



How NOT to Get Screwed in Business Deals, Part One
Or From Worrying to Celebrating in Half a Day

BY DALE DAUTEN

"Start with an ideal and end up with a deal"

Karl Albrecht

True or false? People are basically good.

I don't know about you, but I'm going with true.

True or false? The world is full of jerks.

This one is trickier for me. I'm going with false, even though I know, deep down, that it's true. I lie to myself because of this third truth:

If you assume the worst about people, you're likely to get it.

What got me thinking about our assumptions about human nature is my recent work in mediating business disputes. Let's take a recent intervention in a business deal going sour. I'm changing some details, but here's the basic situation: A company in Arizona that makes business equipment components sent a 50K order to a new customer in Texas. The Texans called to say that some of the equipment arrived damaged and some was the wrong stuff. The Arizonans immediately sent replacement goods - but (ouch!) some were still wrong. Still, the plucky Arizonans bounced back, air freighting out re-replacements at considerable expense.

Weeks later, the Texans paid the bill... sort of. They held back 10K - just temporarily, they insisted, just in case they were to uncover further mistakes or damage.

Naturally, this troubled the Arizonans, who'd already absorbed extra costs and who secretly felt the Texans had overreacted. Indeed, as they thought about things, the Arizonans began to wonder if by holding back money the Texans weren't trying to wheedle out of full payment.

Then, in the midst of that anxiety, the Texans announced that their client had requested additional goods. The nervous Arizonans debated whether to make fulfilling the second order conditional on full payment of the old one. They pulled out the contract and there, in the fine print, it said they would charge interest on any delayed payment. Doing so might show the Texans they were steely negotiators. Worse case, though, they could end up in court. That's when they thought about calling an attorney.

Calling a lawyer could have been a good decision, if it was the right kind of attorney - one who understood the danger of making this a legal issue. However, there aren't many attorneys who are experts in NOT making an issue a legal issue.

Rather, what's the typical response when the other side brings in an attorney? You pull a knife; I pull a gun. Threats of suits and counter-suits would then follow and everybody hates everybody.

I'm pleased to report that didn't happen here. Instead of calling an attorney, one of the Arizonans called the mediation company I helped establish, Agreement House, and I got to mediate the case. It was NOT a legal issue, despite the fact that there was a contract involved there somewhere; no, it was just worry turned into assumptions that became

suspicions. If you let a misunderstanding become a legal issue, you've misunderstood everything about business.

So I spent a few hours on the phone to the Texans, then the Arizonans, back and forth, rebuilding confidence. We worked out the old payment, and the new one, and eventually the Texans started talking about a new project they could offer the Arizonans. In half a day the Arizonans went from worrying to celebrating.

Here's the IBP, the Important Business Principle: Assume the worst about people and that's what you'll get. And letting a business misunderstanding become a legal issue is assuming the worst. Said another way, If you have a flame that's in danger of becoming a fire, you want expert help. But make sure it's really help: After all, a pyromaniac is, also, an expert on fires.

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