

THE STRATEGY PARTNER

The Five Most Important Tips for Negotiating Successfully

Negotiation is a crucial skill for business success. This guide demonstrates how to apply these principles when negotiating with allies (on your team) and counterparts (on the other side).

To illustrate these principles I will use a common example that I often encounter in my practice as an attorney and strategy partner. The example is two individuals who may be friends, have decided that they will form a business to invest in real estate. The individuals will form a business and then seek to acquire real estate from a group of four heirs – individuals who inherited the property – one of the heirs lives in the property.

Below, I outline five key tips for negotiating successfully, using the example of forming a rental real estate investment business and negotiating to purchase a property from a group of heirs.

In summary the Five Most Important Tips for Negotiating Successfully are:

1. Be Prepared
2. Know Your Why
3. Know Their Why
4. Understand Your Value
5. Be Willing To Walk Away

THE FIVE MOST IMPORTANT TIPS FOR NEGOTIATING SUCCESSFULLY

1. Be Prepared

Preparation is the foundation of successful negotiations. It involves gathering information, anticipating challenges, and defining clear objectives.

Application with Allies (Business Formation):

When forming a company to invest in rental real estate:

- Research market conditions, investment opportunities, and financing options.
- Prepare a draft business plan that includes goals, roles, and financial expectations.
- Anticipate areas of disagreement, such as profit-sharing, management responsibilities, or decision-making authority.

Application with Counterparts (Property Purchase):

When negotiating with the four heirs:

- Gather property information, including market value, condition, and legal status.
- Research each heir's likely motivation: Is the resident heir attached to the property? Are the others primarily seeking financial gain?
- Identify potential challenges, such as disagreements among the heirs.

2. Know Your Why

Understanding your objectives and motivations allows you to stay focused during negotiations.

Application with Allies (Business Formation):

- Clarify why you want to partner in this venture. For example, is it to pool resources, diversify expertise, or mitigate risk?
- Articulate your personal goals, such as achieving a certain return on investment or building a long-term portfolio.
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Application with Counterparts (Property Purchase):

- Define why acquiring the property is important. For instance, is it in a desirable location, or does it have significant rental potential?
- Establish your walk-away price and what concessions you are willing to make.

3. Know Their Why

Understanding the motivations of the other party helps you tailor your approach and create win-win scenarios.

Application with Allies (Business Formation):

- Identify your potential partner's motivations. For example, does one partner bring industry knowledge while another contributes financial resources?
- Recognize potential concerns, such as hesitations about sharing control or unequal financial contributions.

Application with Counterparts (Property Purchase):

- Determine each heir's "why." The resident heir may value staying in the home, while others may prioritize a quick financial resolution.

- Frame your offer to appeal to their motivations, such as flexibility in the timeline for the resident heir or a fair price for the others.

4. Understand Your Value

Knowing the value you bring to the table builds confidence and strengthens your position.

Application with Allies (Business Formation):

- Highlight your unique contributions, such as industry expertise, capital, or connections.
- Emphasize the benefits of collaboration, such as shared risk or complementary skills.

Application with Counterparts (Property Purchase):

- Demonstrate your value as a buyer. For example:
 - You're a serious buyer with financing ready.
 - You can streamline the process, reducing stress for the heirs.
 - You're willing to work with the resident heir to accommodate their situation.

5. Be Willing to Walk Away

Knowing when to walk away ensures you don't accept unfavorable terms out of desperation.

Application with Allies (Business Formation):

- Define deal-breakers early, such as profit splits or decision-making authority.
- Be prepared to explore other options if your goals and values don't align.

Application with Counterparts (Property Purchase):

- Set a maximum price or terms you won't exceed.
- If negotiations stall, remain professional and leave the door open for future discussions while exploring other properties.

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One-Page Thought Stimulator: Prepare for Your Negotiation

1. Be Prepared:

- What information do I need about the situation and the other party?
- What are the key challenges I might face?

2. Know Your Why:

- What is my primary goal in this negotiation?
- Why is achieving this goal important to me?

3. Know Their Why:

- What motivates the other party? (Consider needs, fears, or values.)
- How can I align my proposal with their motivations?

4. Understand Your Value:

- What strengths or advantages do I bring to the table?
- How can I demonstrate my value clearly and confidently?

5. Be Willing to Walk Away:

- What are my non-negotiables? (e.g., price, terms, timeline)
- What is my alternative if this negotiation doesn't succeed?

Use these principles and prompts to approach your negotiations with confidence and strategy. Success is within reach when you're prepared, focused, and intentional about creating value for everyone involved.

How to Use a SWOT Analysis in Negotiation Preparation

In addition to the thought stimulator questions above, I have also provided you with a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) worksheet. SWOT is a powerful tool to prepare for negotiations by identifying internal and external factors that can impact the outcome. To complete a SWOT analysis, begin by listing your strengths, such as unique skills, resources, or advantages you bring to the negotiation. Next, consider your weaknesses, including any knowledge gaps, resource limitations, or areas where the other party may have leverage. Then, identify opportunities for mutual gain or synergy, such as shared goals or untapped potential benefits. Finally, outline potential threats, including risks, opposition from the other party, or external market factors.

In practice, a SWOT analysis helps you approach negotiations with clarity and strategy. For instance, if you're forming a real estate partnership, your strengths might include access to financing, while your partner's strength might be deep market knowledge. Weaknesses could include a lack of prior collaboration. Opportunities might involve pooling resources to buy larger properties, while threats could include potential disagreements over management. By addressing each quadrant of the SWOT analysis, you'll be better equipped to navigate the negotiation and find solutions that align with your goals.

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Negotiation Preparation SWOT Analysis

STRENGTHS	WEAKNESSES
OPPORTUNITIES	THREATS