Cutting Edge Negotiation

Tools & Strategies

Joe Hernandez, CEO Lionshare Negotiations
What are the Biggest Negotiation Challenges?

- Fear of losing the deal
- Price only negotiations
- Giving too much away
- Reluctance to ask for help
- No proven process to depend on
- Power and leverage disparity
- Lack of Confidence
The Top Four Negotiation Strategies

1. Make the first offer
2. Create boundaries
3. Have a concession strategy
4. Present multiple offers
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WHY SHOULD YOU MAKE THE FIRST OFFER?

Anchor the negotiation
The Anchor Rule

“A number that a person sees or hears prior to making a guess influences that guess.”
Theatre Experiment

Higher Social Security = 300% Higher
Anchoring in Sales Negotiations

What’s Your Budget?

$50,000

$80,000
Opening offer has .85 correlation with outcome

Research by Northwestern University

The first offer drives the outcome
The Top Four Negotiation Strategies

1. Make the first offer
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How to Start

1. Make sure the selling is done
2. Know your alternatives
3. Model alternatives financially
4. Discover your BATNA
5. Uncover the BATNA of the buyer
6. Identify deal elements to negotiate
7. Create Boundaries (RP, TP, AP)
Scenario

- Ready to sell your business
- Have a potential buyer identified
- Your alternative is to stay put at $1M/yr.
- Buyer’s alternative is another firm with no IP but wants IP
- Other firm is priced at $9M, additional IP $3M for total of $12M
Create Boundaries

1. Reservation point
2. Target point
3. Anchor point
Determine Your Reservation Point

RP - Yours

$1M
Stay Put
Determine Their Reservation Point

RP - Yours

$1M
Stay Put

RP - Theirs

$12M
Other Firm + IP
Determine The Zone of Possible Agreement

RP - Yours
$1M Stay Put

ZOPA

RP - Theirs
$12M Other Firm + IP
Determine Your Target Point

- RP - Yours
  - $1M: Stay Put

- Target
  - $10M

- RP - Theirs
  - $12M: Other Firm + IP

ZOPA
Determine Your Anchor Point

- RP - Yours: $1M (Stay Put)
- Target: $10M
- RP - Theirs: $13.1M
- Other firm + IP: $12M

ZOPA
Determine Your Concession Pool

RP - Yours

$1M
Stay Put

ZOPA

Target

Concession Pool

RP - theirs

$12M
$13.1M
Other firm + IP

Anchor
The Top Four Negotiation Strategies

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Have a Concession Strategy

1. Give Yourself Room
2. Know Concessions & Value Them
3. Small Increments
4. ALWAYS get something in return
The Top Four Negotiation Strategies

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Multiple Offers

1. Provide a choice
2. Minimum of 2, no more than 3
3. Equivalent in value
4. Show all options...simultaneously
5. You can anchor more aggressively
6. You will find out what’s most valuable
7. You will speed up the negotiation

Multiple Equivalent Simultaneous Offers

MESOS
Seven Steps to Architeciting Your Offer

1. Identify your interests
2. Identify your fears
3. Identify their interests
4. Identify their fears
5. Create your ideal anchor offer
6. Value your offer
7. Create MULTIPLE offers
## Multiple Equivalent Simultaneous Offers

<table>
<thead>
<tr>
<th>Deal Elements</th>
<th>Option One</th>
<th>Option Two</th>
<th>Option Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Interest 1</td>
<td>Vary</td>
<td>Vary</td>
<td>Vary</td>
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<tr>
<td>Your Interest 2</td>
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<tr>
<td>Your Fear</td>
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<td>Their Interest 2</td>
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<td>Their Fear</td>
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## Giving Different Options

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<tbody>
<tr>
<td>Upfront Cash</td>
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<tr>
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<tr>
<td>Keep Key Staff</td>
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<td>Stay as Employee</td>
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<tr>
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<tr>
<td>Include Building</td>
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</tr>
<tr>
<td>Non-Compete</td>
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<td>Stay as Employee</td>
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**Total:** $13.1M
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<td>Stay as Employee</td>
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$13.1M  $13.1M
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$13.1M $13.1M $13.1M
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We Create Master Negotiators!

Contact: Joe@lionsharenegotiations.com
303.588.8055