

NEGOTIATION STRATEGIES HELP BOOST LEVERAGE

My name is Marty Latz, and I am the founder of Latz Negotiation Institute, a national negotiation training and consulting company, and ExpertNegotiator, an online software that helps individuals more effectively negotiate based on the experts' research. I am also the author of Gain the Edge! Negotiating To Get What You Want. My negotiation column will appear monthly here the first Thursday of every month.

Jerry Colangelo is one of the most successful entrepreneurs in Arizona history, rising from a 27-year-old Phoenix Suns general manager in 1968 with little in his pocket to become chairman and CEO of the Suns and managing general partner of the Arizona Diamondbacks and now managing director of USA Basketball.

He accomplished this in large part from superior negotiation skills, which comprise a critical element of many entrepreneurial and business success stories.

Two negotiation strategies have a particularly strong impact in entrepreneurial environments - the ability to build and sustain strong long-term business relationships and understanding how to truly maximize your leverage.

Strong relationships

Colangelo told me many years ago that "negotiating is relational in a very large way." In fact, Colangelo used his relationships with other Phoenix business leaders to achieve his first big entrepreneurial achievement: his purchase of the Suns in 1987.

How did his relationships help? He didn't individually have \$44.5 million to buy the team. Nor could he get that money from a bank. But he did have strong relationships with many leading business community members, and they ponied up \$20 million toward his purchase price.

Six months ago, we closed on our second round of angel funding for my software company. I've known all but one of my investors for years. And the one I didn't know is a friend and business partner of another investor.

Bottom line for many entrepreneurs: Relationship-building pays off.

Maximize your leverage

Over the years, many entrepreneurs have told me they get frustrated with their weak leverage. I usually ask them to describe it. Invariably, they describe negotiating with huge companies that try to impose the companies' will on them.

My response in most cases? You're not

maximizing your leverage. Big company does not necessarily mean strong leverage, as leverage is not based on a company's size.

Instead, leverage is a fact-specific inquiry relating to:

- How much you need that deal relative to your counterpart's need. The more desperate you are, the weaker your leverage, and the more desperate your counterpart, the stronger your leverage.

- Your Plan B relative to your counterpart's Plan B. That is, what you will do if you don't do a deal with them and what they will do if they don't do a deal with you.

In other words, small Company X negotiating with Google can have extremely strong leverage.

How? If Company X doesn't need the deal and Google desperately wants what only Company X can provide. And if Company X has Microsoft and Yahoo as its Plan B and C.

In that case, maximize your leverage, and let the bidding begin!

Then build that winning relationship for your renewal negotiation.

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