INTRODUCTION

FINDING THE TRADING ZONE
AT GOLDEN POND

My wife, Leslie, came dashing up from the beach. We were renting a small cottage by a lake in New Hampshire. For us it was Golden Pond, an idyllic place to spend time with our two young children. We managed to scrape together just enough to afford a two-week vacation.

"You'll never guess who I was just talking to," she gushed. "Ralph. He says that they are selling the cottage. Their son is getting divorced. He wants to cash out his share of the property. I told him we would absolutely buy the place."

I thought for a moment. "How much are they asking?"

"I don't know," she said. "I told him you were the negotiator and you would handle the details."

My mind raced. I could certainly see myself spending a lot more time by the lake, but could we afford it? What had Leslie promised? Owning the cottage would be terrific, but what was Ralph's asking price? I had nothing to go on. I tried to estimate what the annual rental income would be if we bought the cabin but didn't live in it. My back-of-the-envelope estimate (based on the rent we were paying) was that we could clear about $15,000 each year after taxes and expenses. At prevailing
interest rates, calculating very quickly, we could use that money to cover a mortgage of about $85,000.

When I talked with Ralph later that afternoon, there was an ironic smile on his face. He knew I was boxed in. “You’ve been great tenants, and we know how much you love the place. We were delighted when Leslie said you wanted to buy it.” I thought to myself, “What has Leslie gotten me into?”

“What’s the price?” I ventured.

“We’ll be very sad to leave,” he said. “Since none of the cabins has sold since the original owners bought them seven years ago, it’s hard to know what they’re worth. With the common land owned by the lake association, it makes it hard to calculate the actual value of each cottage. In addition to your own cottage, you know, you’ll own one ninth of the lake.” I could feel his eyes boring into me.

“$105,000,” he said. “I think that’s really fair. We’re glad to be selling the cabin to people who love the place as much as we do. And, it’s only 90 minutes from Boston. You’ll get to use it all the time.”

Ralph and I both knew that Leslie had more or less made a commitment. I would have to find a way to finance the purchase. He was the business manager for a famous magazine and a highly experienced negotiator. I was just starting out. His wife, a local real estate agent, had been quite firm when Leslie made the original deal with her to rent their cottage. I felt trapped, but excited. I had no time to talk to anyone. Could we handle a second mortgage? Could we swing a $20,000 down payment by refinancing our primary mortgage?

“Ralph,” I said, “Since you are moving out of state, would you be willing to leave the current furnishings, and include them in the sale price?” “Done,” he said. (I figured that would
save me about $10,000.) That felt like a victory. I could see a deal taking shape. Presumably I could get an $85,000 mortgage, find $20,000 for the down payment, and avoid the cost of having to furnish the place.

I've always wondered whether he really had $105,000 (or even less) in mind as his final selling price. Unfortunately, I never asked the questions that would have allowed me to find out. I was in too much of a rush to close the deal. I didn't try to imagine the speech he would have to give to his wife and son to be able to declare victory.

Once Ralph talked to Leslie, and she indicated that we would buy the cabin, we were in what I call the "trading zone." That is, both of us had reason to be optimistic there was a deal to be done. He was under a lot of pressure from his "back table," and Leslie had her heart set on a family future by the lake, putting pressure on me. I had no idea what the cottage was worth on the open market. I was sure, though, that if I didn't close the deal quickly another buyer would swoop in and take the cottage from us. You enter the trading zone when both sides begin to believe that a "deal space" exists between the lowest amount one side is ready to accept and the highest amount the other side is willing to pay (or can afford).

In one sense, the trading zone is a state of mind. If both sides are optimistic about reaching an agreement, there's a good chance they will succeed. Of course, how they interact is important. If Ralph had opened with an entirely unreasonable demand, I would have had to walk away and disappoint my wife. If we hadn't paid attention to what the other side wanted and needed, we might have slipped right out of the trading zone. So the trading zone is not just a state of mind, it is an actual deal space circumscribed in very specific ways.
I didn't handle the pressure of the negotiation very well. I was in too much of a rush. I should have slowed everything down and found a way to do a lot more homework. I should have asked more questions to determine Ralph's lower limit and to gauge the pressure he was under to get the deal done. Might he have been willing to drop the price another $10,000 if I agreed to sign a letter of intent that afternoon? On the other hand, I knew Leslie would be terribly disappointed if the cottage slipped through our fingers. There were probably a dozen other summer renters ready to buy the cottage (or maybe rent from us if we bought it) as soon as word got out that the unit was for sale. At least, that's what I told myself.

Once you are in the trading zone, and the parties are more relaxed about reaching a deal, the chances of reaching a mutually advantageous outcome increase exponentially. The whole point of getting into the trading zone is that information is more likely to be shared that allows both sides to meet their interests at the lowest possible cost. By exploring lots of options, or potential trades, the parties are more likely to do better for themselves, with less tension and a lower risk of failure than would otherwise be the case.

Unfortunately, I never took advantage of the fact that we were in the trading zone. I never pushed to see how low Ralph would go. He anchored the conversation with his opening bid of $105,000, and I figured Leslie and I could probably borrow that much money. I was able to sweeten the deal a bit by getting him to leave the furnishings, which we liked and he probably had no use for anyway. I assumed he was under some pressure to move quickly, but he never let on that he was eager to close
the deal with me in particular. I'm sure he had to report back to his son, Mark, who was half-owner of the cottage. I should have asked to talk with Mark; maybe he would have taken less to get the deal done.

Twenty-five years later, Golden Pond is still our home away from home. My kids want their kids to have the same life-long summer experiences they've had there. Today, the property is worth at least three times what I paid for it. Ralph got a deal that was good for him at the time. It turned out to be great for me in the long run. My Golden Pond experience has taught me a number of lessons. At the top of the list is the realization that if both my negotiating partner and I can get into the trading zone (both the state of mind and the actual deal space), my chances of doing exceptionally well for myself are increased. That is, once I am in the trading zone—which takes some effort on both sides—my chances of winning at win-win negotiation go up. I wish I had been more aware of that when I was negotiating for the cottage; at least I can now share what I've learned.

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There is almost always a way to find the trading zone if there is one. It requires formulating a deal you can explain to your "back table" (the people to whom you report), and aiming to do well for yourself regardless of how tough your negotiating partner is. Landing deals that are great for you means getting into the right frame of mind, exploring the scope of the deal space, and being ready to claim a disproportionate share of the value you create—something I certainly didn't do when I was negotiating to purchase the cottage at Golden Pond. The
same dynamics apply, by the way, in multi-billion-dollar business deals and in small-scale family transactions.

Winning involves three important factors: making sure that

1. the people at your back table are satisfied,
2. you can convince yourself and others that you have been treated fairly, and
3. you generate as much value as possible and use it to produce an agreement that is good for them and great for you.

All of this is a departure from the conventional wisdom about win-win negotiation. Ever since the idea of win-win emerged, and cooperation began to receive as much attention as competition, negotiators have been uneasy about pushing too hard to claim a disproportionate share of the value they create. Not only am I saying that winning is OK, but I'm ready to describe how it can be done without violating trust or undermining good working relationships.

A SHIFT IN THE FIELD OF NEGOTIATION

THE WAY PEOPLE THOUGHT ABOUT NEGOTIATION—and actually negotiated—took a significant turn in the 1980s. The focus shifted from knowing how to dominate opponents in all kinds of bargaining situations—in court, business, international relations, and public affairs—to finding some way of convincing your negotiating partners to accept a mutually beneficial—that is, a pretty good—outcome for all sides. This came to be understood as a shift from “win-lose” to “win-win.”
While a great many thinkers and writers contributed to this shift in thinking, Roger Fisher, William Ury, and Bruce Patton, authors of *Getting to Yes*, are the best known. Four of their insights are familiar to every experienced negotiator: (1) Don’t stint on preparation. It is especially important to clarify ahead of time what you will be left with if there is no agreement. (2) Focus on what’s really important to the other side (their interests) rather than any inflated claims or positional statements they might make. (3) Set aside time in every negotiation to brainstorm mutually advantageous options or packages before trying to nail down final commitments. (4) Instead of threats, appeal to rational arguments or what are known as “objective standards” such as “What would an independent expert say that would help me justify my claim that I should get the larger piece of the pie?” A whole training industry now teaches executives and managers how to put these four principles into action and move from win-lose to win-win negotiation.

Millions of people all over the world were swept up in this shift. There is, however, a problem.

Once everyone realized that mutually advantageous outcomes were possible, they were confused. (Millions of people read *Getting to Yes* and other books using the win-win framework, but so did the people on the other side of the bargaining table.) How were they supposed to split the value created when they adopted a mutual gains, or win-win, approach to negotiation? In win-win, is everything supposed to be divided evenly? Is that fair? If one side brings more to the table, shouldn’t they get a larger piece of the pie? If one side is more powerful, won’t their back table expect them to exploit their leverage and bring home a substantial victory? How can a more powerful negotiator explain why they allowed their negotiating partner to do so well?
A second problem was that having learned the cooperative moves of win-win negotiating, many negotiators were not ready to entirely abandon the competitive instincts that had enabled them to achieve good results in the past. Even the most committed win-win negotiators retain a desire to show their back table they can get a very good outcome—and that, of course, is reasonable. While some negotiators worry they will be betraying the win-win ideal if they try to do especially well for themselves, I don’t think they should feel guilty. I think it is possible to adopt a win-win approach and do especially well for yourself.

Many negotiation experts are quiet on this issue, urging everyone to be aware of the tension that exists between creating and claiming value. That is, there seems to be a conflict between trying to get as much as possible for everyone while trying to get the most for yourself. They are not explicit, though, about how this tension should be handled. No one has been clear about how much to claim for yourself when adopting a win-win orientation.

If I had had my wits about me when I was negotiating to buy the cottage at Golden Pond, and I had been able to discover that Ralph was ready to accept as little as $70,000 as long as the deal was finalized that day, I would have happily paid the $70,000 and asked for the $10,000 worth of furniture. I would not have been troubled by the fact that I had initially been prepared to pay $100,000. If Ralph had promised his son and his wife that he would secure twice what they had paid for the cabin seven years earlier (which I later discovered was $35,000), the deal space would have been between $70,000 and $105,000. I didn’t feel any obligation to split the difference (i.e., pay $87,500) or pay the full $105,000 because I was about to get
a great long-term deal. Indeed, I would have been comfortable claiming the whole $35,000—paying Ralph $70,000—if I had been clever enough to determine that was how low he was prepared to go.

I was quickly in the trading zone with Ralph because Leslie put me there; however, I didn’t have the tools or strategies required to win at win-win negotiation.

*Good for You, Great for Me* bridges the gap between what people think win-win negotiation requires and what they need to succeed. It offers both principles and strategies—six operational moves you can make once you’ve found your way into the trading zone—that will allow you to claim as large a share as possible of the value you help create. And it shows how this can be done without undermining trust or ruining relationships. The principles are very straightforward:

1. Lead them into the trading zone.
2. Create more value.
3. Expect the unexpected.
4. Write their victory speech.
5. Protect yourself.
6. Provide leadership.

The strategies offer a means of operationalizing these principles in any negotiation.

*Good for You, Great for Me* also offers guidance for handling special negotiating circumstances like huge power differentials, relationships that are too important to lose, cross-cultural dynamics, an angry public, and situations where someone appears to be lying.
THE SIX STRATEGIES FOR CREATING DEALS THAT ARE GOOD FOR THEM AND GREAT FOR YOU

Reframe your negotiating partner’s mandate and priorities. There are simple moves you can make to press your negotiating partners to reprioritize their interests. If they aren’t clear about their objectives or are coping with mixed messages from their back table, you can help them reframe their interests in a way that will benefit both of you. You can also raise doubts in their minds about what their back tables want from them. Your goal should be to get them to refine their mandate and think hard about their priorities in ways that will benefit both of you. For example, if you put two rather different but attractive proposals forward at the same time—both of which are acceptable to you—it may force your negotiating partner’s back table to clarify their priorities. By asking the right questions, you can push your counterparts to seek a mandate that is more advantageous to you.

Propose packages that are good for them and great for you. The key to creating value is inventing trades beneficial to both sides. (That’s why it is called the trading zone!) The more value you can create, the more there is to go around; reliable research clearly shows that most negotiators stop far short of generating as much value as possible because they overlook less obvious trades. I demonstrate how to formulate and present trades that the other side cannot afford to turn down, but that are advantageous to you.

Use contingent offers to claim more than the other side. When both sides are clear about the point at which they should walk away rather than accept a bad deal, they can place clear limits on the size of the deal space. Of course, each side wants
to be at the edge of the deal space that is most advantageous to them. By using contingent offers (what-if proposals), you can figure out how close you are to the edge that is best for you.

**Help the other side sell your best deal to their back table.** Too many people see negotiating partners as adversaries when they are in fact important emissaries to back tables. There are simple techniques for providing an emissary with the arguments they need to sell an agreement that is best for you to their back table, the people you usually don’t have an opportunity to speak with directly.

**Insulate agreements against predictable surprises.** Negotiations are not finished until all commitments specified in an agreement are fulfilled. During the follow-up period after an agreement has been signed, lots can go wrong. Market conditions, for example, might change between the time an agreement is reached and the time contractual commitments must be honored. My Harvard Business School colleague Max Bazerman has made it clear that negotiators ought to be able to anticipate the many things that can undermine implementation of a negotiated agreement. It is not that hard to think of the kinds of things that can go wrong, even if we can’t predict which one will occur. That’s why Bazerman calls them “predictable surprises.” Dispute resolution mechanisms can be incorporated into agreements to insulate against some unpredictable surprises. You need to buffer agreements against such surprises, so I outline ways to make your agreements more robust.

**Building your organization’s negotiating capabilities (so winning at win-win negotiation gets easier over time).** Negotiation is as much an organizational task as it is an individual
one; and most negotiators know that other people in their company can get in the way of their negotiating efforts. Every time you complete a negotiation, let the relevant people in your organization know how the company's standard operating procedures might be modified to make it easier to find the trading zone and win at win-win negotiation in subsequent negotiations. When negotiators skip this step, everyone in their organization is doomed to generating poorer results in the future.