Negotiation Skills
Objectives

To understand:

- Types of Negotiation
- Principles and concepts of Negotiation
- How to brighten chances of winning a proposal – communication and persuasion
- Strategy and tactics
- Barriers to negotiation
- Nuances of International negotiation
Negotiation?

‘A process of securing an agreement between parties with different needs and goals, but each having something to offer to the other, and each benefitting from establishing an agreement, though the balance of power can be dependent upon whether one party’s needs are significantly greater than the other’

Or

It is a process by which the involved parties or group resolve matters of dispute by holding discussions and coming to an agreement which can be mutually agreed by concerned parties
Essence

✓ A process by which people deal with differences

✓ These differences may involve sale, purchase, merger, contract etc

✓ Resolutions sought through negotiations

✓ To seek mutual agreement through dialogue
Types of Negotiations

- Distributive Negotiation
- Integrative Negotiation

Or

- Multi-phase
- Multi-party

Most negotiations combine elements of both types.
Distributive Negotiation

- Parties compete over distribution of a fixed sum of value.
- Key question, ‘Who will claim the most value?’
- Gain by one at the expense of the other. Also known as a zero-sum negotiation.
- Often, there is only one issue in distributive negotiation: money.
- It is impossible to make trade-offs based on differing preferences.
- Relationship and reputation are irrelevant; not willing to trade value for value in their relationship.

EXAMPLE    SALE OF CAR
Integrative Negotiation

• Parties cooperate to achieve maximum benefits by integrating their interests into an agreement.

• Also known as win-win negotiation.
In business, integrative negotiations tend to occur at these times:

- During the structuring of complex, long term partnerships or other collaborations
- When the deal involves many financial and non-financial terms
- Between professional colleagues, or superiors and direct subordinates whose long term interests benefit from the other’s satisfaction
(...Contd ) Integrative Negotiation

- The goal of each side is to create as much value for each other

- Each side makes trade-offs to get the things it values most, giving up other less critical factors.

- When parties’ interests differ, your ability to claim what you want from the deal does not necessarily detract from the other party’s ability to claim what it wants.

- Both parties’ interests and preferences may be satisfied.
## Distributive versus Integrative Negotiation

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<th>Characteristics</th>
<th>Distributive</th>
<th>Integrative</th>
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<td>Motivation</td>
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<td>Issues involved</td>
<td>Single</td>
<td>Multiple</td>
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<td>Ability to make trade-offs</td>
<td>Not flexible</td>
<td>Flexible</td>
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<tr>
<td>Solution</td>
<td>Not creative</td>
<td>Creative</td>
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The Negotiator’s Dilemma

- Most business negotiations neither purely distributive nor purely integrative; rather, competitive and cooperative elements are entwined.

- Resulting tension / *negotiator’s dilemma*, requires difficult strategic choices.

- Negotiators must balance competitive strategies, which make it hard to cooperate and create value effectively, with cooperative strategies, which make it hard to compete and claim value effectively.

- At the core of the negotiator’s art is knowing whether to compete where interests conflict --- claiming more instead of less ---- or to create value by exchanging the information that leads to mutually advantageous options.
Multi-phase and Multi-party Negotiations
Multi-phase and Multi-party Negotiations

• Most people envision a negotiation as two people or teams sitting opposite each other at the bargaining table; individual parties eventually come to an agreement or walk away.

• It is fairly accurate for one-on-one negotiations that can be handled in a single meeting, such as:
  • The purchase of a car, or
  • A discussion between a supervisor and a subordinate about job performance or compensation.

• Few negotiations are so simple.

• Most involve more than two parties, and they sometimes take place in phases, with each phase devoted to unique issues.
Multi-phase Negotiations

Multiphase negotiations - implemented over time in different phases.

- As parties proceed through phases, each upholding its respective promises, future dealings ensue.

- It allows parties to negotiate based on follow-through and continuing communication.
Multi-phase Negotiations

Examples:

• The buy-out of an inventory based business, in which the parties set a price for the business and then agree to modify it later, based on the value of the inventory on a specific date.

• An Architectural design contract in which the architect and client agree on a price for the design phase of a project, and then use the design to agree on a price for the completion of construction drawings.
Multi-phase Negotiations

Tips

- Become familiar with other party’s communication and negotiation style.
- Build trust
- Monitor the other party
- Walk away from disconcerting negotiations.
Multi-phase Negotiations

Guidelines

• Ensure that the final phase is not the most significant in money or impact, nor the most difficult.

  • This practice will help protect you when incentives to breach are the greatest.

  • Most parties will not risk great injury to reputation by failing to perform an insignificant item.

• Pay attention to early warnings.

  • Create enforcement mechanisms against non-performance, or

  • Create enforcement mechanisms against other breaches of trust
Multi-party Negotiations

- Coalitions or alliances can form among the parties and influence the process and outcome.

- Coalitions have more power than any individual party involved in the negotiation.
Multiparty Negotiations

Coalitions:
- A coalition is a temporary alliance of separate entities or individuals who join together to seek a common purpose.
- A coalition can strengthen your negotiating position.
- Coalition-building can also extend a manager’s influence within an organization.

There are two types of coalitions:

Natural Coalitions:
- These form between allies that share a broad range of common interests.

Single-issue coalitions:
- These form when parties that differ on other issues unite to support or block a single issue, often for different reasons.
Multi-party Negotiations Guidelines:

- To be successful in multi-party negotiations, you must:
  
- Determine your party’s interests and goals at the negotiation table as well those of the coalitions you are dealing with.
  
- Then form a strategy.
  
- If your party is relatively weak, consider forming a coalition with others to improve your bargaining power:
  
- *If your party is up against a coalition, you might ways to break apart the coalition.*
Stages of Negotiation

- Preparatory
- Exploratory
- Bidding
- Bargaining
- Settling and evaluation
- Ratification
- Dissemination
THANKS
Negotiation Principles
And
Key Concepts
The Gist Basic Principles

- Value Driven -

- Identify Opportunities -

- Be Flexible -

- Establish Trust -

Let's be subtle about this, we want to do business with them in the future.
Details of Basic Principles

- Negotiation is a voluntary activity any party can break away or refuse to enter into discussion.
- Negotiation starts when one party wants to change status quo.
- Negotiation is incomplete if no mutually acceptable decision is arrived at.
- Timing is an important component.
- There is no winning.
- Win-win situation – basic requirement.
General Mistakes Committed

• Not knowing your power
• Believing other party knows your powers
• Getting intimidated by other ‘Big shot, Little shot syndrome’
• Getting intimidated by statistics, precedents, regulations etc. Question them
• Not realizing that other party needs agreement as much as you do
• Preset mindset
• Not knowing who the final authority is
• Seeking only general goal
• Failing to offer proper arguments
• Discussing insignificant issues
• Poor communication
• Ignoring timing and location
• Giving up when deadlock reached.
• Not knowing right time to close
Key Concepts:

The Fundamental Framework
Four Key Concepts: Fundamental Framework

• People negotiate when they do not have the power to force a certain outcome.

• They negotiate only when they believe it is to their advantage.

• A negotiated solution is advantageous only when a better option is not available.

• Any successful negotiation must have a fundamental framework based on knowledge of *three* things:
  • The best alternative to negotiation
  • The minimum threshold for a negotiated deal
  • How flexible a party is willing to be and what trade-off it is willing to make
Four Key Concepts

- **BATNA (Best Alternative To a Negotiated Agreement):**
  - Your options if you fail to reach agreement during a negotiation.

- **Reservation Price:**
  - The least favourable point at which you’ll accept a negotiated deal; the “walk-away“ price.

- **ZOPA (Zone Of Possible Agreement):**
  - The range in which a potential deal can take place; defined by the overlap between the parties’ reservation prices.

- **Value creation through trades:**
  - The trading of goods or services that have only modest value to their holders but exceptional value to the other party.
BATNA

Best Alternative To a Negotiated Agreement

- Your BATNA is your preferred course of action in the absence of a deal.

- Knowing your BATNA means knowing what you’ll do or what will happen if you do not reach agreement.

- Therefore, it is critical to know your BATNA before entering into any negotiation.
The Reservation Price

- Your reservation price, is also referred to your walk-away point.

- This is the least favourable point at which you accept a deal.

- Your reservation price should be derived from your BATNA but is not necessarily the same thing.

- The reservation price and BATNA will be similar if the deal is only about money and a credible monetary offer is the BATNA.
ZOPA

- **Zone Of Possible Agreement**

  The ZOPA is the range in which a deal can take place. Each party’s reservation price determines one end of the ZOPA. The ZOPA itself exists, if at all, in the overlap between the parties’ reservation price.

**Example:**

- A buyer has set a reservation price of Rs. 275,000 for the purchase of a commercial warehouse and would like to pay as little as possible. The seller has set a reservation price of Rs. 250,000 and would like to obtain as much as possible. The ZOPA, therefore, is the range between Rs. 250,000 and Rs. 275,000.
Zone Of Possible Agreement

If the numbers are reversed there would be no ZOPA, no overlap in the range in which they would agree. No agreement is possible, no matter how skilled negotiators, unless there were other elements value to be considered ---- or one or both sides’ reservation prices changed.
THANKS
Preparatory and Opening Stage
Preparatory Phase

- Assessing relative strength of two parties.
- Set negotiating objectives – ask, ‘What are real issues?’ ‘Which parties should be involved?’.
- It saves you from surprise and unexpected when other party introduces unexpected facts and figures.
- Plan the best way to argue your case.
- Assess your and other parties bargaining power.
First Impression – The First Reaction

- Significance of this period
- What should we aim to achieve
- Methodology to achieve the aim
- Who leads
Significance of the Period

- High level of concentration and energy
- The choice of opening topic sets precedence
- Once established it becomes a norm
- Attitude identified – aggressive/defensive/argumentative/counter aggressive
- ‘Pecking order’ is established
Establish ........

- A business like approach
- A meeting of minds
- Early establishment of co-operation between parties
- A shared understanding of sequence of activities
- Imp of continuity and development of brisk pace
Need to distinguish three different dimensions of negotiating:

- The content
- The procedures
- The personal interaction
"We brought our agenda"
The range of topics to be settled

<table>
<thead>
<tr>
<th>Oil Contract</th>
<th>Banking Loan</th>
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<tbody>
<tr>
<td>• Quality of oil</td>
<td>• Money</td>
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<tr>
<td>• Quantity</td>
<td>• Rate of interest</td>
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<tr>
<td>• Delivery</td>
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<td>• Terms</td>
<td>• Security</td>
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<tr>
<td>• Discounts</td>
<td>• Repayment</td>
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Procedure

- Planning
- Agenda formulation
- Control of meeting
- Preparations – physical setting and topics
- Preliminaries between parties
- Pacing/schedule
Personal Interaction

- Method/manner of interaction
- Method of resolving conflicts
- Authority to take decision
- Handling of ‘Influences’
Four Ps

- Purpose
- Plan
- Pace
- Personalities
“Can we first agree on procedure? I would like to check with you on what we are hoping to achieve this afternoon, and how we should go about it. Is it agreeable to you?”

**AGREE**

“Yes I agree”

“Well, we see the purpose of this meeting is purely exploratory – just to exchange information on our respective positions. Is that how you too see the purpose?’

“We would like to exchange information and get one step further. We would like to have some discussion about the area in which we might do business together.”

“Yes, we’d be glad to do if there is time. I assume it will take about an hour. Is that agreeable.”

“Yes I agree”

“So, lets start.”
“OK then, we have agreed on the purpose of this meeting, and the pace at which we must work, and the we are going to tackle it.”

Let's introduce ourselves. Would you like me to start?”
Who leads?

- Sensitivity
- Matters at stake:
  a) Who is going to speak first
  b) Who is going to lead in forming agenda
  c) How is time distributed in two parties
Essence...

- Make use of powerful moment
- Cover the process issues:
  a) Why we are here
  b) What we are going to do
  c) How long
  d) Follow four Ps
- Emphasis be on ‘Agree’
- Defuse sensitive issues like ‘Pecking order’
- Use ‘Process approach’ as a routine; and continue to use it.

THANKS
THANKS
Bidding and Bargaining
"Let's compromise: If you forget about the pay rise, then I'll forget about the pay cut"
Bargaining

‘Satisfaction is not absolute, it depends on the way people value things’

Bargaining to our advantage, we are concerned to make a fair deal in which both parties will be equally satisfied.

Or equally dissatisfied – in that case we must bargain in such a way that the dissatisfaction will be equally shared between us.
Framework - Considerations

1. The moves we must make at the outset
2. The way to influence deal
3. Making concessions
4. Breaking an impasse
5. Towards a settlement
At the outset...

1. What is he bidding already.
2. Don’t worry why is he bidding like that but slowly establish ‘why’
3. Fringe interests, which he can easily give in
4. Find out his flexibility band
5. Don’t speculate his opinion
6. Avoid deep diving, reserve your comments, just register

ASSESS OVER ALL SITUATION
Differences between Parties

• A. Imaginary? Because of communication barriers
• B. Invented? - Part of bluff/counter-bluff
• C. Real?
Differences between Parties

• A. Imaginary? Because of communication barriers
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OPTIONS TO HANDLE DIFFERENCES
1. Accept
2. Reject
3. Negotiate
Differences between Parties

A. Imaginary? Because of communication barriers
B. Invented? - Part of bluff/counter-bluff
C. Real?

OPTIONS TO HANDLE DIFFERENCES

1. Accept
2. Reject
3. Negotiate
   - Offer new offer
   - Seek new offer
   - Change shape of deal (quantity/quality)
   - Give and take
Influence the deal

1. Influence the negotiator
   or
2. Influence the situation
   - Offer different deal
   - Similar deal but better conditions for him
   - Readiness to offer better conditions to him when he offers
   - Different ways of valuing things
   - A different plan to settlement
   - Package plus package
   - A new opportunity (May be we can offer free service for one year)
   - Bluff and brinkmanship
Concessions - Pattern

1. Concession by one party to match other party’s concessions.
2. Pace of giving concessions must match with that of the other
3. Trade our concessions to our advantage
4. Help him to see each of our concessions as being significant
5. Aspire high
6. Move at measured pace
In a Nutshell

- At the outset find out other party’s needs and interests
- Assess situation and decide how to handle
- Prepare for each successive round of bargaining
- Influence other negotiator or situation
- Bluff and adopt brinkmanship
- Measured pace – a must
- Pay attention to non-verbal clues
- Avoid impasse
- Recognize imminent settlement – make symbolic closure
THANKS
Negotiation Tactics
“Don't worry, I've seen this negotiation tactic before”
Negotiation Tactics

- **Negotiation decoy** – later negotiate with other party
- **Extreme offers** – Non-verbal bewilderment/surprise
- **The negotiation nibble** – Last moment, “Transportation and insurance is included, isn’t it?? “If you are willing to pay the extra 3% we will include these two items.”
- **Cherry-picking** – “This is what other companies are offering, so you will need to at least match those.”
• Negotiation flinch – physical reaction like gasping for air, surprise, bewilderment, laughter etc. “I notice you look surprised, what were you expecting?”

• Mutt and Jeff / hawk and dove / Good cop/bad cop. “You remind me of that classic case of police interrogation.”

• Mandated authority – “Oh! That will not be acceptable to the Chairman.”

• “Take it or leave it”
Negotiation deadline - ‘My flight is leaving in two hours.’, or “We love your product and organization, but can’t afford to pay more than X.” “What will happen if you don’t meet this demand of yours? Print outs – price lists to convince and impress.

Moral appeal – ‘It will help the workers / society

Name dropping / picture / sudden appearance

Recessing –’ Let us have a break”

Full disclosure – To win the confidence
Negotiation planted information – Media, sources, common friends etc

Negotiation deliberate mistake – In the final documents. Notice and inform them. Don’t allow them to be morally on a higher platform

All I have is only 60 % - to bargain

Lubrication – smooth talk, flattery and so on.

Golf Club, dinner meeting etc
THANKS
Barriers To Agreement
Barriers To Agreement

**Communication Problems**

Communication is the medium of negotiation and often breakdown is attributed to the lack of it.

"You DID ask for a bigger pay packet"
Communication

Steps for handling:

- **Ask for a break**: Take some time to clear your head, refocus and regain objectivity.

- **Look for a pattern**: Mentally replay what has been communicated, and by whom.

- **After the break, raise the issue in a non-accusatory way**: Offer to listen while the other side explains its perspective on the issue.

- **Switch spokespeople**: Have someone else act as the negotiator. Ask the other party to do so if its representative irritates your team.

- **Jointly document progress as it is made**: This is important for multiphase negotiations.
Barriers To Agreement

**Die-hard Bargainers**

These are the negotiators for whom every deal is a battle.

**Tips for handling:**

- **Know their game**: Don’t let them intimidate you. Anticipate unreasonable offers, grudging concessions and posturing.

- **Be guarded in the information you disclose**: Disclose only the information that cannot be used against you.

- **Suggest alternative packages or options when they are unwilling to share information**: When you present options and packages, the other side tends to ask questions to clarify and compare offers. This will help you to understand the other side’s interests and concerns.

- **Indicate your willingness to walk away**: If the other party sees that its difficult behaviour may result in your walking away, it may back down and become more cooperative.
Barriers To Agreement

Lack of Trust

You suspect that the other side is lying or bluffing. It may have no intention of following through on its promises.

How should you respond?

- **Emphasize the need for integrity:** Stress that a deal is predicated on its accuracy and truthful representations.

- **Request documentation:** Insist on documentation, and make the terms of the deal contingent on the accuracy of that documentation.

- **Insist on enforcement mechanisms:** Add contingencies to the deal, such as security deposit, an escrow arrangement, or penalties for non-compliance (or perhaps positive incentives for early performance).
Barriers To Agreement

**Potential Saboteurs**

Whenever the other party perceives it the loser in the outcome of a negotiation, expect resistance and possible sabotage.

**Tips for handling:**

- Identify potential Saboteurs:
- Consider augmenting the deal:
- Communicate potential benefits to resisters:
- Help resisters to find new roles:
- Think about the issue of control:
- Build a coalition with sufficient strength to overpower the saboteurs
Barriers To Agreement

Potential Saboteurs

➢ Whenever the other party perceives it the loser in the outcome of a negotiation, expect resistance and possible sabotage.

Tips for handling

➢ Identify potential Saboteurs: Map out the stakeholders, their respective interests, and their power to affect the agreement and its implementation.

➢ Consider augmenting the deal: Include something in the deal to benefit the stakeholders who would otherwise have the incentive to sabotage.

➢ Communicate potential benefits to resisters: Those benefits might be greater future job security, higher pay, and so on. There is no guarantee that the benefits will exceed the losses to these individuals. But, explaining the benefits will help shift the saboteurs’ from negatives to positives.
Help resisters to find new roles: Those new roles should represent genuine contributions and mitigate their losses.

Think about the issue of control: Resistance to change may be out of fear of losing control over the resisters’ own lives. You can return some of it by making them active partners in the negotiation process or in your change program.

Build a coalition with sufficient strength to overpower the saboteurs: A coalition may shift the balance of negotiating power in your favour.
Barriers To Agreement

Differences in Gender and Culture

Negotiations often breakdown due to perceived differences in culture and gender.

Guidelines for handling

- **Look for a pattern to diagnose the problem:** What kinds of issues create difficulties? What types of misunderstandings have you had?

- **Consider what assumptions each party has brought to the table:** Are they valid? Are any related specifically to the negotiation at hand or to the particular company, and to differences in culture?

- **Research possible areas of difference:** Review any available literature about the other party’s culture and how it compares with yours.

- **Use what you have learnt to establish more comfortable communication:** Adjust your communication style, or articulate the differing norms or assumptions you believe to have been the source of the problem.
“Yes they shaved our margins a little, but they signed the contract!”
Negotiations – Closing
When you are prepared to reach final agreement
Quicker the better
May need maneuvering
Not to early, not leisurely (he may think of objections)
Read situation carefully before closing
Trial Closing

- “Are you ready to close?”
- “Are we in agreement?”
- “I want to find out an agreement”
- “You want to find an agreement, don’t you?”
- “I am willing to do X, You do Y.”
- Before that handle objections
- Close be smooth and seamless
Objections

- Identify objections quickly
- Remove these
- Bargain
- Persuasion
- Compromise small issues first, don’t dilute major issue
- Give reasonable assurance – after sale service
Final agreement

- Button up issues
- Legal aspects
- Check, recheck, ..........
- If need be follow up
- If still objections, allow him to call off, cool off
- No threat
- Leave the door open
Kind of Surprises in Negotiations

- **Issue surprises** – new demands, new packages, backing of concessions etc
- **Time surprises** – dead lines, pace, all night etc
- **Move surprises** – walk out recesses, delays, emotional out bursts, interruptions
- **Information surprises** – introduce new rules, policies, new data, tough questions
- **Ego surprises** – abusive, distrustful, one up man ship, attack on integrity
- **People surprises**
- **Authority surprises** – decision maker missing/changed
- **Venue surprises**

STAY COOL, RECSESS, LISTEN, THANKS
Skills of Effective Negotiators
Skills of Effective Negotiators

To increase effectiveness as a negotiator, focus on the following skills:

- Align negotiating goals with organizational goals
- Be thoroughly prepared
- Determine the other side’s BATNA and reservation price
- Identify the interests of both sides, and develop value-creating opportunities
Skills of Effective Negotiators

- To increase effectiveness as a negotiator, focus on the following skills:
  - Separate personal issues from negotiating issues
  - Recognize potential barriers to agreement
  - Know how to form coalitions
  - Develop a reputation for reliability and trustworthiness
  - Recognize relationship value
Skills of Effective Negotiators

- Align negotiating goals with organizational goals
  - Effective negotiators operate within a framework that supports the strategic goals of their organizations.

- Be thoroughly prepared
  - An effective negotiator collects as much information as possible in advance of deliberations,
  - Is organized for all meetings, and
  - Uses each negotiating phase to prepare for the next
Skills of Effective Negotiators

✓ Determine the other side’s BATNA and reservation price

  ✓ An astute negotiator uses dialogue with the other party and away-from-the-table detective work (competitive intelligence) to ascertain the other side’s BATNA and reservation price

✓ Identify the interests of both sides, and develop value creating options:

  ✓ A sharp negotiator can help the other side to see the value of sharing information and expanding value opportunities
Skills of Effective Negotiators

• Separate personal issues from negotiating issues:
  ❖ Accomplished negotiators know that the issues being discussed are not about them – or even about the individuals sitting across the table.
  ❖ Instead, accomplished negotiators operate with objective detachment and focus on producing the best possible outcome.

• Recognize potential barriers to agreement
  ❖ Barriers are not always obvious.
  ❖ A skillful negotiator finds and neutralizes these barriers.
Skills of Effective Negotiators

- Know how to form coalitions
  - Not every negotiator is dealt a winning hand.
  - The other side often has greater power.
  - A good negotiator, however, knows that a coalition of several weak players can often counter that power.
  - A skilled negotiator knows how to build such a coalition on a foundation of shared interests

- Develop a reputation for reliability and trustworthiness
  - The most effective negotiations are built on trust.
  - Trust formed through one phase of negotiation pays dividends in the next.
  - A negotiator earns trust by practicing ethical behaviour and by following through on all promises.
Implementation Phase

• Ratification in writing
• Spell out implementation plan – who, when and how.
• Matters left undefined may become a subject of disagreement later.
• Every person concerned be told about agreement, its implementation and actions to follow.
Negotiation Strategy – Discussion Stage

• Do not state whole case in beginning, but proceed as discussion proceeds.
• Listen to other person’s views. Do not interrupt.
• Notice tone not only words nervous, confident, evasive, irritated, cool etc.
• Put searching questions – dates, facts, figures and so on.

• DO NOT SAY “YOU ARE WRONG”
Negotiation Strategy – Discussion Stage (contd)

• Avoid confrontation tone instead encourage discussion.
• Use impersonal terminology and not personal criticism.
• Use adjournment to get a chance to consider new points before committing,
• Change mood of discussion
• Use concession and compromise at correct time.
• Use conditional compromise.
Negotiation Strategy – Discussion Stage (contd)

- Other party should not feel that they are losing by accepting your concession / compromise.
- Compromise and concessions must be in context.
- Praise other person for good suggestion.
- Do not allow discussion to linger on
Agreement

- After long discussion FINAL should be taken as FINAL without any further discussion.
- Be tactful and persuasive to let other party that final outcome is as beneficial to them as to you.
- Appreciate other party’s cooperation and suggestions.
- Put every thing in writing.
- Obtain signatures.
In Case of Deadlock

- Point out that no further concession can be made those would not be beneficial to either party.
- Explain the consequences of deadlock – refer to higher ups and arbitrator.
- Use ethical aspect – benefits to workers, repute etc.
- Remain positive till end – keep trying.
International Negotiation
Considerations

- Whether commercial or non-commercial
- Far reaching effect on industry, economy, and social culture

- **Involvement of:**
  a) Host country
  b) Host country’s partners
  c) Govt and its policy
  d) Collaborators
  e) Political parties
  f) Bureaucracy
  g) DRDO
  h) Media
  i) Public
Impact on the Host Country

- Country’s reputation
- Liberalization
- Give and take
- Foreign trade – foreign exchange earning, import subsidies
- Govt’s interest
  a) Promote local Ownership
  b) Job opportunities
  c) Internal development – Collaboration PSOs and Pvt companies
  d) Balance of power Transfer of technology
The Context of Negotiation

- Political Context
- Economic Context
- Social Context
- Cultural Context – Culture can impact:
  a) Communication
  b) Language
  c) Dress
  d) Food and feeding habits
  e) Sense of self-respect and space
  f) Learning process
  g) Values and norms
  h) Attitude
Culture

“Let's win the respect stakes by bowing lower.”
Negotiate to Improve

---- Negotiate to Succeed

Thank You
Nine Steps To A Deal
PART 4: Nine Steps To A Deal

- Step 1: Determine satisfactory outcomes
- Step 2: Identify opportunities to create value
- Step 3: Identify your BATNA and reservation price
- Step 4: Improve your BATNA
- Step 5: Determine who has authority
- Step 6: Study the other side
- Step 7: Prepare for flexibility in the process
- Step 8: Gather objective criteria to establish fairness
- Step 9: Alter the process in your favour
Step 1: Determine satisfactory outcomes

- Try to uncover interests by asking questions that help you to ascertain the other party’s priorities, concerns and perspective.

- Determine the other side’s interests, however, can be difficult – especially in distributive negotiations.

- A negotiation’s success is judged by its outcome.

- Thus, it’s best to be clear about what constitutes a good outcome for you and for the other side before the negotiation begins.

- Satisfactory outcomes typically addresses the interests
Step 2: Identify opportunities to create value

Once you understand what a good outcome would look like for you and the other party, you can identify areas of common ground and opportunities for favourable trades.
Step 3: Identify your BATNA and reservation price

- It is critical to know your BATNA and reservation price before a negotiation.

- It’s also prudent to estimate the other party's BATNA and reservation price.

- If you know this information ahead of time, you will be able to recognize when you have reached a favourable deal, and you will have a better sense of when to hold firm or make concessions.

- Never accept a deal that is worse than your BATNA.
Step 4: Improve your BATNA

- Your BATNA determines the point at which you can say no to an unfavourable proposal. If you have a strong BATNA, you can afford to negotiate for more favourable terms.

- Therefore, it’s wise to try to improve your BATNA before and during deliberations with the other party.
Step 5: Determine who has authority

- It is best to negotiate with the person who has the decision making authority.
- It reduces the chance of misunderstanding.
- Ask, search and identify the real decision maker.
- If you cannot meet this person, ascertain the level of authority of the person negotiating with you.
- Plan accordingly and build the situation to reach the decision maker.
Step 6: Study the other side

- Know about the organization
  - Through their web site
  - By talking to the vendors and customers

- Do pre-negotiation research on
  - The organization – their culture, goal and values.
  - The persons in the department
  - The background and authority of the negotiator on the other side
Step 7: Prepare for flexibility in the process

- Be flexible and patient.
- Do not assume that a pre-determined path will be followed.
- Be prepared to deal with new persons and unexpected developments.
- Treat change as the opportunity for learning and creativity.
Step 8: Gather objective criteria to establish fairness

- To establish what is fair and reasonable, use external, objective criteria.
- Be prepared to explain why the example in your favour is more relevant in your case under negotiation.
- If the other party can be convinced that your criteria is fair and reasonable then it will find hard to reject your proposal.
- It will then more likely to feel satisfied with the final deal.
Step 9: Alter the process in your favour

- Ask for the agenda you are comfortable with.
- Heed your feelings if you suspect the meeting is rigged.
- Address the logistical factors such as place, time, persons attending and the sequence in the agenda.
- Work behind the scene to educate others about your idea.
- Reposition the issue so that others view it from a different perspective.
Value Creation Through Trades

- Negotiating parties can improve their positions by trading the values at their disposal.

- Value creation through trades occurs in the context of integrated negotiations.

- In this situation each party usually gets something it wants in return for something it values much less.
Tips for Managing Relationship Value

- Recognize relationship value
  - Some negotiation, usually the integrative type, involve parties that have important relationship they hope to retain.
  - Managers want to maintain positive relationships with their direct subordinates, manufacturers with their key suppliers, and so on.
  - An effective negotiator recognizes the importance of long-term relationships and knows how to retain them by
    - Creating trust,
    - Communicating openly,
    - Admitting to and addressing mistakes, and
    - Asking for feedback.
Tips for Managing Relationship Value

- **Create Trust**
  - Trust is created when people see tangible evidence that your words and actions are in harmony.
  - So, avoid making commitments you may not be able to honour, and always do what you have committed to do.

- **Communicate**
  - Negotiating parties should communicate their interests, capabilities and concerns to each other.
Tips for Managing Relationship Value

- Never try to hide mistakes
  - Mistakes are bound to happen, and acknowledging them and addressing them – quickly – is always the best course of action.

- Ask for feedback
  - If everything appears to be going as planned, do not assume that the other side sees it the same way.
  - Be proactive in uncovering problems and the other side will respect you for this.
## Determining Your Reservation Price

1. **Explore the variables that affect your reservation, or "walk-away', position**
   - What is the value of your deal on the table?
   - How does this compare to the value of your BATNA?
   - What other values need to be considered?
   - If there is a monetary number involved in the negotiation, what is the lowest amount you would consider?
   - What are the minimum non-monetary terms that you would consider?

2. **Evaluate the trade-offs between your issues and interests.**
   - Which issues or terms do you care most about?
   - Are any of these issues or terms linked?
   - How much of what you want on one issue or term would you trade off against another?
   - Are there different package deals that would be equivalent in value to you?

3. **Articulate the parameters of your reservation price** *(The resulting terms or price create the context for you to evaluate alternative approach)*