life is a function of persuading other people to agree with you or to align their thoughts with yours, and then act accordingly. Your accomplishments often—at least partially, and often extensively—will be predicated on your negotiating prowess.

That prowess starts by adopting the right negotiation mindset. You must make a conscious decision to become adept at the art of persuasion, to learn how to establish trust with other people and to understand how to build credibility with the people who will eventually sit across the table from you in a negotiation. Building these skills will require you to check your ego. As one billionaire we know who excels at negotiations likes to say, "You can't deposit ego in a bank."

Unfortunately, we see far too many entrepreneurs struggling to attain the bargaining skills needed to take them where they most want to go. Even though many business owners today are reasonably good negotiators, they're still missing some important tools in their bargaining toolbelts—tools that could help them take their negotiation skills from strong to truly exceptional. And because they're missing these tools, they're missing out on the potential for more bargaining success that generates optimal results and outcomes.

We'd like to provide you with those tools:

1. Developing an understanding of people's "backstage" areas
2. Appealing to other people's enlightened self-interest
3. Learning from your bargaining mistakes and bad deals

Let's dive in!

A quick self-assessment

Given the central role negotiation plays in your life, it's probably a good time to ask yourself: How good a job am I doing at negotiating with other people? The answer could have a major impact on your ability to generate greater success and serious personal wealth going forward.

Take a moment to consider how accurate each of the following statements is about you.

Not at all accurate

Extremely accurate

1 2 3 4 5 6 7 8 9 10

- Negotiation is very important to my business success.
- I know the times when skilled negotiations have made a significant difference in my business.
- I can identify some times when, if I had negotiated better or asked for more, I would be in a better position today.
- I believe that I can always improve as a negotiator.

If you answered strongly positively to these statements, then you—like most entrepreneurs—recognize the value of adroit negotiations and realize there is always room to become a better negotiator so you can attain even better outcomes.

Negotiating in business

If you want to become significantly successful and build significant personal wealth as an entrepreneur, you probably have to ask for what you want and convince other people to go

along with you. That means you need to become adept at negotiating to accomplish your goals.

But to seriously increase the probability of getting what you want, you will have to negotiate in a constructive and meaningful way.

Many factors come into play when you are negotiating. This is especially true when the stakes are high—such as when a critical business deal is on the line and you are seeking a viable bargain. Consequently, there is a plethora of ways to negotiate. Some people might adopt a “scorched earth” strategy, while others will look inordinately hard to compromise (sometimes to their severe detriment). And there are so many variations in between. Most, if not all, of these strategies can work—if, that is, you stay ever vigilant and focused like a laser on your goals.

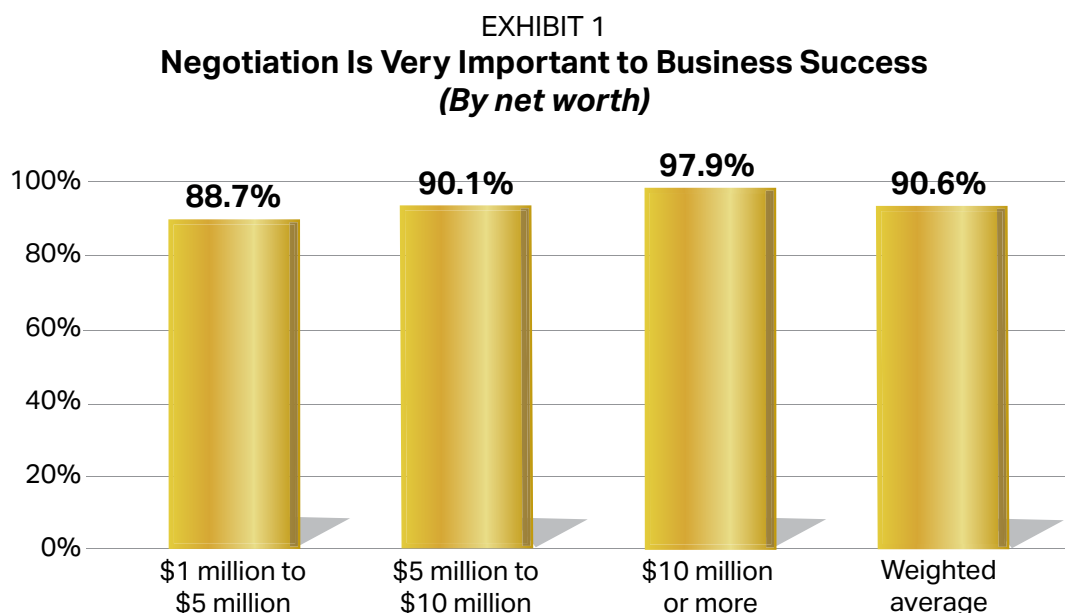
What is clear is that the approach you take says a lot about you and your circumstances.

What entrepreneurs have to say about negotiating

In an effort to get the latest word on entrepreneurs and negotiating, we went right to the source by surveying 616 successful entrepreneurs.¹ Here’s what we learned from them:

1. Negotiation and business success walk hand in hand.

A full nine out of ten entrepreneurs say that the ability to negotiate well is very important to business success (see Exhibit 1).



N = 616 successful entrepreneurs.

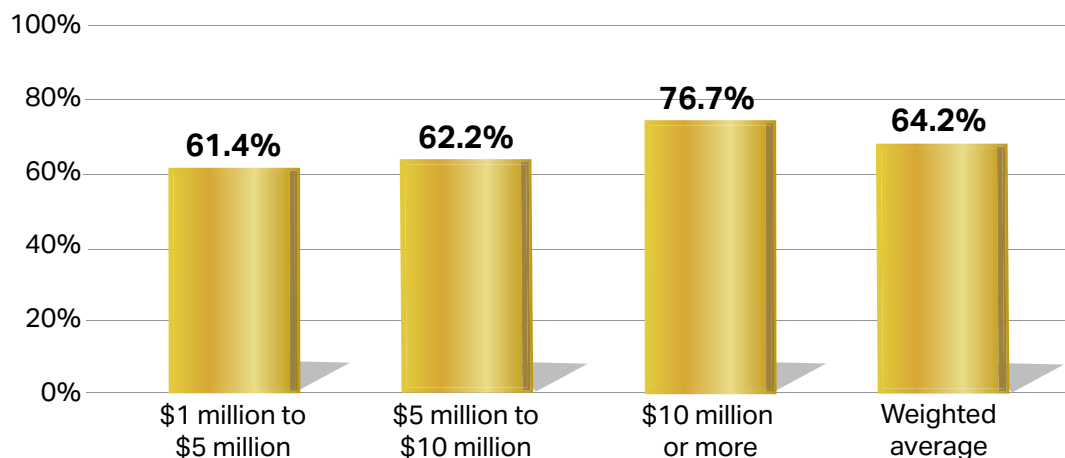
¹See About the Survey of Entrepreneurs beginning on page 28 for more information about these entrepreneurs.

Although business owners at all levels of net worth agree, a marginally greater percentage of the highest-net-worth business owners see the importance of being an adept negotiator. What we repeatedly find is that more financially accomplished individuals—be they entrepreneurs, corporate executives, advisors or others—are inclined to say that their bargaining abilities have been and continue to be instrumental to their success.

2. The positive power of past negotiations is often evident.

About three out of five of those entrepreneurs who highly value bargaining capabilities can easily identify negotiations they participated in that were critical to their companies' increased success (see Exhibit 2). Proportionately, slightly more of the wealthier business owners said this. These are usually situations where the fortunes of the company depended on skilled and effective bargaining.

EXHIBIT 2
**Can Identify Specific Extremely Critical Business Negotiations
(By net worth)**



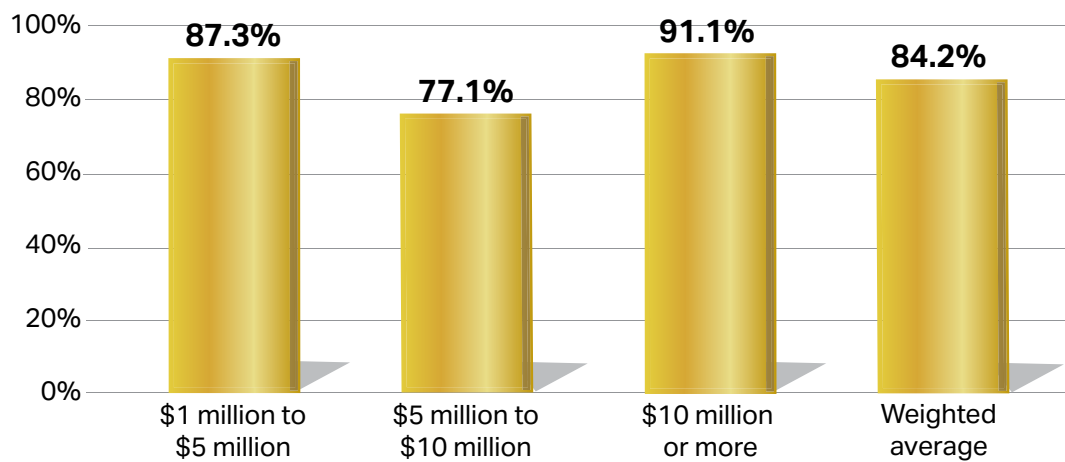
N = 558 successful entrepreneurs.

3. Past negotiation mistakes are often even more clear.

An even larger percentage of business owners are able to identify times when they were *not* particularly effective negotiators (see Exhibit 3). Again, the more financially successful entrepreneurs are particularly attuned to this issue. It is a matter of remembering their mistakes and considering lessons learned. It may have been that they lacked a clear goal or they weren't prepared enough. Perhaps they failed to gain credibility with the other parties involved. Whatever the case, top entrepreneurs are especially adept at identifying their mistakes.



EXHIBIT 3
Can Identify Ineffectual Negotiations
(By net worth)

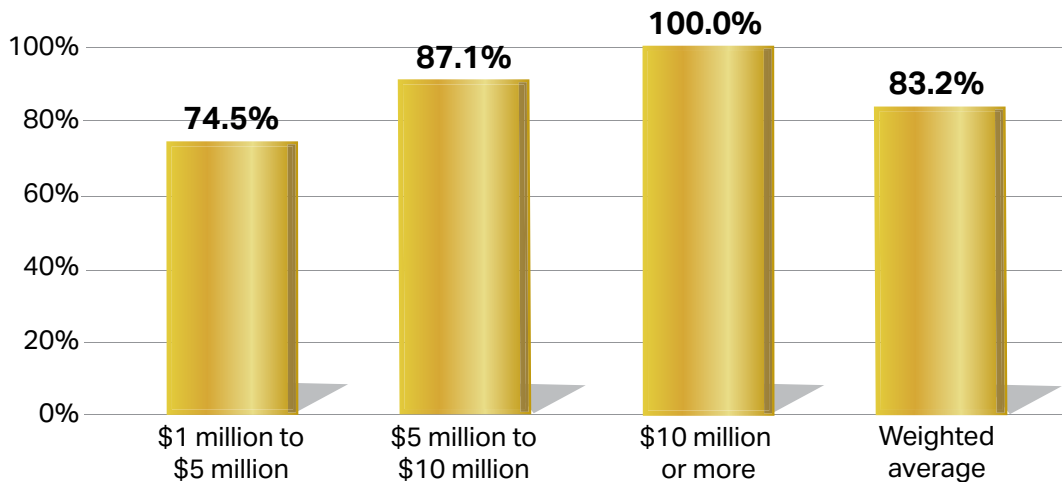


N = 558 successful entrepreneurs.

4. Entrepreneurs want to get better at negotiating.

Of the self-made successful business owners who identify the importance of negotiations, nearly 85 percent say they would like to become more proficient at negotiating (see Exhibit 4). All of the wealthier business owners are interested in becoming better negotiators.

EXHIBIT 4
Most Business Owners Want to Be Better Negotiators
(By net worth)



N = 558 successful entrepreneurs.

Striving for excellence

We find that even among the already highly skilled negotiators, there are many who are looking to further refine their abilities. Their rationale is very straightforward: Recognizing that effective negotiating is instrumental to business success; the more they can sharpen their bargaining abilities, the more likely they are to excel.

Being able to improve your negotiating skills and insights *even slightly* can often result in achieving better results. If you are an adept negotiator and improve your bargaining abilities modestly, you are likely to get some incremental improvements in deal terms and opportunities—likely putting you further ahead.

You need to admit that you can always improve. As noted, many brilliant negotiators express a strong desire to become even more proficient. They strongly believe in the power of lifelong learning. They actively look for expertise and resources that can help them become more capable. Just as important, they are very attuned to the process and outcomes of their actions. In this regard, they make a concerted effort to evaluate and learn from their experiences—in particular the bad deals they have been involved with.

The Secret to Successful Negotiations

"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."

—Sun Tzu

The secret to successful negotiations is not very secret at all. Sun Tzu stated it very clearly in his above observation about human interactions, which dates to around 500 B.C. What's more, it has been repeated innumerable times over the centuries in real-life instances.

Still, many people do not really understand how to be as effective as they would like when negotiating.

Using ethnological research as well as consulting with the affluent, we find that the self-made Super Rich—meaning those people with a net worth of \$500 million or more that they have built through their own hard work—with exceptional negotiating skills have regularly used Sun Tzu's "secret" to greatly improve their financial and personal positions.

While a solid understanding of the issues involved is usually very important in a negotiation, so too are "people smarts"—a deep understanding of what others want and what they need, supported by a driven mindset and the bargaining skills to get results. Being people-smart gives the self-made Super Rich a powerful competitive advantage, and a firm psychological edge, when negotiating. It helps them become exceptional negotiators.

And perhaps the most important way the self-made Super Rich are people-smart is in their ability to "look backstage" into the lives of others.

Looking backstage

Shakespeare's famous words "All the world's a stage, and all the men and women merely players" may be truer than he ever suspected.

Today, many sociologists rely on something called the dramaturgical perspective to help explain how we present ourselves to, and interact with, other people. Some of the savviest self-made members of the Super Rich class also know about and harness this perspective when working with clients, prospects, centers of influence and other people who are key to their continued success. They pay it particular attention when engaging in negotiations with others.

Here's how it all works—and how to use it to get a good look at people's backstage areas in ways that can enable you to enhance your own results in bargaining situations:

Front stage and backstage

The dramaturgical perspective, developed by the eminent sociologist, Erving Goffman, is predicated on a theatrical metaphor—with a stage (front and back), actors and audiences. It says that because people are social actors, they will present themselves in various ways to create and nurture how they want different audiences to perceive them.

If you live and work in the corporate world, you may hear this perspective phrased in a different way: impression management.

Central to the dramaturgical perspective is the concept of “front” and “back” stage.

- The front stage is where people can see your behaviors and proclamations. When you are front-stage, you are playing a certain role. It's all about how you want other people to identify you and think about you.
- Backstage, in contrast, is about being out of the limelight. It is where you are relaxed and not motivated to put on a “show” for an audience. Backstage, you are unobserved and unconcerned about the impressions of others—and how to manage those impressions to your liking.
- Other people's backstage areas are where your focus should be if you're trying to build significant wealth. Backstage is where the deepest or “most real” information about a person typically resides.

The front stage and backstage also come into play during negotiations. The front stage more likely is a debate over terms, often based on rationale arguments. Backstage is the reality because it is all about hidden and not-so-hidden agendas, emotional issues, and ego.

You on stage

Think about yourself through the lens of the dramaturgical perspective when negotiating (or in any aspect of your life). What impressions do you want other people to have of you? What characteristics and qualities would you like other people to attribute to you? This is your front stage.

Examples: In negotiations, some people want to be seen as being the smartest or most clever people in the room. Some people prefer to be viewed as hard-liners; others, as compassionate. Most people have a diverse combination of what they determine to be positive qualities they want to put out to the public. This is all part of the front stage.

Now, think about your life backstage. This includes all the facts about your life that you'd prefer very few people know about and the qualities you see in yourself that you believe to be less than ideal. There are often significant gaps and even contradictions between the front stage and backstage. Backstage is full of secrets about you that you'd like to keep under wraps.

When it comes to bargaining, backstage is where all the anxieties and insecurities surrounding the negotiation live. It is all the adverse consequences that go through your mind when you are trying to close a deal. It includes all the implications concerning the deal that you do not want other people to know about. All this and more is backstage—and it underpins how you negotiate.

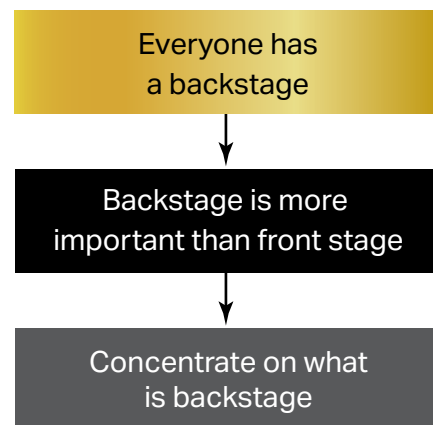
Exceptional negotiators focus on the backstages of others

Professional poker players in high-stakes games will often talk about not only playing the cards but also playing the other poker players. They are looking for “tells”—physical or verbal cues other players give that offer clues about the strength of their hands. These poker players are basing some of their decisions on their perceptions and knowledge of the other players.

Guess what? Exceptional negotiators are a lot like these world-class professional poker players. They recognize that everyone has a backstage area, that this backstage area is more important than the front stage people willingly present and that negotiators should therefore concentrate on it like a laser (see Exhibit 5).

During negotiations, they are highly motivated to “look backstage” in order to truly understand the people they are dealing with. They recognize that it's what lies backstage in others that can give a negotiator powerful bargaining insights. Their approach to seeing what most people prefer they not see gives them a significant advantage when negotiating.

EXHIBIT 5
Backstage Is the Key



How do they do it? Exceptional negotiators gain backstage knowledge of other people in a combination of ways, including:

- Knowing the history of the people they are dealing with
- Asking astute and detailed questions
- Actively listening for pieces of valuable information over time (see the box on page 13 for more)
- Cold reading

The last item in that list requires some explanation. Cold reading is an orientation and a set of techniques that can be used to effectively uncover information. Commonly, cold readings will incorporate high-probability guesses coupled with quickly picking up on reactions to ascertain the accuracy of the guess (or to speedily move on to other topics).

Example: By talking about health issues during extended negotiations, it is possible to get a good understanding of the health concerns of others and how impactful those concerns are for them in regard to the negotiation. By discovering the other party's concerns, exceptional negotiators may be able to build rapport around shared experiences over health and health care.

Next level: At times, the self-made Super Rich will be highly proactive and turn to investigators to find useful information. When it comes to big money, high-stakes negotiations, for example, investigators may be used to better understand the other parties' most important motivations.

Two ways to use backstage information

Gaining backstage insights about others allows negotiators to accomplish two important tasks that help them increase their overall success.

- 1. It helps position people as resources and boosts trust.** The backstage area is replete with people's self-identified weaknesses and problems. By helping them better address these issues and concerns, superior negotiators gain credibility with important contacts in their lives—and receive reciprocal appreciation. Because empathy—understanding other people's backstage concerns—breeds trust, often this can lead to new partnerships, agreements and arrangements to work together that are profitable for all involved.
- 2. It helps create competitive advantages.** Discovering things about people that they would prefer to remain unseen can give you a powerful advantage in managing and negotiating situations. It can increase the chance of winning in numerous business scenarios—just as it can give poker players an edge in competitions.

How to listen—actively

Listening is a skill that is easy to understand but tough to do well and do consistently. For most people, “listening” is really just waiting for their turn to talk. They are patiently biding their time until they can say something they consider to be insightful, worthwhile and very important.

However, learning to listen extremely well can really pay. The reason: People usually love to talk about themselves—which gives you an opportunity to learn important information you can then use to compete, cooperate or both.

Active listening is all about capturing and truly understanding the messages another person is sending by assessing nonverbal and verbal messages. A person’s posture, tone of voice and facial expressions are all examples of nonverbal messages.

Active listening also entails understanding the context—the current situation, the backstory of the person and the scenario, and the person’s expectations.

Excellent negotiators tend to be astute active listeners. They are highly engaged and quite interested in what other people are saying. To some extent their listening is indicative of caring behavior—emotional empathy. But largely, they are highly active listeners because it aids in negotiation success and serious wealth creation.

Active listening is a very potent means of intelligence-gathering and of discovering people’s backstage selves. Exceptional negotiators carefully and discerningly attend to the people they are dealing with so they can collect information and perspectives that will further empower them when bargaining. For example, by actively listening you can readily tell how well the people you are negotiating with have prepared. Exceptional negotiators listen to what other people are saying as well as how they are saying it. They are listening for weakness as well as strength. Exceptional negotiators listen to learn about the backstages of the other parties.

Active listening with this level of commitment and intensity is especially helpful when you lack experience dealing with someone, so you can gain an understanding of how the person thinks and reacts. That understanding can, in turn, help you predict their actions and decisions with strong confidence. And it gives you a distinct advantage when negotiating.



Appealing to Other People's Enlightened Self-Interest

"The word virtue is as useful to self-interest as the vices."
—Francois de La Rochefoucauld

Stop saying "should."

That's the advice from many exceptional negotiators when it comes to getting other people to behave in ways that can benefit you. What you think they *should* or *shouldn't* do does not matter. This is usually true in all aspects of life, and it is especially the case in negotiations.

We are confident there have probably been a good number of times you prepared for a negotiation thinking what the other side "should" do, say, respond and so forth. Then, you went into the room and nothing about what you believed the other party should or shouldn't do or say was accurate.

By focusing on what you think other people should or shouldn't do in a business or personal situation, you will probably become frustrated and maybe even angry when they fail to live up to your expectations—which will happen quite often, by the way. Your frustration and anger can easily make the situation worse.

Focusing on what other people should, in your opinion, do for you (or with you) is essentially no different than talking to a recalcitrant teenager or headstrong toddler. No matter the infallible logic of your argument, no matter the "obviousness" of your point of view, they are going to act as *they think* they should act—with your opinion having little to no value.

The good news: There is a solution to this problem. Engage with their **enlightened self-interest**.

Give to get

Without question, every person has his or her own goals and agenda and is looking out for his or her own welfare—especially when negotiating. Even people who dedicate their lives to benefiting others are using their time, energy and resources to further goals they care about deeply. So while they may be highly altruistic, they are still acting in accord with their enlightened self-interest—helping others helps them.

The happiness of people we care deeply about also clearly falls under the umbrella of enlightened self-interest. When someone we love suffers, we suffer too. Thus, it's in our

enlightened self-interest to do whatever we can to make their lives better. Alleviating their suffering alleviates our own pain.

The idea behind enlightened self-interest is to identify some commonality in what you most want and what the other person most wants in a negotiation or bargaining situation. Then, by acting to further the other person's interests and help them meet their goals, you will ultimately be able to satisfy your own interests and meet your own goals.

Essentially, you get what you want by helping the other person get what they want, because there is a direct link between those two outcomes.

Entrepreneurial enlightened self-interest

Here's what "entrepreneurial enlightened self-interest" means to you as an entrepreneur and negotiator:

If you want people to behave in ways that are supportive of your business endeavors, they will do so not because they should—but because you have shown them how it is in *their* enlightened self-interest to do so.

The upshot: If you can find a way to align *your* enlightened self-interest with *their* enlightened self-interest, it is highly likely you are going to get support for your initiatives. If you can't find a way, you probably won't get that support.

Use the power of enlightened self-interest like top negotiators

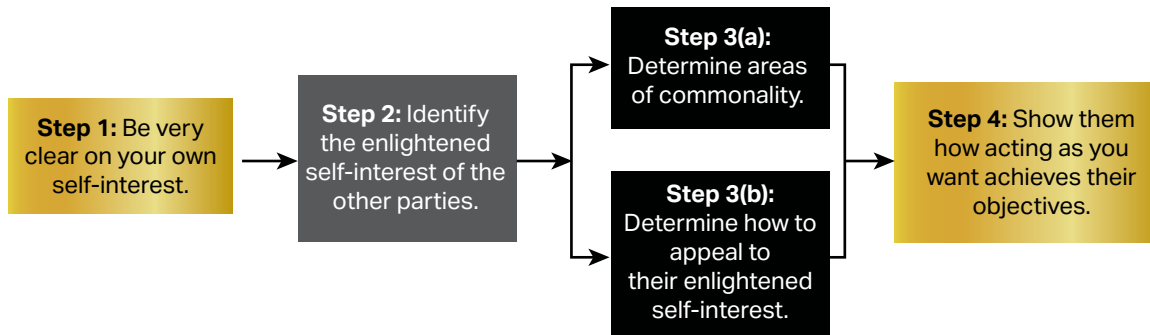
Without question, every person at the negotiating table has his or her own goals and agenda. Much of this is visible only by looking backstage. The other parties are looking out for their own welfare and what they want out of the deal.

We've found, based on extensive ethnological research, that the self-made Super Rich are often exceptionally good at aligning the enlightened self-interest of everyone involved in a negotiation. Indeed, this skill has often proven to be foundational to their ability to build hugely successful businesses and, from there, create substantial personal wealth.

The process of aligning the enlightened self-interest of all involved is simple, conceptually. Start by remembering what the self-made Super Rich know very well: Individuals are motivated by what is most important to them—their deepest goals and objectives, many of which reside backstage. Whatever you think they *should* do is irrelevant—they will not act in ways that conflict with their goals and objectives.

Exhibit 6 illustrates the key steps.

EXHIBIT 6
The Enlightened Self-Interest Process



Step 1: Be very clear about your own self-interest.

Exceptional negotiators are habitually very clear about how they define their own most important self-interest (or those of their clients). For example, they might take a position that winning a particular deal is of paramount importance, to the exclusion of established and (otherwise) meaningful relationships. On the other hand, because they anticipate having to bargain with these people extensively in the future, they may take a more conciliatory approach.

A clear understanding of your own self-interest will enable you to negotiate with maximum effectiveness in any situation. A relatively easy way to determine your enlightened self-interest with respect to any negotiation is to answer questions such as these:

- Why are you participating in this negotiation?
- What outcome would satisfy you?
- What results would make you feel you have been extremely successful?
- What terms are absolutely nonnegotiable?
- What are your minimum acceptable results?
- What happens if you do not reach a deal?
- How important is your relationship with the other party longer term?

We find that most entrepreneurs are able to fairly easily determine their enlightened self-interest. When they do—and when they are very centered on their goals and agendas—they become much more clever and shrewd negotiators.

Step 2: Identify the enlightened self-interest of the other parties.

Determining what is extremely important to someone else is not always easy, especially as it may be important to the other parties to keep you from looking backstage to get that information. Most people are very willing to hide their goals as they play front-stage roles they think will help them obtain what they want.

That's why exceptional negotiators tend to spend a lot of time and effort unearthing what is strongly meaningful to the other parties they are bargaining with. They rarely take anything at face value, and they look hard to see behind the curtain into people's backstage areas.

Take profits, for instance—something everyone in business wants more of. However, in a particular situation, would helping someone be seen in a certain light be worth more to him or her than a slightly more profitable business deal? It may be. Exceptional negotiators are often able to find other ways of appealing to a person's enlightened self-interest that go beyond expressed deal terms.

Step 3(a): Determine areas of commonality.

The more overlap that exists between your self-interest and someone else's, the easier it is to move forward to pursue mutual success. Because your interests are aligned, it is fairly easy to reach agreement.

Certainly there can be a great abyss between what you want to accomplish and what the other party is looking to achieve. This is especially true in high-stakes negotiations. Still, there are going to be areas of commonality—few initially and more over time. It is important to strongly highlight and leverage *all* areas of agreement.

A key consideration is making sure that the areas of commonality perpetuate. Ideally, the overlapping areas are stable and continue well into the future. But changing circumstances can easily result in a lack of alignment. When this occurs, you have to take action to keep the endeavor on track—usually by appealing to the other person's new enlightened self-interest.

Step 3(b): Decide how to appeal to their enlightened self-interest.

You have developed a better understanding of the other parties by seeing who they are backstage. Consequently, you have good insights into their enlightened self-interest and the ways your recommended actions and concessions can help them achieve their goals and objectives. At this point, you are aiming to match up aspects of your agenda with their enlightened self-interest.

Many exceptional negotiators are very process-oriented at this step. For example, they will frequently create a grid or matrix to determine where the overlap exists between their self-interest and the other person's. Armed with that insight, they can appeal to the other person's needs and goals with an offer of real value.

Important: Appealing to the enlightened self-interest of other parties in a negotiation is much more art than science. Generally speaking, exceptional negotiators develop their expertise—including being able to see into people’s backstage areas—often through lessons learned the hard way (such as their own failures).

Enlightened self-interest isn’t about trying to persuade or convince someone that an opportunity exists. Instead, it’s about pointing out opportunities for success that *actually do exist* in a situation, for both of you, but focusing the discussion mainly on how the other person can benefit.

Step 4: Show them how acting as you want them to achieves their objectives.

You have to powerfully and poignantly communicate how taking the actions you advocate will enable the other party to achieve their own goals and objectives—their enlightened self-interest. There have to be aspects of the negotiation that will get them what they want. This might mean, for example, showing them how they will substantially profit by going along with your key terms.

Exceptional negotiators prove to be very adept at framing these discussions to focus on the other person—they make the conversation about the person sitting across from them and not about themselves and their interests (which they intentionally keep in the background).

Example: Say the focus of a negotiation is on how a deal would make money. Top negotiators will concentrate on how the other party will profit. Their own potential success will be downplayed or, even better, not mentioned at all.

Ultimately, many people you negotiate with—or you want and need to deal with to boost your success—are going to be thinking mainly or exclusively about themselves and their goals. By leveraging the concept of enlightened self-interest, you can gain a significant competitive advantage. Help others get what they seek and you’ll find them taking actions you want them to take that will put YOU in the winner’s circle.

Simply put, for every person in every negotiation, ask yourself:

“What is his or her enlightened self-interest in these negotiations?”

“Am I appealing to his or her enlightened self-interest?”

If not, ask yourself:

“How can I align my enlightened self-interest with his or her enlightened self-interest?”



Learn from Bargaining Mistakes and Bad Deals

"Failure is the key to success;

Each mistake teaches us something."

—Morihei Ueshiba (founder of the Japanese martial art of aikido)

Let's face it: You will find yourself in negotiations that end badly. Failure is an inevitable part of being an entrepreneur. There are going to be business ventures that crash and burn.

What's more, the higher you set your sights, the more likely you are to fail. In fact, it's probable that the failures will be grander *because* your aspirations and efforts are going to be grandiose and intense.

But here's the thing: How you react to unavoidable negotiation stumbles and blowups can make all the difference in achieving tremendous success down the road.

When negotiations collapse and proposed deals become train wrecks, most people hunker down and retreat. They let these situations get the best of them and "hide under their blankies" (metaphorically in most cases, but literally in a few). It is all too common to succumb to the headaches that failed negotiations produce.

Many will ruminate on the "disaster" and, in so doing, magnify their anxieties and become depressed—making them that much less capable and effective. Those who simply sulk away needlessly put themselves out of contention. They will never become exceptional negotiators.

But even those who experience a major negotiating failure and do manage to get moving again will often continue to fail going forward—usually for the same reasons, over and over again. They make the same negotiating mistakes repeatedly because of the biggest failure of all—*they fail to learn from their previous negative experiences as well as the negative negotiating experiences of other people*. Both kinds of experiences offer tremendous learning opportunities that too often get overlooked.

Learning from failures

In stark contrast, exceptional negotiators are experts at using their mistakes and failures to improve themselves, their ability to look backstage, and their strategic and tactical bargaining skills. Indeed, nearly every exceptional negotiator has a story—often several—about a deal

Three feet from gold

Although failures will occur, it's extremely important to differentiate temporary setbacks from true defeats so you don't give up at the wrong times. This idea is perhaps most famously illustrated by Napoleon Hill's "three feet from gold" story in his famous book *Think and Grow Rich*.

In it, a prospector discovers gold ore and begins mining it—only to one day find the vein of gold ore has disappeared. After desperately drilling to relocate the gold, the prospector decides the mine has dried up. So he sells his mining equipment at a bargain price and moves on. However, the buyer of the equipment isn't so sure the mine is dead. He calls in an expert for assistance and discovers that the vein of gold is still there and still plentiful—a mere three feet away from where the original prospector had been drilling!

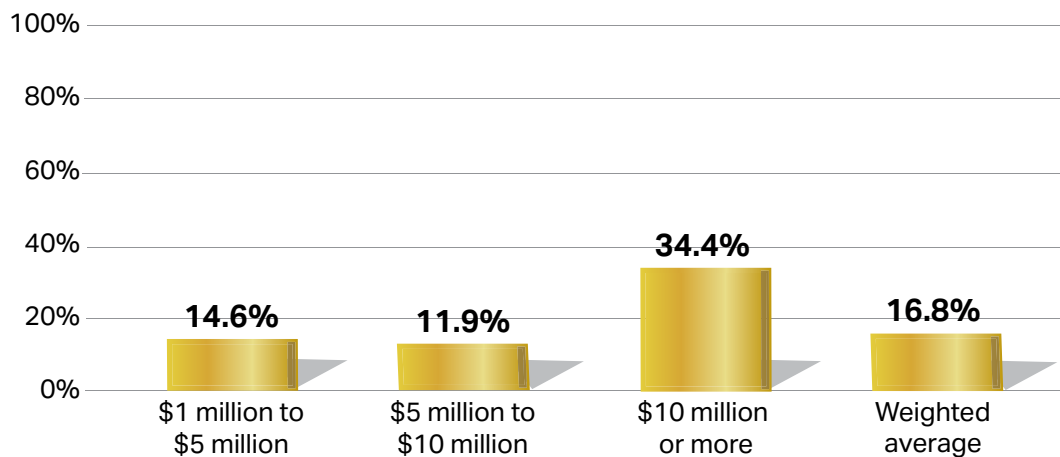
Needless to say, the new owner generates many millions of dollars from the mine—dollars that would have gone to the prospector if he hadn't given up when he was so close to massive success.



that went bad and what the negotiator did to make it so. But exceptional negotiators take steps to learn from those decisions and avoid them the next time around—helping increase their success and their wealth.

Overall, we find that successful entrepreneurs who say negotiations are very important don't put in the time and effort to critically examine bad business deals for ways to improve their negotiating prowess (see Exhibit 7). That said, the wealthiest entrepreneurs are much more likely to take steps to learn from their mistakes.

EXHIBIT 7
**Regularly Review Bad Deals After the Fact to Find Negotiating Mistakes
(By net worth)**



N = 558 successful entrepreneurs.

Autopsying negotiating failures

How do you learn from your bad deals to be a better negotiator?

We find that many exceptional negotiators make it a policy to autopsy their failures—dissecting them so they can learn from them.

There are five vital steps in autopsying negotiating failures (see Exhibit 8). Depending on the nature of the endeavor or situation being dissected, these steps will need to be adjusted and the follow-on components will change. Nevertheless, the five vital, foundational steps are these:

- 1. Review your goals and expectations.** What did you want to achieve from the negotiations—what was your enlightened self-interest?

2. **Assess the precise outcomes of the negotiation.** While you have determined that the negotiation did not go well, there are varying degrees of failure. Hence, you need to determine just how bad the deal was as precisely as possible.
3. **Identify the discrepancies.** It's important to quantify (where possible) and highlight everywhere you can the differences between what you expected and what happened.
4. **Compile a list of all the mistakes you made in the negotiation.** Put together a list of all the errors that resulted in each discrepancy—without beating yourself up about each one. Very often the best way to do this is to construct a matrix. The reason: Many of the same mistakes tend to produce multiple discrepancies. One particular mistake to look for is whether your ego got in the way of negotiating a successful deal.
5. **Specify the lessons you need to learn.** By carefully considering the causes of the discrepancies, you're likely to see singular errors in judgment as well as patterns of miscalculations. For example, not paying attention to the backstage of the other parties is often a recurring problem. From these conclusions you need to tease out the lessons so you don't make the same mistakes next time.

EXHIBIT 8
Autopsying Negotiating Failures



Three guidelines to better learn from your mistakes

There are going to be times where you are going to do bad deals; you will do a poor job of negotiating. Just about all exceptional negotiators have messed up. However, exceptional negotiators tend to make their bargaining failures work for them.

Autopsying failed negotiations can often be stressful and arduous. After all, the process is about admitting that you messed up and reliving those errors repeatedly—complete with all the aggravation and strain, multiplied by knowing the ending. It's about highlighting your weaknesses while discounting your strengths. But if you autopsy failed negotiations well and learn the lessons the process provides, you can achieve considerably greater success down the line.

With that in mind, here are three guidelines for making your autopsy process more impactful and efficacious:

Guideline 1: Take your time.

The personal pain of reliving negotiation failures tends to make people want to rush through it all. By going quickly, however, you risk being sloppy and missing key elements that reveal the genesis and true consequences of the poor decisions that were made.

When expert negotiators dissect their failures, they tend to go at it with enthusiasm. They're *actively looking* for ways to improve their bargaining strategies and approaches.

Negotiation implication: Take each step carefully to ensure that you cover all the ground you can. Look at your errors from a number of perspectives. Make sure when you identify a lesson that it's the lesson you need to learn.

Guideline 2: Be extra critical.

When exceptional negotiators evaluate their mistakes, they tend to not be very nice to themselves. On the contrary, they are often quite brutal—but constructively so.

Negotiation implication: You need to be appropriately hard on yourself. Unless you're brutally honest, you're not going to be able to identify the lessons you need to learn. Subsequently, you're not going to be able to correct your mistakes.

Guideline 3: No pain, no gain.

Becoming an exceptional negotiator is not easy. You're going to take a lot of body blows along the way, and they're going to hurt. The exceptional negotiators move forward and are better because of their failures and the hurt. In fact, it's often the pain that stays with them most—inspiring them to not make the same mistakes a second time.

The key is to persevere and put in the hard work that so often makes us "lucky." There's a well-known story told by famous golfer Gary Player in *Golf Digest* that illustrates that point nicely:



"I was practicing in a bunker down in Texas and this good old boy with a big hat stopped to watch. The first shot he saw me hit went in the hole. He said, 'You got 50 bucks if you knock the next one in.' I holed the next one. Then he says, 'You got \$100 if you hole the next one.' In it went for three in a row. As he peeled off the bills, he said, 'Boy, I've never seen anyone so lucky in my life.' And I shot back, 'Well, the harder I practice, the luckier I get.'"

Negotiation implication: The idea is not to avoid the pain but to use it to learn lessons that will help you become and remain an exceptional negotiator.

Remember: When you end up with a bad deal, it is all your fault

Finally, take a philosophical step back, look in the mirror and tell your reflection that your failed negotiation is entirely your fault.

Just be sure to have a smile on your face when you do.

You see, it's not about being self-sabotaging. Self-destructivity in all forms is to always be avoided. It is not about being overly critical and, consequently, unhelpful. Instead, it's about being honest with yourself and moving forward with greater insight from the lessons learned. The only way to profit from your negotiating failures is to admit that they're *your* failures and to take ownership of your errors and missteps.

Let's say the collapse of a critical high-stakes negotiation was due to the fact that the other party had an agenda they were not interested in sharing. *It's still your fault.* By not being able to look backstage, you did not understand what you needed to do to most effectively appeal to their enlightened self-interest.

In a nutshell, the only person who's going to make you an exceptional negotiator is **you**. Good or bad, success or failure—the buck must always stop with you.

Conclusion

In business, and in much of life, you probably won't excel and reach your full potential if you don't have the negotiating skills that will convince others to take the actions that you want them to take. As we noted at the start, you don't get what you deserve—you get what you negotiate.

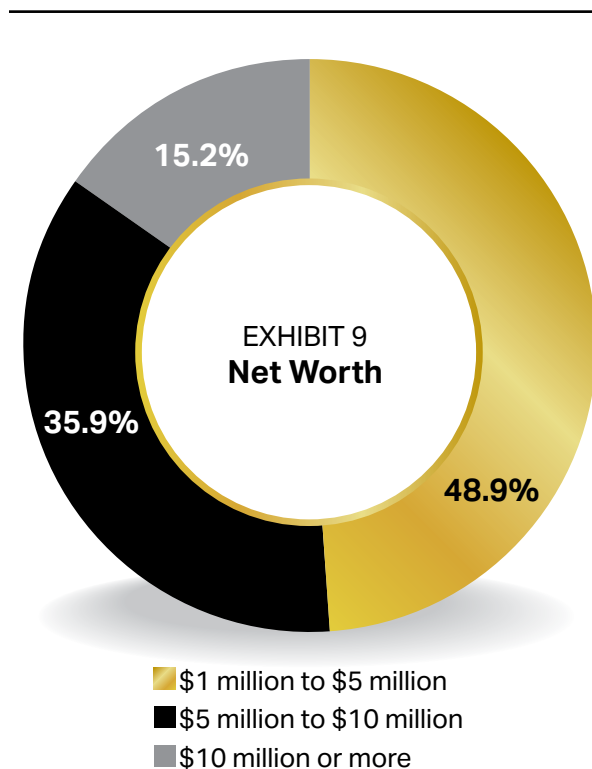
Armed with the three tools used by exceptional negotiators, you can begin to position yourself for significantly greater success at the bargaining table—potentially resulting in better deals that come with the terms you value most. Over time, such success can be a key driver of building an exceptional company as well as generating serious personal wealth.

The key, of course, is to act. Don't let the lessons of this book gather dust. Get to work—now—by taking steps to better understand the backstage areas of the people you negotiate with, to appeal to their enlightened self-interest and to carefully autopsy those deals that go bad so you can learn from them—and avoid making the same errors the next time around.

About the Survey of Entrepreneurs

In the second and third quarters of 2018, we conducted a survey of 616 successful entrepreneurs. Each respondent had to meet the following criteria in order to be included in the study:

- Each business had to be privately held.
- Each business had to be in continuous operation over the past five years.
- Each business had to have minimum annual revenues of \$1 million or more in each of the past two years.
- Each entrepreneur had to have a minimum equity stake of 20 percent in the company.

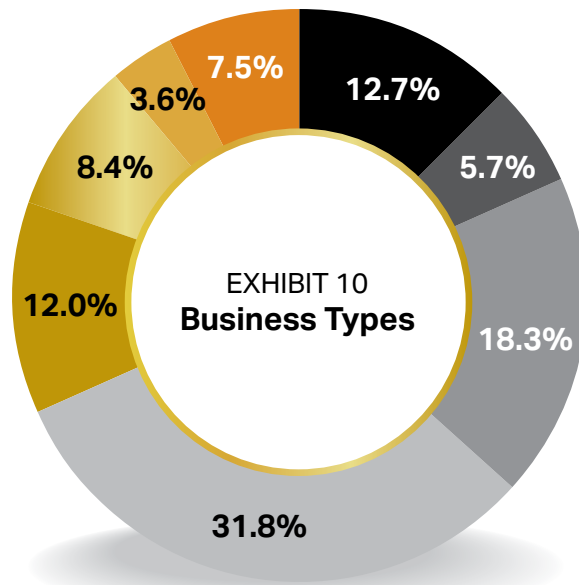


About half the entrepreneurs had a net worth ranging between \$1 million and \$5 million (see Exhibit 9). The net worth of about a third ranged from \$5 million to \$10 million. The remainder had a net worth greater than \$10 million.

The survey respondents represented a wide range of industries (see Exhibit 10). Services accounted for the majority, followed by retail and wholesale businesses, and then real estate and construction companies.

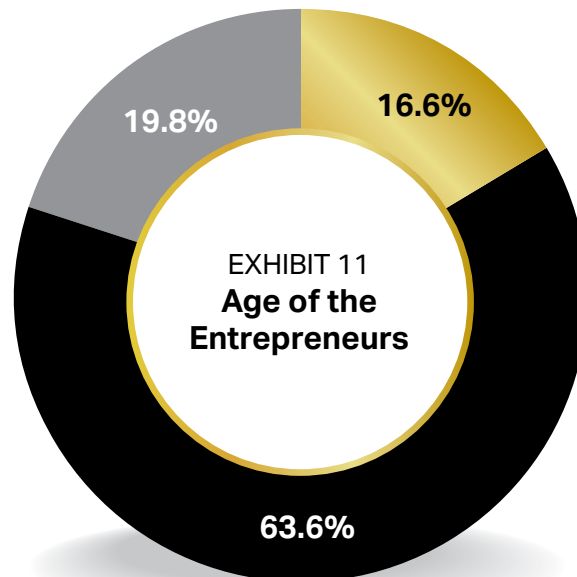
More than three out of five of the survey respondents were between 40 and 55 years old (see Exhibit 11). The rest were split fairly evenly between younger and older successful business owners.

N = 616 successful entrepreneurs.



- Real estate and construction
- Hospitality
- Retail and wholesale
- Services
- Manufacturing
- Technology
- Distribution
- Other

N = 616 successful entrepreneurs.



- Less than 40 years old
- 40 to 55 years old
- More than 55 years old

N = 616 successful entrepreneurs.

About the Authors



RUSS ALAN PRINCE is one of the leading authorities in the private wealth industry. He regularly consults with the Super Rich, family offices and select professionals. Prince is executive director of the Family Office Association Institute and has authored or co-authored more than 60 books, including *Elite Wealth Planning: Lessons from the Super Rich* and *The High-Functioning Single-Family Office: A Primer for Family Members and Senior Management*.



JOHN J. BOWEN JR. is the founder and CEO of CEG Worldwide, the world's leading coaching firm for financial advisors. For more than 15 years, Bowen and his team have had the privilege to coach elite financial advisors on new ways to deliver groundbreaking wealth management solutions to their clients. Previously, he worked directly with affluent clients as a financial advisor for 26 years, managing \$2 billion in assets before selling his firm.



FRANK V. CARONE is an accomplished negotiator and one of Brooklyn's most sought-after business litigators and problem solvers. He is an Executive Partner at Abrams, Fensterman, Fensterman, Eisman, Formato, Ferrara, Wolf & Carone, LLP, a full-service law firm. Known for his insightful legal prowess, leadership skill and business acumen, he has been instrumental in charting the firm's strategic expansion into the largest legal practice in Brooklyn and in establishing Abrams Fensterman as one of the region's premier firms.

