

# The Karrass Way

Back in 1968, an aerospace negotiator named Chet Karrass left the Howard Hughes organization and launched Effective Negotiating, the 20<sup>th</sup>-century gold standard. Chet came along at a time when business was highly structured and specialized, with few variables. A buyer took  $x$  bids for  $y$  commodity and pit one bidder against the next to get the best possible price. Sellers scrambled to find leverage to counter. In Chet's view, negotiation was about power and competition, winners and losers. He had one cardinal rule—to bargain as aggressively as you could. As his senior vice president and chief seminar leader, I helped popularize the Karrass Way:

**\*“Firm” prices aren’t really firm.** Take nothing at face value. Assume everything is negotiable.

**\*Compliance is not a virtue.** Good negotiators need to be tough to protect their side's interest.

**\*Know when to shut up.** Hold back information that could work to your disadvantage. Only a naïve negotiator would say, “I’m really glad you bid—you’re the only one who can meet our specs.” Don’t be that person.

**\*Never make the first concession.** Sure, you’re under pressure to get the deal done—but the other party is, too, maybe more so.

**\*To do better, ask for more.** The side that wins the negotiation is the one with the higher expectation level.

## Liberation Theology

Chet didn’t invent this common-sense approach. Down in the trenches, savvy dealmakers were already doing much the same thing, consciously or not. The Karrass breakthrough was to *explain* these concepts to the less experienced, to coin fresh terminology, and to spell out tried-and-true methods for gaining an edge.

People flocked to our seminars because they found them liberating. We trained them to question the way things were “always” done (because “everybody” did them that way). They could defy conventional wisdom—if they had the right tools, an area where

Karrass excelled. Our program was full of practical tips that actually worked at the bargaining table. It opened a window on real-world industrial buyers and sellers, down to their real-life dialogue. It clarified negotiation at the molecular level. And it returned amazing value to those who followed our advice.

I wasn't yet 30 when Chet gave me (mostly) free rein to further develop *Effective Negotiating*, a big creative challenge. Plus he afforded me the opportunity to train high achievers from two-thirds of the Fortune 500, including GE, GM, IBM, Microsoft, Exxon, and DuPont. I learned as much as I taught at those seminars. I gained insights into best practices in negotiating—and how they varied from industry to industry, country to country.

### **Climate Change**

Since Karrass set up shop in the late 1960s, globalization has innovated—and disrupted—almost every business in unprecedented ways. While the marketplace is more competitive than ever, it's also more intensely cooperative. Microsoft and Intel showed the way with their famous Wintel duopoly. Countless small firms now use Amazon to find markets they had no idea existed.

Meanwhile, as Daniel Pink points out in *To Sell Is Human*, we live and work in an era of information parity. Search engines and social media have leveled the playing field for buyers and sellers. As a result, it's a lot harder to bluff or game your way to an advantage. In long-term business relationships, trust matters. The old zero-sum, *caveat emptor* tactics can backfire—badly.

Price is no longer king. When buyers have limitless needs and sellers an elastic array of assets (or vice versa), the challenge is to “customize” the deal and find the optimal match. Today's negotiators may need to consider Scope of Work or guaranteed gross margin or quality control, or a dozen other factors. They may need to explore the potential for joint advertising or joint technology or even joint project management. Price-driven haggling won't always get them where they need to go.

The Karrass Way remains highly effective in one-off bargaining situations; if Party A wants to buy a truck from Party B, it can help either side arrive at a better

outcome. But in more complex, strategic, relationship-based scenarios, negotiators need a more flexible toolkit. Hence our Mobus Negotiating Continuum, an idea I'll explore in detail down the road.

In our next newsletter, I'll look at Harvard's "win-win" alternative to Karrass. I'll also reveal the one essential ingredient that makes Mobus Creative Negotiating the evolutionary next step in the field.

### **Our Mission**

**At Mobus Creative Negotiating, our mission is to help you find more profitable outcomes in deals large and small. We can improve your skills in gauging the other party's pressures and needs—in transforming a transaction into a strategic relationship. For more valuable tips and insights into the art of negotiation, and to learn about our full suite of negotiation training solutions and our Creative Negotiating seminars, visit us at <http://www.mobusinc.com>.**