

NEGOTIATION

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Learning Objectives

- ❖ Definition
- ❖ Types
- ❖ Essentials
- ❖ Process/Stages
- ❖ Negotiation Strategies
- ❖ Bringing Value to Negotiation

Definition

Negotiation is a process by which two or more people (or groups) resolve an issue or arrive at a better outcome than just a compromise. It is a strategic discussion that resolves an issue in a way that both parties find acceptable.



Types

- ❖ **Distributive:** Also called “hard bargaining”. It takes place when both parties take an extreme position and one side’s win is believed to be the other side’s loss (a win-lose solution).
 - ❖ This operates on a “fixed pie” principle, in which there is only a set amount of value in the negotiation, and one side will walk away with the better deal.
 - ❖ Eg: haggling prices in real estate or at a car dealership.
- ❖ **Integrative:** Parties engaging in integrative negotiation don’t believe in a fixed pie. Instead they assert that both sides can create value or mutual gains by offering trade-offs and reframing the problem so that everyone can walk away with a win-win solution.

TOGETHER
WE WILL GET
THROUGH THIS

Essentials

- ❖ **Setting Goals:** The **goals** should be quantitative and precise, and the negotiator must be held accountable for them.
 - ❖ They must be somewhat difficult to achieve and must be recalibrated over time.
 - ❖ A caveat is that “reaching a fair agreement” is *nota* goal. There is no such thing as dividing the pie fairly because *fairness* is not an objective metric.
 - ❖ If the counter party does better than you do, you feel it is unfair even though you may have achieved your goals.
- ❖ **Your Best Alternative to a Negotiated Agreement (BATNA):** It is the alternative to the deal if you cannot come to an agreement (plan B).
- ❖ **The Reservation Price:** It is the walkaway point that you will not breach and which you cannot reveal at any cost.
 - ❖ For an outcome lower than the reservation price, no agreement is preferable.

Process/Stages

- ❖ Prepare
- ❖ Exchange Information
- ❖ Clarify
- ❖ Bargain and solution
- ❖ Conclusion and Implementation



Prepare

- ❖ Vital first stage
- ❖ Break down expectations
- ❖ Research both workable and non-workable aspects
- ❖ Making a list of concession you wish to provide
- ❖ Determine relationship with the other party
- ❖ Prepare BATNA
- ❖ Preparation can also include the definition of the ground rules: determining where, when, with whom, and under what time constraints the negotiations should take place

Exchange Information

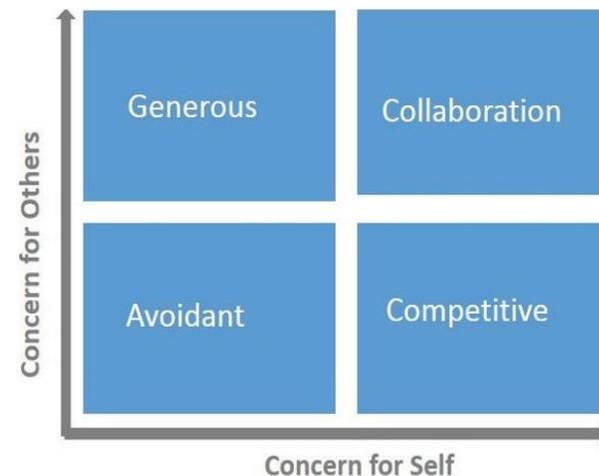
- ❖ Share initial position
- ❖ Share underlying interests and concerns
- ❖ Take away at the end of negotiation

Clarify

- ❖ Discussion starts as per the second stage
- ❖ Justifying and bolstering claims
- ❖ In case of a disagreement, discuss the disagreement in details and reach to a middle path/understanding
- ❖ Take one step at a time

Bargain and Solution

- ❖ Both sides begin give and take
- ❖ Each offer must have a counter offer to suit the discussion
- ❖ Manage concession
- ❖ Keep your emotions in check
- ❖ Use verbal and non-verbal communication (active listening, feedback, body language)
- ❖ Come to a win-win situation
(a positive course of action)



Conclusion and Implementation

- ❖ Conclude the negotiation on a positive and high note
- ❖ Try to establish long term and mutually profitable relationship
- ❖ Outline the conclusion as expectation
- ❖ Assure/ensure the expectation to be implemented effectively and in time bound manner
- ❖ Ends with written contract
- ❖ Follow up the smooth implementation

Negotiation Strategies

- ❖ Convey confidence
- ❖ Set the stage for Agreement
- ❖ Do not hesitate in telling your mind
- ❖ Ask open-ended questions (Eg: tell me more about.....)
- ❖ Listen and restate to avoid confusion or misunderstanding
- ❖ Watch the non-verbal cues
- ❖ Stay calm and depersonalize disagreements
- ❖ Separate discussion over a problem from exploration of solution



Negotiation Strategies (contd...)

- ❖ Do not compare offers
- ❖ Don't issue an ultimatum
- ❖ Use deferment as a trade off
- ❖ Use your leverage
- ❖ Bring up documents that support your position
- ❖ Reach closure

Bringing Value to your Negotiation

- ❖ Never tell a lie
- ❖ Be nice
- ❖ Consider the timing
- ❖ Do your homework
- ❖ Evaluate yourself:
 - ❖ What additional preparation would have helped me?
 - ❖ Did I listened enough?
 - ❖ Did I clarify statements from the other party?
 - ❖ Were options explored sufficiently?
 - ❖ How much did the outcome each party's real needs?

Integrated Value Creation



Thank
you

