

Negotiation

The process and steps taken

- First steps in a negotiation are exploratory and hesitant
- Lot is unknown at this point
 - The other party interests
 - What are their constraints, preferences , goals alternatives ?
 - Why does he want to sell the car? Why does she want a promotion?
 - But also our own interests and alternatives
 - Do I really need a new car?
 - Why do I want a promotion?

Why am I negotiating?

1. Preparation and planning

1.1 Do your homework what is the nature of the conflict? What's the history behind the negotiation? Who is involved and how they perceive the conflict ? What are the issues (bargain mix)? which are most important? What are your interests and goals? What are the other party interests and goals? How much can be known about the other party? Which obstacles can arise?

Stages in a process of negotiation
(Robbins, Judge , 2013)

1.2 Delineating a strategy

How to solve the conflict of interests? Which are realistic objectives? Of our interests which are the most important ? Which are the options?

Part of it is related to thinking of yours and the other part alternative strategies (BATNA's)

Stages in a process of negotiation
(Robbins, Judge , 2013)

- **2) definition of ground rules and procedures**
 - Who negotiates? Where? When? What Issues on the table? How to do if there is an impasse? Timing? In this phase initial proposal or demands are exchanged – initiate bidding process
- **3) clarification and justification**
 - Informing , educating each other on the issues at stake; show documentation that supports the position

Stages in a process of negotiation
(Robbins, Judge , 2013)

- **4) negotiating and problem solving**
 - The actual give and take – concessions made; interpersonal skills are crucial here (perception, communication, emotional control -feelings of frustration, anger, impatience...)
- **5) closure and implementation**
 - Closing the agreement and developing procedures necessary for implementing and monitoring it

Stages in a process of negotiation
(Robbins, Judge , 2013)

What is communicated in a negotiation?

Initial offer :

- who goes first ? (shows power)

Kind of offer :

- extreme vs moderate

If extreme

Advantages: **anchoring bias** (it occurs because our mind appears to give a disproportionate amount of emphasis to the first information it receives)

Risks: immediate rejection of the negotiation process; jeopardizes future negotiations

Basic concepts of a negotiation

What is communicated in a negotiation?

Following the initial offer → **counter offer**
- both offer and counter offer set the limits of the negotiation

Afterwards negotiators concentrate on the **Concessions**

the following offers that take place during the process of negotiation

Basic concepts of a negotiation

- **Dimension and *timing* of concessions:**
 - a) High first offer followed by small concessions → shows **inflexibility**
 - a) **Can speed up agreement or...rupture**
 - b) Moderate first offer followed by high concessions → shows **flexibility**
 - a) Less risk of rupture, better knowledge of other part , but longer time
 - c) Low first offer or quick concession → does it speed up an agreement ?

Basic concepts of a negotiation

- Dimension and *timing* of concessions:
- Low first offer or quick concession → does it speed up an agreement ?
 - not necessarily...can give an incentive for a demand of greater concessions
- To reach an agreement rapidly:
 - Avoid too slow or too fast concessions
- Better results of a negotiation:
 - High initial offers followed by moderate concessions

Basic concepts of a negotiation

Resistance point : minimum /maximum acceptable – the limit set

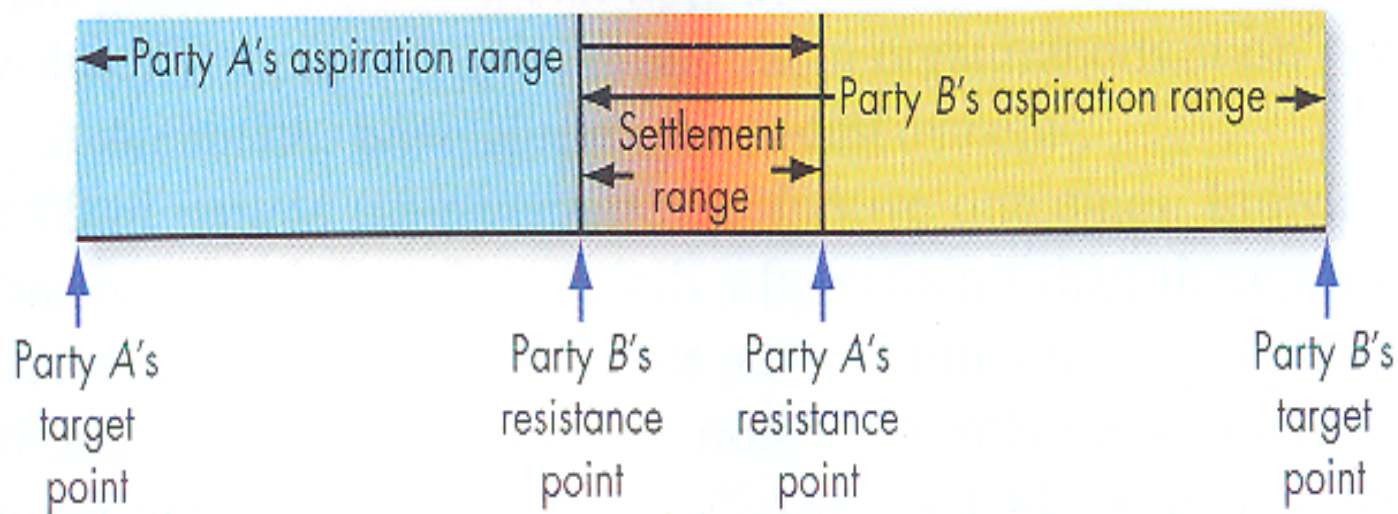
- Fixing the resistance level and keeping it undisclosed are crucial techniques
- This is the point in which you decide to stop negotiating
 - Why did we set that resistance point?
 - Bank loans, timing, how much one needs a settlement, the good it will bring....

Target point : objective one wants to reach

Basic concepts of a negotiation

Exhibit 14-6

Staking Out the Bargaining Zone



settlement range – the range between the resistance points (RP's) of each

- Fixing the resistance point is crucial
 - Uncertainty about it can drag negotiators to non desired agreements
 - The resistance point is carefully hidden to the other side
 - On the other hand the target point is promptly disclosed
 - Both negotiators try to pass the message that the target point is very close to the resistance point

The resistance point

- Any side in a negotiation has in mind alternative partners and agreements
 - One always determines the acceptable agreement with that party but also always have in mind alternatives (Plan B) – these help define offers

The evaluation of alternatives

- (*BATNA = best alternative to a negotiated agreement*)

Reservation price (or *walk away price*)

- price (cost/benefit) of the most interesting alternative agreement

The power in negotiation is given by the existence of (real , concrete!) alternatives

BATNA = best alternative to a negotiated agreement

- Time and money have a general exchange value and can easily be introduced in any negotiation
 - That is why one can play with both in trying to reach a better agreement

Two important resources to be played with in a negotiation : time and money

- Time affects a negotiation
 - for those who need to reach an agreement desperately (e.g. work contract) the passing of time has high costs
 - Time pressures can be good, especially if they are decided by both sides (longer time does not necessarily improve the agreement)
 - A **deadline set by the stronger side** can worsen the situation of the weaker part
 - A **deadline set by a weaker part** may **increase its power**: it speeds up concessions from their counterparts, making them reconsider their position – even though negotiators don't think this tactic works , in reality negotiators who reveal (true) deadlines do better

Time in a negotiation

- In general there is an excessive preoccupation in the acceleration of the process of negotiation because of
 - the anxiety caused by the process itself
 - The fear that the other side will give up/turn away
 - the anxiety that an external event will change the conditions of the negotiation

Time in a negotiation

- The biggest problem :
 - the feeling of time wasted cause by the negotiation
- In general people only relax (take a rest, feel comfortable) when they reach the agreement (Raiffa, 1982)
 - anxious negotiators expect lower outcomes, respond to offers more quickly, exit the negotiation more quickly → worse outcomes

Time in a negotiation

- Money is often THE object of negotiation
 - (pay raise, price of car , etc)
 - But it can be used as collateral resource, or as a compensation for concessions made during the negotiation

Money

- Having alternatives gives a great power to negotiators
 - Because one does not need to reach an agreement – one can just walk away!

Power in a negotiation

- Try to keep a good work relationship – build reputation
- Communicate well – transmit well and listen well
- Try to understand the real interests of the other side – allow creativity
- Try to have one or more solid alternatives and convincingly present this fact (avoid bluffing...)

Negotiating with a more powerful party (Fisher e Ury, p.180)

- Use external references to legitimate the proposal
 - To convince the other part but also to protect yourself from dishonest offers
- Take a strong position (take it or leave) but in a careful way
 - Showing commitment: to what you will or not do; clarify what one expects the other side to do
 - but must be used carefully to avoid going against yourself

Negotiating with a more powerful party (Fisher e Ury, p.180)

1) Know yourself

- Objectives : from most hopeful to minimally acceptable
- alternatives – search for them and verify what is the best alternative to an agreement
- Define target point and be firm on the resistance point

2) collect information

- Learn about the issue at stake and the other party (try to get info on the alternatives, aspirations, , resistance points)

3) create a relationship with the other party

- By focusing on issues/interests and not on people/positions

To keep in mind for success in negotiating

4) make offers

- Use the anchorage effect if you are first; beware of anchorage if you are second
- Compare among offers to your best alternative
- Analyze the concession patterns (beware of bluffing from the other side)
- Find out what are the usual conventions/habits /rules of negotiating in a given context

5) Close the deal

- one that satisfy or at least does not dissatisfy

To keep in mind for success in negotiating

6) implementing the agreement

- Take into attention the administrative aspects, the division of work and monitoring of who does what

To keep in mind for success in negotiating

- Group work
- Global essay - max 5 pps
- 1st step - Research for print and /or online newspapers or other credible sources for a conflict that is being negotiated (or was negotiated in the past)
 - This negotiation should have good/complete information and publicly available
- By the 11th may e-mail me the topic/situations of negotiation – explain in 2 /3 lines
- No two situations can be equal- the first group choosing a negotiation situation will get it

Negotiation essay – 1st step

- Did the problem have one or more dimensions (were they able to find complementary interests)?
- Were they able to reach a integrative solution based on a competitive problem?
- What was the strategy followed : Collaboration, competition, inaction/avoidance, accommodation?

Negotiation home work – step 2

- Was an agreement reached?
- What was the agreement ?
- Was this agreement better than the initial situation they departed from?
- Did this agreement benefit both sides?
- Was the relationship between both parts improved or at least not deteriorated?
- IN short, was this negotiation successful?

Negotiation home work-step 2

- Take one side and say how would you do differently? And why?

Negotiation home work-step 3

- Due may 21st – in print
- Oral presentation- may 21st
- Presentation – max 10 min

Negotiation essay