

AUGUST 2024

**COMMERCIAL/BUSINESS NEGOTIATION LESSONS,
STRATEGIES AND TECHNIQUES (Part IV)**

POZZUOLO RODDEN POZZUOLO, P.C.
COUNSELORS AT LAW

2033 WALNUT STREET, PHILADELPHIA, PA 19103

215-977-8200/FAX 215-977-9663

www.pozzuolo.com



**COMMERCIAL/BUSINESS NEGOTIATION LESSONS,
STRATEGIES AND TECHNIQUES**

(Part IV. DEALING WITH EGOS AND PERSONALITIES)

This newsletter is the fourth part of a multipart series to help you understand the factors, skills and strategies involved in business negotiations. The three other parts were about: (i) the due diligence required to understand the factors that affect the negotiation process and where you stand in relation to the counterparty; (ii) the importance of the due diligence/information gathering process to gain advantages and minimize weaknesses; and, (iii) the importance of communicating clearly and effectively, and being collaborative. This fourth part is about navigating egos and personalities to avoid irreconcilable blowups and disputes, and how to turn egos and personalities to your advantage.

COLLABORATION STAGE – COLLABORATION – DEALING WITH EGOS AND PERSONALITIES

This newsletter will address how, despite everything else being perfect, business transactions fall through sometimes because there is a battle of egos or conflict of personalities. Why does this happen when every other reference point states that the deal should work? The simple answer is no matter how logical we think we are, we are social and emotional creatures not strictly confined to logic and at times will act on those emotional instincts.

We all have some idiosyncrasies and all have emotions that will affect a deal. For instance, some of us need to show primal dominance and beat our chests by grandstanding during negotiations, whereas some of us feel we need to maintain a cultured, sophisticated image. Some have personal emotional battles at home that bleed into work life and cloud their actions/judgment, while some are not the sharpest tool in the shed where they simply do not understand or appreciate what you are communicating. Finally, some people are just “jerks” out to terrorize others for fun.

This newsletter touches the tip of the iceberg on how to navigate around these random human “imperfections.” First, it will discuss why understanding the human element of negotiations will give you a tremendous leap ahead of others. Second, it will discuss three general levels of techniques that you may use to help navigate individuals. Third, it will discuss specific situations that frequently occur and how to navigate them. To read further, there are well known persuasion psychology books that have been respected for decades, and I would recommend looking to them.

1) The Advantage of Navigating Irrationalities

Being able to navigate the individual irrationalities will help you to become the ringleader to shape the negotiation rather than allowing the negotiations to run its course at the whims of other parties. This will give you an inherent competitive advantage in each deal.

First, it is all about understanding human psychology, and knowing the correct reaction based on the facts and circumstances as there is no single silver bullet approach to everything. Some of this comes from experience, some is from understanding basic psychology, and some is from astuteness, patience, and self-control in observing patterns.

In its most basic form, it is like dealing with children. Sometimes you give them a time out, sometimes you talk it through, sometimes you need to flip out or blow a fuse yourself, and sometimes you say nothing at all. What is right depends on the moment. However, when dealing with a child, people generally have more patience with such irrational behavior. Despite being older, we all act like children sometimes. Realizing this and keeping calm as you would with a child, you can start seeing patterns of how people “lose it” and you will approach the situation as an adult to a child acting out of line. The idea is to see negotiations on a higher psychological and mental level and not to succumb to their childish games (or even to learn to use such childish games to your advantage).

This inherently will give you a major competitive advantage as there are some profitable deals people will not touch because the counterparty is known as being “crazy” or “irrational.” You will see fantastic deals and wonder why they are still on the market. Many times this is because there is a difficult person controlling it and interested parties steer clear. If you can navigate and persevere, you end up getting the profit others left on the table. I have had a number of deals with grumpy sellers. The purchase price is only \$2,500,000, but the business through synergies will net your client up to \$1,000,000 per year with a potential to increase profits up to \$2,000,000 with proper management. If you can crack the irrational code with the seller, you recoup your client’s purchase price back in one to two years. In other words, being patient and understanding the psychology behind the grumpy seller will guide the transaction to closing and will pay off many times over the next ten years.

Additionally, this gives you a competitive advantage as the whole process will be less frustrating and smoother. After dealing with the most difficult people, average individuals are nothing. Further, the more difficult counterparties you deal with, the better you are at dealing with the next difficult person. You can come up with a formula of how to best work with the difficult grumpy counterparties. This cuts back on transaction costs and allows you to better get what you want.

Finally, one important point is using these techniques also on difficult related or co-parties, to keep them from ruining a deal. Sometimes you have a partner who divulges too much information, gives up too much, or follows no logic. The same approaches apply equally to your co-parties as to your counterparties, to help you “sell” the deal to your business partner.

Understanding the irrationalities that others may display and how to deal with them will give you a leg up in most negotiations whether it is by dealing with parties others did not want to (thus profit is left on the table), being easier to deal with, or controlling your related or co-parties.

2) Three general levels of Managing Techniques to Recognize:

There are generally three levels of techniques that you can use to get around individual’s irrationalities: a) techniques that generally apply to all individuals; b) adapting to irrationalities based on one’s station of life; and, c) adapting to individual idiosyncrasies. Knowing and recognizing these will help you to navigate difficult situations to help avoid a blowup or total breakdown of negotiations.

a) Generally Applicable Techniques

There are certain general persuasion techniques that play off of general irrationalities or instinctual reactions that have been proven and are used repeatedly in marketing. Given the number of irrationalities, techniques and depth of explanations, it is not practicable to discuss them here, but I would recommend looking to some of the more lauded persuasion and psychology books on the subject. These can help you persuade both rational and irrational people in a general way, but seasoned negotiators will not be fooled. Some of these are relative pricing, social pressure, anchoring, consistency, reciprocity, buttering someone up,

ultimatums, limited offers, etc.

For instance, a simple technique is relative pricing. You may say you would never purchase a \$50 keychain as that is too expensive. However, if buying a Porsche you are more likely to buy a \$50 keychain as it looks much smaller relative to the value of the car. Companies use this to upsell people all the time. Look at all the accessories car dealers add at the end of the sale using this. “You just spent \$50,000 on a car and you cannot pay \$500 for special floor mats?”

Another technique, more subtle technique, is anchoring. This is about using certain mental anchors to put someone in a state of mind to make them more receptive. For instance, if I wanted to sell you a gym product (something you commonly see), if I conger up images of your youth and how it feels to be young, beautiful and in shape, you are more likely to buy my product. I would show you pictures of rippling abs, toned and fit bodies, people being active and social, and attractive people dating at fancy restaurants eating what they want. Thinking about these makes you think that maybe you should buy this product so you could re-live your youth.

On the other end of the spectrum, I can use negative anchors to hinder a sale. Think of the time you do not have and strain/aches after going to the gym. Think about the time you could not walk for three days after working your legs. Think of the gym odor or a gym injury. Think about how much easier it is to stay at home and accept your body like everyone else. Think about everyone skinny shaming you for being the only person in shape and watching your weight. This makes you more resistant to the purchase. These memories and ideas stimulate instinctual responses that temporarily change your receptiveness. Real life examples are rave or happy music at upbeat clothing shops, supermarkets putting baked goods or other nostalgic food smells in the air, and the Mr. Frosty truck music when it drives in your neighborhood. These are just two examples of the simple and complex techniques used to persuade people. Knowing and being able to recognize these techniques will enable you to counter the techniques negotiators and marketers use, or even use them yourself.

b) Adjusting to the Someone's Current Life Station

In addition to generally applicable techniques, individuals in certain life stations have similar reactions. Think about your kid's reaction to Fortnite, Pokemon, pogs, baseball cards, slap bracelets, hoola-hoops, yo-yos or whatever the latest fad is at the moment. This is not about the then children that eventually become adults will be duped into following the latest fad the rest of their life, it is just the nature of how their minds think in that station of life. Children have less developed minds, they are all in school together where they grow similar interests, and they are being bombarded with the same types of marketing and the same simple social norms. It is the same way that car companies can use the mindset of people in their 40s to buy a mid-life crisis car. They know everyone in their 40s is struggling mentally between still being young and active, but not feeling as fresh and energetic as they were in their teens through thirties. They can sell cars, boats, motorcycles, liquor, vacations, dining, investment services, etc. by stating that these products will make you feel younger, In other words, the product will help to compensate for being older. This is about understanding the “life station”

someone is in for what is important to him/her and what he/she desires by understanding the facts and circumstances of the life station, and using such facts to tailor the negotiation message.

c) Dealing with Idiosyncrasies

The last general category is dealing with individual idiosyncrasies. These are traits that are generally inherent to that specific person. Some individuals are hotheads, some individuals will always say no and then cave, some are slow, some are stubborn as a mule, some like to peacock, some use a high pitched voice when bluffing, some are very particular about everything, etc. A number of these types will be discussed later, but it is good to either learn these traits before going into the meeting or feeling them out in the beginning so you do not get caught off guard and can use them to your advantage. Eventually you will notice that people fit in different buckets of idiosyncrasies, and you learn to spot and deal with each bucket.

To work through the difficult people, it requires having a basic background on the various psychological aspects that go into a negotiations and the experience to know what techniques to use and when. Understanding these allows you to guide counterparties, co-parties, and yourself by taking the bull by the horns than letting it take its natural course.

3) Common Situations and Personality Types to Navigate Around:

Despite every negotiation being somewhat unique, there are certain patterns of “irrational” activities that frequently happen, and certain ways to deal with or address them. This section is about how to handle these traits:

a) Grandstanding:

This is the primal head butting and chest beating for humans and is common in many negotiations. This is when two parties get on their soap box to argue about the negotiation. Sometimes it can be good to release tensions and let steam off or to get a party’s attention if they are out of line. However, many times it can get out of hand and derail negotiations or a relationship. The best way to deal with this is to treat it the same way you treat a child in a temper tantrum. Cut it down right away and do not engage in the back and forth tug of war as it will only create a longer and more insane chain of interactions. I usually forward one firm email calling to cease the grandstanding and showmanship and demand professional behavior. I tell him or her clearly that I will not engage in such pretentiousness or rabble-rousing. Usually if you wait some time, things calm down. If the grandstanding is over email, then sometimes it is good to allow the discussions to calm down for a day or two and then call the counterparty before the discussions get out of hand and permanently derail the negotiations. I have even had counterparties who were Dr. Jeckyll and Mr. Hyde where they were nice as can be on the phone and then grandstand in every email. Usually I call them back on the phone and ask why there is the discrepancy.

b) Peacocking:

This is a social form of grandstanding. This is a pyric battle for whom is better than the other. This is purely about the ego of who is “better” and many times detracts from the negotiation itself. For example, this is showing how much money you have, how smart you are, how much more cultured you are, etc. It is trying to use status to garner respect and is many times less negotiation focused and more personally focused. An easy way around this is feed into their ego. If you fight the other’s ego, you will cause more spurn and more drama. If you quickly tell them they are the best and move on (even if they are not), then the peacocking generally deescalates and you can move onto a regular interaction. This can also work as a technique to butter someone up if he or she is not peacocking on his/her own.

c) *Hot Situations:*

Hot situations are where individuals start yelling, screaming, and demanding and it sounds like an argument instead of a discussion. Sometimes it is matters boiling over, and sometimes it is feigned out of necessity to elicit the appropriate reaction if someone has been unreasonable. The easiest way to deal with when someone overheats is passive aggression. This is to keep calm, let the hothead run out of steam and embarrass himself/herself, and simply and firmly request to keep the discussions civilized.

Note however, if someone is regularly heated, sometimes it is not out of anger or rudeness, but that is the way he or she communicates. Many permanent hotheads are just passionate people and speak in a fervid, zealous tone. This is because they are emotionally invested in the matter. Just recognize they mean no harm or offense, but this is just a communication style. Getting bogged down in their loudness or intensive pitch or tenor will just run the emotions higher. Instead, just try to look past the underlying tone or sound and try to address the concerns or message he or she is passionate about. In the end, if you stay calm and do not get baited into a screaming match, you will calm the tone of the negotiations as either the other party will calm down, or a co-party will tell him/her to bring it down a notch. Then you can have a regular discussion. Also, many times these are great people to have in your corner because of their passion and willingness to help those around them.

d) *Passive Aggression:*

In today’s world, passive aggression is the norm. This is the person who is not screaming or yelling, but his or her message is so fundamentally one sided and condescending that it is insulting, contemptuous and offensive. Thereafter, he or she tries to blame you when you get angry or passionate about it. They are being passively aggressive because instead of screaming they are indirectly being covertly aggressive, insulting, and condescending. Simply put, they are a wolf in sheep’s clothing and is a very effective technique if not countered properly. If you respond aggressively back they try to embarrass you by saying you are being rude, uncouth, and uncivilized. If you respond passively aggressively you normally will be called out for a passive form of grandstanding. If you act passive, you will simply be taken advantage of as you likely did not recognize you are really dealing with a wolf.

Once I realize someone is passive aggressive, I will directly call them out for being passive aggressive and request that they stop the games, and sometimes will change the medium in which we communicate. Passive aggressive individuals like to think they are passive and nice,

but are inherently very aggressive and manipulative. When you call them out they try to avoid admitting their true selves are not as nice as they thought, at all cost. Weaker individuals will usually cower and agree with you to hide their aggression when confronted. More stubborn ones will have a meltdown where their true aggressive personality comes out. From there it is the same as dealing with a hot head and taking the higher ground.

If they are more skilled or very narcissistic, you may need to change the communication medium such as a real time format like a phone call or, preferably, an in person meeting, especially with the clients present. Passive aggressive negotiators rely on: 1) not being aggressive to your face; 2) time to craft or draft an email response to fit the narrative; and 3) using smoke and mirrors as to whom the real aggressor is. An in person meeting forces him/her to respond in real time without the luxury of time to craft a message to their passive aggressive narrative and cannot hide behind a keyboard. It is easier to call out their inconsistencies with the other parties present hearing the aggression and watching them back pedal when they misspeak. The clients can clearly witness the aggression and irrationality themselves. At that point it is eliminating the passive aggressive behavior and once broken down, the negotiations are usually straight forward.

e) *Lack of Authority/Knowledge:*

If you are dealing with a party that lacks the requisite knowledge or authority to make a deal you need to postpone the meeting until the counterparty is serious. All you are doing is giving them information and giving them an advantage. The counterparty is giving you nothing back as there is nothing for the representative to give. Once they send someone with power and authority, you can move forward, but do not waste your time otherwise.

f) *Stubborn/unreasonable:*

Some people are just stubborn and unreasonable. They will not budge on reasonable points. A number of ways to deal with such traits are: 1) see if there is an underlying reason for the stubbornness and address it; 2) try to align their interest with yours; 3) feign anger and get hotheaded to push them off their stubborn rocker; 4) give them time to change their mind and think; 5) make them realize what they are losing by acting like you have other options; 6) create a fresh start to the negotiations with a changed dynamic; or, 7) suspend or terminate all negotiations by balancing the trouble/risk/cost vs. the potential profit.

g) *Lack of Bargaining Power:*

Finally, sometimes you are in situations where you have far superior or far inferior bargaining power. If you are far superior, do not wield your power right away, but wield it when you need to. If the inferior party sees you are using your superior position, his/her ego may get in the way and he/she may irrationally walk away or create trouble. Keep it amicable, and only flex your muscles when you need to.

If you are the far inferior party, beggars cannot be choosers. You can suggest changes, but do not push too hard where the other side leaves the deal. Another option is to look for other ways you can increase your bargaining power. There may be ways you can help the counterparty with future deals/work or smoothing something out in an unrelated matter. An example of this

is if negotiating with a plumber where you have a gushing leak and the plumber has 10 other jobs, you have no bargaining power in the moment. If you manage 20 properties and will have two jobs a week for him/her or can refer him/her for other major jobs or even 200 properties and can put him/her on salary, it gives you leverage to make sure your pipe is fixed immediately and at a reasonable price.

CONCLUSION

Part of working out a deal is working out terms that are attractive to both sides, but a large part of it is working with and through the individual negotiator. If you understand the various types of irrational situations you may have to deal with, this gives you a leg up to work out business transactions that others would shy away from. This allows you to unlock profits that others have shied away from due to an unsavory personality, speeds up the negotiating process, and generally can end up with more positive negotiation outcomes.

If you have any questions or inquiries concerning your business and this subject matter, please do not hesitate to **contact us** to speak with one of our experienced attorneys.

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