

NEGOTIATION

INTRODUCTION

- The pre-cold war period was marked by **conflict** defined as the existence of competing interests between parties in absence of interests that are shared.
- It was marked by **interstate conflicts** and got to the peak during the height of the Cold War.
- It was also marked by the **Dominance** of the big **World Powers**.

PRECOURSE ACTIVITY - 1

Previous Experience in a Negotiation Process



Might was the powerful negotiation Strategy

INTRODUCTION CONTD

- In the decades following the cold war, globalizing developments in technology, communications, finance and trade have given rise to a world in which citizens, organizations and governments engage in millions of trans-national interactions on a daily basis.
- In the modern age, the need for developing mechanisms and skills to manage daily exchanges has grown.
- There is also the necessity to develop skills for managing the impasses that arise when the satisfaction of one nation's interests, values or goals depend on the actions or intentions of another.
- At the national level, policies must address, and if possible, resolve tensions between the often divergent interests of an array of stakeholders.
- Governments must grapple with competing concerns related to matters of political and economic interest, while also upholding national commitments related to international law and commerce.
- It is not surprising then, that a field devoted to negotiation theory has emerged.

GLOBALIZED WORLD



World is a stage of
NEGOTIATION

Like it or not, you are a Negotiator

**Our ability to negotiate
has been embedded**

Since we were born



WHAT IS NEGOTIATION

- ❖ Negotiation is a method by which people settle differences. It is a process by which compromise or agreement is reached while avoiding argument and dispute.
- ❖ A give and take decision making process involving interdependent parties with different preferences.
- ❖ In any disagreement, individuals understandably aim to achieve the best possible outcome for their position or perhaps an organization they represent. However the principle of **fairness**, seeking **mutual benefit** and maintaining a **relationship** are the keys to a successful outcome.

DEFINITIONS

- ❖ Fisher and Ury define negotiation as a “back-and-forth communication designed to reach an agreement when you and the other side have some interests that are shared and others that are opposed”.
- ❖ Leigh Thompson refers to negotiation as an “interpersonal decision-making process” that is “necessary whenever we cannot achieve our objectives single-handedly.”
- ❖ In the words of Max H. Bazerman and Don A. Moore “When two or more parties need to reach a joint decision but have different preferences, they negotiate.”

DEFINITIONS CONTD

- Together, these definitions encompass the wide range of negotiations we carry out in our personal lives, at work, and with strangers or acquaintances.
- It is something that we do all the time, not only for business purposes.
- It is usually considered as a compromise to settle an argument or issue to benefit ourselves as much as possible.
- Not always between only two people. It can involve several members from two parties.

Difference between an Argument and Negotiation

ARGUMENT

- **Putting your own opinion**
- **Not willing to listen to another point of view**
- **Not willing to concede on anything**
- **Not willing to concede the value in the other person's opinion**

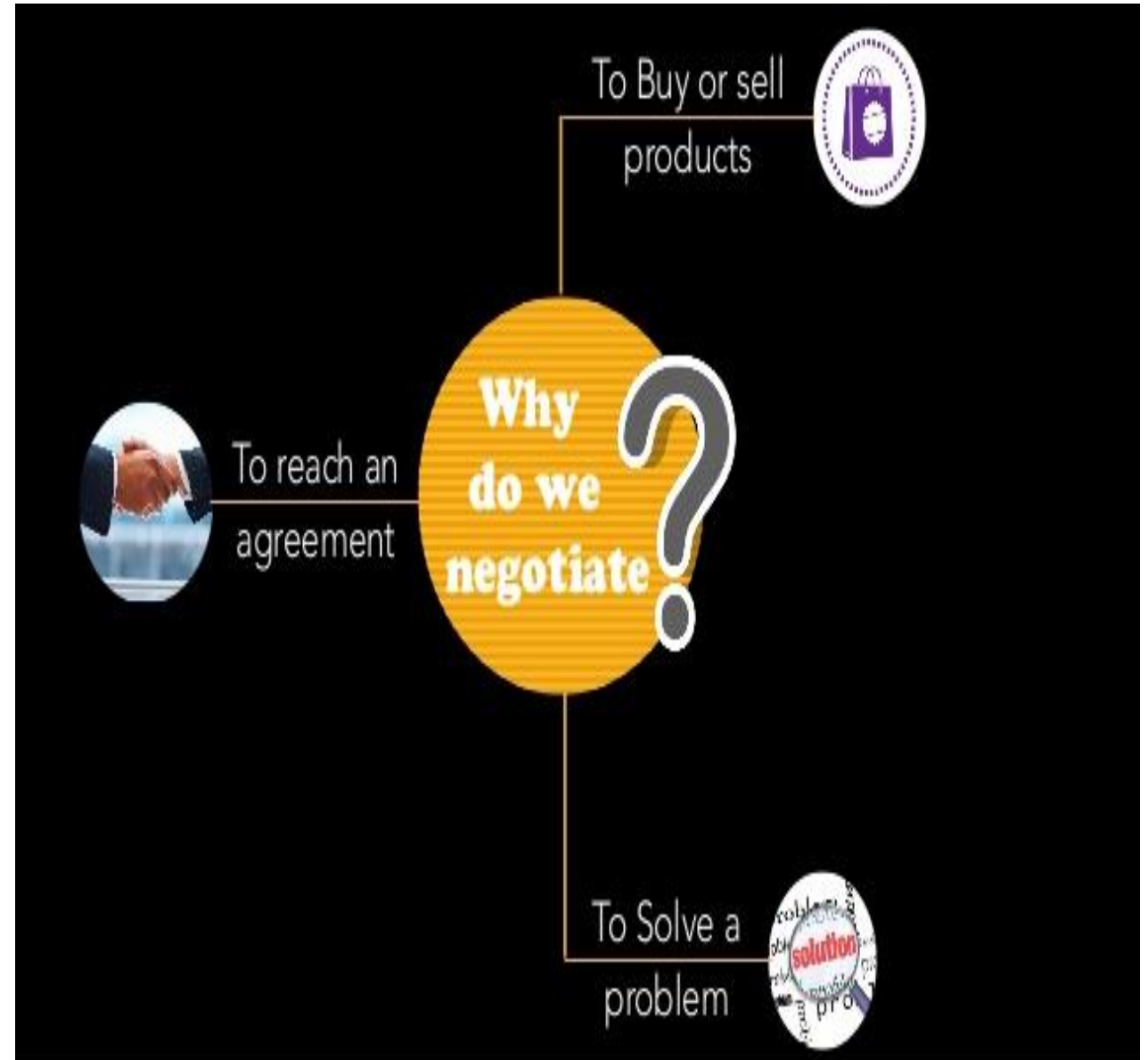
NEGOTIATION

- **To listen to the other side(TOS)**
- **To understand the basis from which TOS operates**
- **To be willing to take action**
- **To resolve the issue**

Negotiate the WHY?

Negotiating is about WHY , not WHAT

- The purpose of negotiating is seeing if you can get your interests met through and agreement, versus an alternative.
- Positions are **WHAT** we want
- Interests are **WHY** we want something
- Negotiate the **WHY**not the **WHAT**



NEGOTIATION PROCESS

The process of negotiation has following 5 stages:

- Preparation
- Definition of Ground Rules
- Bargaining and Problem Solving
- Closure and Implementation
- ❖ **Preparation and Planning**
 - ✓ Before starting the negotiation, you need to do homework.
 - ✓ **What is the nature of the conflict**
 - ✓ What is the history leading up to this negotiation?
 - ✓ **Who's involved and what are their perceptions of the conflict?**
 - ✓ Decisions need to be taken as to **When** and **Where** a meeting will take place to discuss the problem and **Who** will attend.

NEGOTIATION PROCESS (CONTD)

❖ **Definition of Ground Rules**

Defining the ground rules and procedures with the other party over the negotiation itself.

- ✓ Where will it take place?
- ✓ What time constraints, if any will apply
- ✓ What issues will negotiations be limited?
- ✓ Will there be a specific procedure to follow in an impasse is reached

During this phase, the parties will also exchange their initial proposals or demands.

❖ **Clarification and Justification**

- ✓ When initial positions have been exchanged, both parties will explain amplify, clarify, bolster and justify their original demands. This need not be confrontational. Negotiation is a discussion and not an argument.
- ✓ It is an opportunity for educating and informing each other on the issues, why they are important and how each arrived at their initial demands.
- ✓ This is the point where one party might want to provide the other party with any documentation that helps support its position.

NEGOTIATION PROCESS (CONTD)

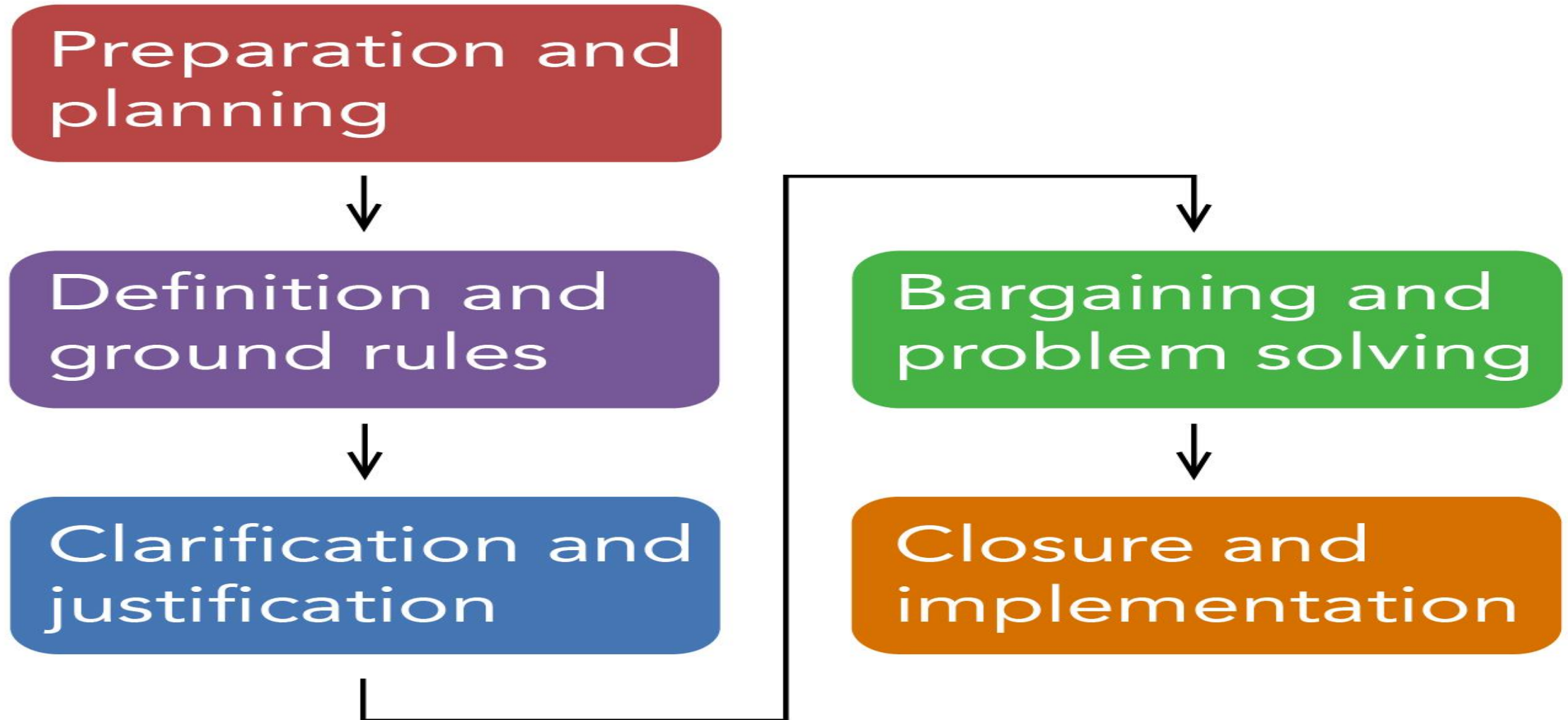
❖ Bargaining and Problem Solving

- ✓ The essence of the negotiation process is the actual give and take in trying to reach an agreement or a proper bargain. It is here that concessions will undoubtedly need to be made by both parties.
- ✓ This stage focuses on what is termed a 'win-win' outcome where both sides feel they have gained something positive through the process of negotiation.
- ✓ Compromises are often positive alternatives which can often achieve greater benefits for all concerned compared to holding to the original positions.

❖ Closure and Implementation

- ✓ The closing phase of a negotiation process represents an opportunity to capitalize on all the work done in the earlier phases.
- ✓ The final step is a formalization of the agreement that has been worked out and developing procedures that are necessary for implementation and monitoring.
- ✓ For major negotiations, this will require ironing out the specifics in a formal contract.

5 STAGES OF NEGOTIATION PROCESS



ELEMENTS OF NEGOTIATION

❖ In any negotiation, two elements are very essential.


✓ Reasonableness

✓ Flexibility

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Negotiation -- Remember

"Two elements are essential:
*Reasonableness and
Flexibility.*"



Page 9

NEGOTIATION STRATEGIES

- The negotiation process has been divided into two categories
 - ✓ **Distributive negotiation** (Win-lose Strategy/ Zero-sum Strategy).
 - ✓ **Integrative negotiation** (Win-Win Strategy).
- One of the most basic symbols for talking about negotiations in general is called the **pie**.
 - ✓ In negotiations, whatever people fight for -- be it money, power, or even a **bigger office** -- is the pie.
 - ✓ Usually, negotiations involve slicing up that pie, with each side fighting for the biggest slice they can get.

- The idea of a pie is used to illustrate what people fight over in a negotiation



DISTRIBUTIVE NEGOTIATION

- **Distributive negotiation** is also called **positional, hard-bargaining, win-lose** or **zero-sum** game. One party **wins**, and the other **loses**
- It is a domination strategy that treats negotiation as a kind of contest or competition to be won; one person's interests opposes the others.
- There is a certain, fixed sized pie over which the sides fight. In other words, there are fixed resources to be divided so that the more one gets, the less the other gets..
- The parties are **inflexibly positional**, often ignoring the real **issues and needs** behind their positions.
- Example, if countries are drawing political lines in peace negotiations after war, the territory one country gains is a loss to the other nations.
- The dominant concern in this type of bargaining is usually maximizing one's own interests.
- Because competitive strategies produce win-lose outcomes, many view such strategies as destructive.

INTEGRATIVE NEGOTIATION

- **Integrative negotiation** is also called collaborative, problem-solving or win-win bargaining.
- Seeks to use negotiations as a way to enlarge the pie that is, to multiply the gains in order to make both parties better off. This process is called **creating and claiming value**. This happens when parties think of new things that one side can offer the other and then claim parts for themselves.
- **Multiple Issues and Flexible Positions:** There are several issues to negotiate around, with underlying motivations and interests.
- Integrative strategies emphasize problem solving, cooperation, joint decision-making and mutual gains, and call for participants to work jointly to create win-win solutions.
- They also involve uncovering *interests*, generating *options* and searching for commonalities between parties.
- **Ongoing Relationship:** The other party is someone with whom you want to maintain a good working relationship.
- In general, most successful negotiators start off assuming collaborative (integrative) or win-win negotiation.

NEGOTIATION SKILLS

- Negotiation skills can play a key role in shaping negotiated outcomes. They are qualities that allow two or more parties to reach a compromise.
- These are often soft skills and include abilities such as **communication, persuasion, planning, strategizing and cooperating**. Understanding these skills is the first step to becoming a stronger negotiator.
- ❖ **Analyze and cultivate your BATNA**. This is the option you would take if the talks fell through.
- In both **integrative negotiation** and **adversarial bargaining**, the best source of power is the ability and willingness to walk away and take another deal.
- ❖ Before entering a negotiation get familiar with the **ZOPA**. This is the range at which two opposing parties can possibly agree.
- It is the difference between the seller's reservation price -- the lowest price he'll accept -- and the buyer's reservation price -- the highest price she'll pay. Here, the two reservation prices don't overlap at all, meaning that no ZOPA exists and negotiation is impossible.
- **Preparation**

Best Alternative to Negotiated Agreement (BATNA)

2 core concepts that you must have in mind

Best **A**lternative **T**o **N**egotiated **A**greement

BATNA tells you **when** to **accept** and
when to **reject** an agreement

When a proposal is **better** than your
BATNA..... **accept** it



When a proposal is **worse** than your
BATNA..... **reject** it



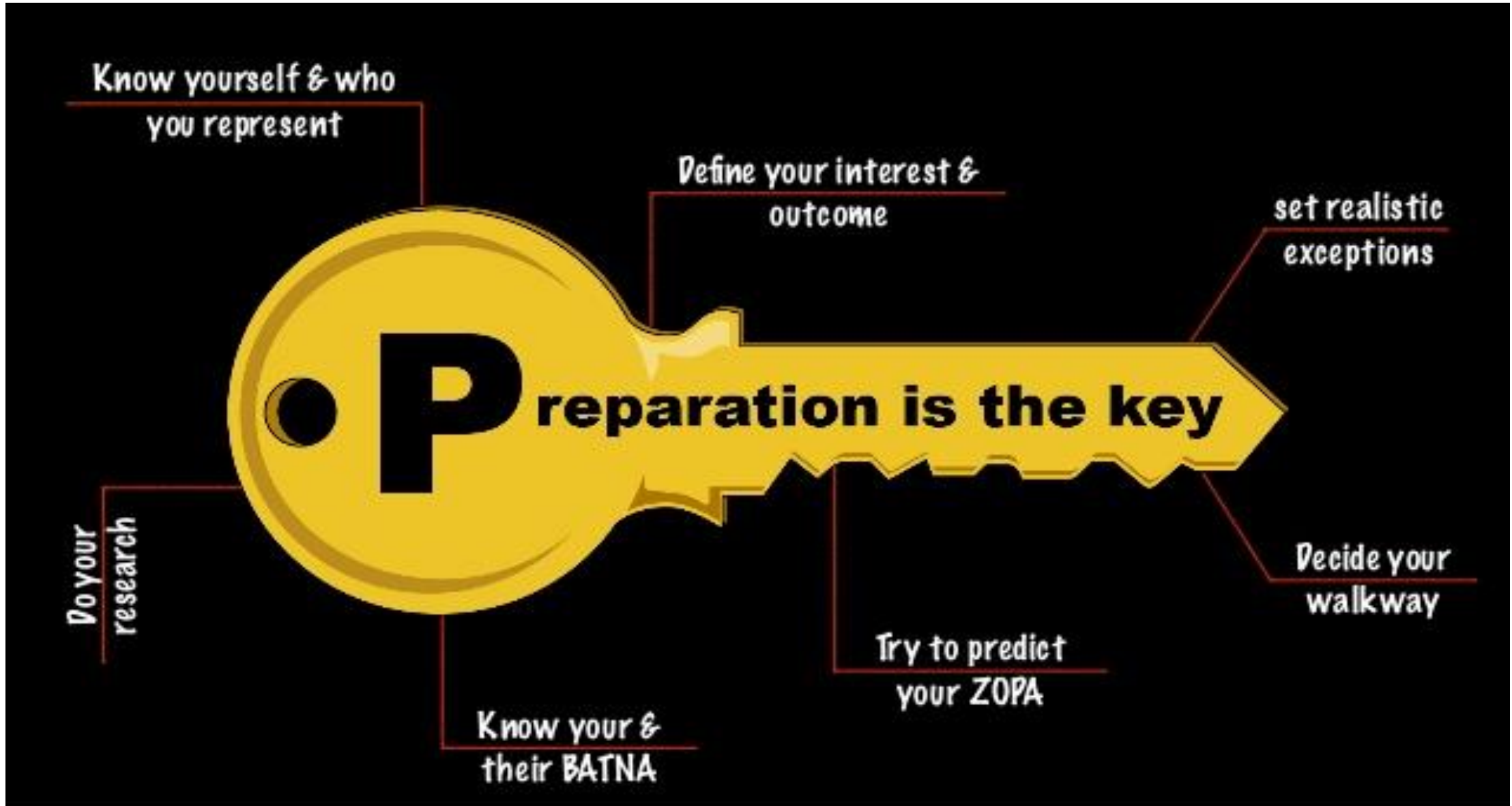
Zone of Possible Agreement (ZOPA)

2 core concepts that you must have in mind

Zone Of Possible Agreement



Negotiation Skills Contd



COOPERATIVE OR COMPETITIVE: A NEGOTIATORS DILEMMA

- The Negotiator's Dilemma states four different scenarios:
- **Great:** If you compete and the other cooperates, you will have a great outcome, and the other will have a terrible outcome (the best result for you). In Prisoner's Dilemma, this happens if you confess and the other person keeps quiet.
- **Good:** If both you and the other side decide to lay all cards on the table and cooperate, both will have a good outcome (the second best result for you). In Prisoner's Dilemma, this happens if both of you keep quiet.
- **Mediocre:** If both you and your adversary take the offensive and compete, both will receive a mediocre outcome (the third best result for you). In Prisoner's Dilemma, this happens if both of you confess.
- **Terrible:** If you decide to cooperate, while the other decides to compete, you will have a terrible outcome while the other gets a great outcome (the worst result for you). In Prisoner's Dilemma, this happens if you keep quiet, but the other person confesses

OPTIONS AND POSSIBLE OUTCOMES OF THE NEGOTIATOR'S DILEMMA

How Negotiation Works

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The Negotiator's Dilemma

	B Cooperates	B Competes
A Cooperates	Both cooperate Both have a good outcome	A cooperates, B competes A has terrible outcome, B has great outcome
A Competes	A competes, B cooperates A has great outcome, B has terrible outcome	Both compete Both have mediocre outcome

NEGOTIATION STYLES

- Negotiators use different negotiating styles to achieve successful outcomes. Three basic types are usually distinguished, although there is a clear overlap with negotiation strategy.
- **Hard negotiation** uses coercive strategies to get each side to make concessions and reach agreement.
- It keeps a hard line, being unwilling to make concessions, and keeping one's own situation under wraps.
- **Soft negotiation** prioritizes the gaining of agreement without generating disagreement or conflict.
- Being generally more willing to give in, make concessions, trust the other, and stay honest and forthright with one's situation.
- **Principled negotiation** attempts to decide things on their merits, and look for mutual gains. This involves understanding the various interests and needs which underlie the parties' positions, and then discovering options to satisfy them.
- For people who just don't feel comfortable with negotiation, the principled negotiation approach serves as a great alternative to the difficult choice between being conciliatory or aggressive.

Negotiation Styles

Soft approach

Friends

Goals: agreement, make concessions

Soft on people and problems

accept one sided loss,

search for acceptable answer

insist on agreement

yield to pressure

Hard approach

adversaries

victory

demand concessions

Hard on problem and people

Make threats, demand one sided gain

Search for one answer you will accept Insist on your position,

apply pressure.

Principled Approach:

problem solvers

separate people from problem,

soft on people, hard on problems

focus on interests not positions

develop multiple options

yield to principle not pressure



ELEMENTS OF PRINCIPLED NEGOTIATION

- **Principled negotiation** has four components:
- **Separate the people from the problem.** This means finding a way for solving a problem without getting distracted by personal elements. Also coming to an agreement in a manner that will preserve the relationship.
- **Focus on interests, not positions.** Identify the *interests* involved in an issue area as opposed to dealing with *positions* of the negotiating parties. Interests are the fundamental drivers of negotiation namely: basic needs, wants, and motivations.
- **Invent options for mutual gain.** This involves using the integrative approach of enlarging the pie.
- Options here refer to any available choices parties might consider to satisfy their interests.
- Since options tend to capitalize on parties' similarities and differences, they can create value in negotiation and improve parties' satisfaction.
- **Insist on using objective criteria.** As a preventative method of keeping emotions at bay, try whenever possible to use objective criteria.
- By framing negotiations based upon *objective criteria*, negotiators free themselves and the other side from clinging to a position stubbornly in order not to appear (or feel) weak.

BARRIERS TO NEGOTIATIONS

- Sometimes people fail to negotiate because they do not recognize that they are in a bargaining position.
- Or, they may recognize the need for bargaining but may bargain poorly because they do not fully understand the process and lack good negotiating skills.
- Negotiation seems to bring conflicts . Any misunderstanding that arises between them will reinforce their prejudices and arouse their emotions
- if the right people are not involved in negotiations, the process is not likely to succeed.

OVERCOME BARRIERS

- parties must be aware of their alternatives to a negotiated settlement
- Weaker parties must feel assured that they will not be overpowered in a negotiation
- parties must trust that their needs and interests will be fairly considered in the negotiation process.
- To combat perceptual bias and hostility, negotiators should attempt to gain a better understanding of the other party's perspective and try to see the situation as the other side sees it.
- Agreements can be successfully implemented only if the relevant parties and interests have been represented in the negotiations.
- So, all of the interested and affected parties must be represented. And, negotiators must truly represent and have the trust of those they are representing.

CONCLUSION

NEGOTIATION



“The goal is not to get a deal. The goal is to get a good deal.”

Negotiation

“Let us never negotiate out of fear, but let us never fear to negotiate.”

