



# Business Negotiation Skills



**tutorialspoint**

SIMPLY EASY LEARNING

[www.tutorialspoint.com](http://www.tutorialspoint.com)



<https://www.facebook.com/tutorialspointindia>



<https://twitter.com/tutorialspoint>

## About the Tutorial

---

A negotiation is a result-oriented conversation between two or more individuals for reaching at a mutually-benefiting conclusion. This point may benefit all of the participating entities, or just a single party, some of them, or all of them.

Negotiation Skills are focused on resolving differences for the benefit of an individual or a group, or to satisfy various interests. In this tutorial, we will discuss the skills that you need to hone to pull through successful business deals.

## Audience

---

These Skills are mostly necessary for those individuals, who work with the sales and marketing portfolio. Each customer would like to have things his/her own way. Still, with adequate negotiation skills, you can crack a deal that is mutually advantageous.

## Prerequisites

---

Before going through this tutorial, you are expected to have some basic idea about corporate hierarchy, running of operations within an organization and the "Rewards & Incentives" structures of companies.

## Copyright & Disclaimer

---

© Copyright 2016 by Tutorials Point (I) Pvt. Ltd.

All the content and graphics published in this e-book are the property of Tutorials Point (I) Pvt. Ltd. The user of this e-book is prohibited to reuse, retain, copy, distribute or republish any contents or a part of contents of this e-book in any manner without written consent of the publisher.

We strive to update the contents of our website and tutorials as timely and as precisely as possible, however, the contents may contain inaccuracies or errors. Tutorials Point (I) Pvt. Ltd. provides no guarantee regarding the accuracy, timeliness or completeness of our website or its contents including this tutorial. If you discover any errors on our website or in this tutorial, please notify us at [contact@tutorialspoint.com](mailto:contact@tutorialspoint.com).

## Table of Contents

---

About the Tutorial.....	1
Audience.....	1
Prerequisites.....	1
Copyright & Disclaimer.....	1
Table of Contents .....	2
<b>1. BUSINESS NEGOTIATION SKILLS – INTRODUCTION.....</b>	<b>3</b>
<b>2. EFFECTIVE NEGOTIATION STRATEGIES.....</b>	<b>5</b>
<b>3. QUALITIES OF A GOOD NEGOTIATOR.....</b>	<b>6</b>
<b>4. PREPARING FOR A GOOD NEGOTIATION.....</b>	<b>7</b>
<b>5. VENUE AND TIME OF NEGOTIATION.....</b>	<b>8</b>
<b>6. FACTORS OF A NEGOTIATION .....</b>	<b>9</b>
<b>7. EXCHANGE OF INFORMATION.....</b>	<b>10</b>
<b>8. BEING PATIENT WHILE NEGOTIATING .....</b>	<b>11</b>
<b>9. WHAT TO CONSIDER BEFORE BARGAINING.....</b>	<b>12</b>
<b>10. GETTING OUT OF AN IMPASSE .....</b>	<b>14</b>
<b>11. ACHIEVING MUTUAL GAIN .....</b>	<b>15</b>
<b>12. CLOSING THE DEAL.....</b>	<b>17</b>
<b>13. DEALING WITH WORKING SPACE TACTICS .....</b>	<b>19</b>
<b>14. DEALING WITH PERSONAL ATTACKS.....</b>	<b>20</b>
<b>15. CONTROLLING YOUR EMOTIONS .....</b>	<b>22</b>

# 1. Business Negotiation Skills – Introduction

When people hear the word **Negotiation**, they picture board meetings, lawsuits and favourable deal-makers sipping tea in a conference room. They are pictured being dressed in their expensive suits and handing dossiers to each other.

In reality, we negotiate all the time. If we have to sight a negotiation, all you have to do is lift the window-pane and look out. For instance, have you ever decided where to dine with friends, or decided upon a leave and talked it out with your supervisor, or argued with your senior for a hike? These are all some common examples in our daily routine.



## The Three Stages of a Negotiation

There are many basic examples of negotiating in our day-to-day lives happening right before our eyes. Deciding to wash clothes on a particular day, or postpone the plan for a later date too is a negotiation with self. A typical negotiation follows the three steps given below:

- Exchange of Information
- Bargaining
- Closing the deal

In general, there are two **types of negotiations**:

- Integrative Negotiations
- Distributive Negotiations

Let us get acquainted with both these core negotiation approaches.

## Integrative Negotiations

These are built on cooperation. Both the parties think that they can benefit something without any significant investment. The prominent approach in these negotiations is **problem solving**.

This approach allows each party to consider low-priority problems, in return for the other party to consider high priority problems. It is important to have trust and cooperation between the two parties to achieve a successful integrative negotiation.

## Distributive Negotiations

These negotiations involve a **fixed total**. Each party desires to gain as much as possible. A perfect example would be bargaining over the cost of a cloth with a cloth storekeeper.

In these type of negotiations, the parties do not intend to form a relationship and the information is kept confidential. Both the parties try to acquire information from the other party.



## 2. Effective Negotiation Strategies

Knowledge plays a powerful role in a negotiation. The better your knowledge is on the other party's circumstances, the stronger you are at bargaining. Always let the other party start the negotiation. It might be just what you wished for.



As discussed in the previous chapter, there are three stages of a negotiation, i.e., **Exchange of Information, Bargaining, Closing the Deal**, which define the negotiation process.

Prior to the beginning of the process, adequate preparations are a must for the negotiation.

Some of the most **common strategies** to chalk out before any negotiation are:

- Best Alternative to a Negotiated Agreement (BATNA)
- Worst Alternative to a Negotiated Agreement (WATNA)
- Walk Away Price (WAP)

You should be the only one to know your position in the negotiations. When negotiators know about the weak position of their counterparts, they will instantly deduce that their opponents are desperate and will negotiate from that point.

It also includes collecting information about the problems to be solved in the negotiation. Following the negotiation, both parties should try to revive relationships that may have been harmed during the negotiation process.

### 3. Qualities of a Good Negotiator

Arriving at a mutually-agreeable negotiation will be very difficult without the skills of granting concessions. In a negotiation, rarely will a party get everything that they wish for. Each party should aim at getting the best possible deal, until it is acceptable to the other party.

**Active listening** and **focused speaking** are necessary to establish your needs and your level of acceptance, while complying with the needs of the other parties. Some of the most significant skills required for successful negotiation are:

- Efficient speaking
- A positive attitude
- Efficient listening
- Respect for the other parties
- A sense of humor

A **sense of humor** and a **positive attitude** are necessary, as they make both the parties feel comfortable with each other. However, in some cases, no matter how cordial you are to one another, negotiations may turn sour. In such cases, it is essential to be able to think from the other party's angle, while being positive.

You wish to get as much as you can out of the deal, but the other parties too need to get what they can. A feeling of mutual respect should prevail among both the parties. Not making concessions, while demanding the same from others results in a dissatisfied negotiation.

It is also important to ensure your satisfaction, irrespective of the regards you have for the other parties. Good negotiators always **emphasize on balance**. Concessions should be made to secure what you can get. So, you must ensure that you are not beaten down to a minimum in the end.

Some of the additional attributes to consider that may affect negotiations include:

- Emotional intelligence
- Creativity
- Persistence
- Patience
- Self-confidence

## 4. Preparing for a Good Negotiation

Just like any challenging task, negotiations too require preparation. It is necessary for you to determine your **desires**, **considerations** and **limitations**. Personal preparation is also necessary. Self-confidence and a positive attitude are the keys to personal preparation.

Without these preparations, you may end up giving more than you achieve from negotiations. Finding out the balance between what is acceptable and getting the best possibilities on your side depends on your determination to negotiate with your strongest bargaining attributes.

### Establishing WATNA and BATNA

Often, many negotiators don't have a clear idea of these alternatives. As a result, they don't wish to make concessions, as they believe they can get away without negotiating. By Establishing your WATNA (Worst Alternative to a Negotiated Agreement) and BATNA (Best Alternative to a Negotiated Agreement), the parties may be influenced to think of the alternatives to a negotiated agreement.

In an ideal situation, negotiations would not be required. Not having a clear picture of your WATNA and BATNA will result in poor negotiation built on false notions about your expectations and agreement. Also, for focusing on purposeful negotiations, your WATNA is crucial. You should always consider the worst case scenario before negotiating.

The BATNA is even more important than the WATNA. If negotiated agreements are absent, you will be forced to enter negotiations hoping to get just a satisfactory agreement.



Usually, people enter into negotiations only when they feel necessary. They base this on analyzing their WATNA and BATNA. It is important for you to deduce a WAP (Walk Away Price). This WAP is, in general, considerably less than your starting offer.

If the other party comes to know that you wish to have a lot less than your offerings, then your negotiating position will be weak. If the other party has any idea about your WAP, then your WAP just becomes your price.



# 5. Venue and Time of Negotiation

People are most comfortable having a negotiation in their known waters. Most people feel alert and clear-headed in a certain time of the day. Environmental factors also may influence negotiations. For example, **Noise, Interruptions, Crowd, Low privacy**, etc.

## Negotiating at your place

If a negotiation is being held at your site, you will have an upper hand in the negotiation. It is crucial to have certain principles in this stage. If these principles are compromised, then you may become a victim to aggressive negotiators.

Setting the framework may look like a formality, but it is the initial step for negotiating. That is why it is as important as any other arrangement.

In a negotiation, you will be at an advantage if you set a time and place of your choice.

## Negotiating at the other party's place

While negotiating at the other party's place, request them to compensate in these situations as much as possible. This can be compared to the situations which arise in various sports. In a majority of the cases, the hosting team most likely wins over the visiting team. The same goes for negotiations.

Where the parties are equivalent in terms of skills and preparation, the host takes the deal; the visitors are still trying to get familiar with the surroundings.

## Time of Negotiation

The time of a negotiation is also significant. The body and the mind of different people function differently at different times of a day. Some people may feel active during the morning, whereas others may feel better in other times of the day.

For having an upper-hand in negotiations, you should focus on the negotiations to be held at your place, at your active time or both.



# 6. Factors of a Negotiation

Every negotiation starts with opening the negotiation, setting up expectations and closing the deal. The negotiators need to be prepared on the following important steps to consider while participating in a negotiation:

## Step 1: Opening the Negotiation

- Know your commitments.
- Discuss the depth of your concern.
- Ensure that your position appears realistic
- Keep your opening position flexible.
- Make larger hand movements; it builds trust.

## Step 2: Bargaining

- Question the others for information.
- Make other sides justify their positions.
- Question and challenge their commitment.
- Highlight your most relevant concerns.
- Summarize various arguments and seek possible mobility.

## Step 3: End of Negotiation

- Start on low priority items and look for high priority Items.
- Never settle for just your WATNA.
- Make concessions wisely.
- Expect something and get something in return.
- Make smaller movements while closing.
- Focus on the benefits to all the parties.
- Making a final offer carefully.
- Ensure that all agreements have been documented and attested.

## 7. Exchange of Information

The first stage of any negotiation is the exchange of information. Both parties convey their views on the problems in a **non-confronting manner**. The trick here is to decide what to show and what to hide. The information you share with your counterparts will familiarize themselves with a certain fraction of your position. However, it would be like cutting the branch you are sitting on, if you give away too much information.

It is a wise move to have a little chat with the other counterparts in the negotiation, before revealing your cards. This will set a positive vibe. You might find some things in common, such as likes and dislikes between you and the others.



If you jump straight into negotiating, then others might think you to be hasty and aggressive. Some people may actually desire negotiating in this style. However, an informal conversation would come in handy when it comes to negotiations.

Of course, in case of introductions and preliminaries, it is advisable to **stick to formality**. The best way to introduce yourself is to present yourself in a relaxed and friendly manner with some formal restraint. It would be too foolish of you if you seem to try to bleed your opponent dry. This sort of an approach will make them defensive, which will go against the negotiation.

## 8. Being Patient while Negotiating

Many times, a negotiator will realize that his opponent wants to hurry him up to know his position. This is probably because it has been worrying them beforehand. They also may want to finish the negotiations without having to worry about giving away more than they anticipated. If this is the case, it won't harm you to make them wait for this information by focusing on setting up the framework.

If you are too hasty to complete the negotiations, you would be perceived as a **fleeter**, who just wants to walk away from the process by suffering minimum losses. If the other party rushes you to state your bargain position hurriedly, say something like — "That's a significant question, but before going to that, let's ensure that we comply with the issues on which today's discussion is being held."



### Have an Agenda for the Negotiation

Setting up an agenda for the negotiation is the best way to move forward:

- What information should be held back and which information should be conveyed can be difficult to manage. You don't want to appear as if you are keeping secrets.
- On the contrary, you also don't wish to give your bargain position away without it reaching maturity.

In the beginning, both parties typically may play defensive and will wish to know whom they are dealing with before advancing. By dealing the agenda first, both parties get a chance to measure their opponent and anticipate what they want and what they can get from the negotiation. From here, you will be able to come up with a clearer sketch of the matters of concern.

## 9. What to Consider before Bargaining

The bargaining process is the core of any negotiation. A bargain is the actual meaning of a negotiation. Prior to understanding the **pressure**, **targets** and **necessities** affecting your opponents, you might also want to acquire some knowledge about their negotiating approach.

You can gather important information by asking the following questions:

- Are they going to start with an unreasonable offer?
- Do they rush to a conclusion?
- Do they intend to manipulate the matter to their own advantage?

It may take a lot of trials and errors to find out these issues. However, if you have any contacts who have an experience with your opponent, you can ask them for their views about the negotiation.



If an opponent is known for always rushing down the negotiation, you can possibly take advantage of that. If you stand stiff on your position, you will build up some pressure on them to make the deal on your terms.

You should try to identify and break down your opponent's pressure, targets and necessities, before negotiating with them. If they spill out information in the beginning, you may use it to your advantage.



Then, you can note down that information and use it at a later stage of the negotiation. The more information you acquire, the more you will benefit. No information goes wasted in a negotiation.

### The First Offer Technique

The exaggerated **First Offer Technique** is usually implemented being totally aware that you can't meet the offer. There is also hope that somewhere between the BANTA and WANTA, the dealer will offer you the highest you can hope for. This makes the competitors to often counterattack by making an equally exaggerated offer. A negotiator may be tricked into making a deal which is profitable for the person using the technique.

Some negotiators may also try to deceive you by saying "Well, I would never usually go this low, but as I am fond of you, I'm going to do this for you".

There are quite a few techniques that one can apply while having a negotiation, however it is crucial that you apply the most appropriate one. You should know how to encounter difficult situations in a high-pressure negotiation.

# 10. Getting Out of an Impasse

An impasse refers to a deadlock scenario in which progress is not possible. This is typically due to a disagreement. A number of ways can be implemented to get out of an impasse in negotiations.

If money is involved, consider changing the terms. For example, a bigger deposit, a shorter period of payment, etc. Be agreeable to easier problems and keep the tougher ones for later. Always agree to adjourn for a certain interval time to try identifying other newer options.



In case of an impasse, it can become an issue where any move from any participant may look like a weakness. The impasse can steal the spotlight of the negotiations. Where, in place of the important issues, the focus stays on the impasse.

## Tips to Get Out of an Impasse

- Practice till perfection
- Accept compromise
- Pay attention on Timing
- Offer and anticipate commitment
- Drop your ego
- Don't be too compassionate of others' problems
- Employ active listening
- Hold on to your principles
- Ask for what you want
- Don't close without confirmation

# 11. Achieving Mutual Gain

When the parties in a negotiation are committed to a position, they feel that moving from that position is a failure. Instead, the focus should be given to their purposes. To achieve mutual gain, focus should be given on interests, rather than positions. An environment of respect and discipline should be prevalent between both the parties.

For example, in a school, one party favours uniforms, the other opposes it.

- The reasons for the **first party to support uniforms** is to avoid circumstances where students wear casuals, because it may give rise to an act of bullying where a person or group may act hostile towards each other regarding their individual style.
- The **second party is against the use of uniforms** because wearing a uniform has its own drawbacks. It makes students easily distinguishable to outsiders. It might even cause financial issues for guardians with limited income.

In such a case, the solution is to allow students to dress according to a specific dress code. All of them may not necessarily wear the same clothes. The dress code makes the students to look modest, reasonable without necessarily wearing the same uniform. It allows both the parties to achieve a perfect balance between their desires and compromises.

## How to Create a Mutual Gain Solution?

The creation of a mutual gain solution demands some steps that may not be related to negotiations. This involves digging into the problem together and coming up with more number of options. Thereafter, exploring common philosophies to meet the interests of both sides. This can be done by enlarging or diminishing the scope of the negotiation. Lastly, finding out problems that can be solved in future negotiations.

A critical issue in negotiations is that the parties may feel as being marginalized with respect to their working potential and what they actually deserve. To solve this problem, the parties need to look for their similarities rather than their differences. The challenges in a negotiation arise where both the parties have a pre-set WAP, which are drastically different from each other.



Irrespective of the amount of negotiation, there will always be a **sticking point**. If you, at least temporarily, are able to get rid of the the sticking point from the equation, you can get some space for consensus. You can also break down your statement into several steps on completion of the negotiation.

For example, if you are in a negotiation and you simply say "Well, so this is the matter we have to deal with, and we will leave if we don't understand it", then you might not have a negotiation in the first place.

In negotiations, it is important to know the entire offer. If you prematurely signal that you are ready to agree for a deal which favors your counterpart, you are simply allowing them to take away everything that you can offer and even more. Your negotiation success relies on knowing what to say, when to say and when to stop.



An effective practice of getting this best deal is dividing your statement into desires and necessities. This is especially useful, if your statement is unclear. Look at all the possibilities to increase your chances for mutual gain. The following questions would be of help:

- What are the needs of our opponent?
- What are the desires of our opponent?
- What is the most important thing to our opponent?
- What is the least important thing to our opponent?
- What do we desire?

After comparing the desires and necessities of both sides, it is time to find out the similarities. This helps the negotiators in keeping their own necessities forward, while still managing to find out the best alternative that carries all on board.

# 12. Closing the Deal

**Closing a Deal** is the stage when all the negotiations reach a consensus and an agreement is built. A little effort at this stage yields the desired results of the negotiation. Closing a deal can have two different meanings:

- It may ask about concluding different ideas to a mutual agreement.
- It may question the means which the participants can use to realize or implement the agreement.

Realizing that the negotiation has reached at an agreement can be very simple. You just need to ask the other parties — “Well, do we have an agreement?”. Then, the parties can do handshakes, announce publicly or sign documents. The real issue is to clarify to the other negotiators that a mutual agreement has actually been reached.

## The Consensus

People tend to perceive the constituents of the consensus in different ways. Applying it in negotiations, it involves a strong agreement on important issues. It is not necessary to hit everyone’s favourite taste buds to reach consensus. Rather, everyone should feel that the result of the negotiation is acceptable.

One of the toughest part of a negotiation is to build a consensus. This is because the parties that are negotiating will have different visions of the result. Consensus can mean differently to different people. For some, it is an undesired compromise, where the result of a negotiation does not fulfil all their desires. The motive behind the cconsensus is to please as many people as possible.

The best outcomes, in actuality, are the ones which leave nobody too unsatisfied. In ideal circumstances everyone can be pleased equivalently and totally. But nothing is ideal in this world. The harsh reality is that, when someone gets pleased, someone else gets displeased.

**The main reason behind concessions:** Pushing for 100% may give rise to the opposite possibility of ending up with 0%. Therefore, it is both wiser and better to have all the parties get a certain percentage of what they desire. Reaching a consensus may not be acceptable for some. Still, it is better to have at least some percentage than losing it all.

## The Agreement

In order to build an agreement, you need to be capable of converting general statement into specific ones. Negotiators should understand that, at this point of the negotiation, the process of bargaining is over. They should focus on making an agreement built on an unbiased and precise vision of the consensus.

While doing this, they must be careful enough to not give something up carelessly by not paying enough attention to the written agreement. If you, by mistake, think that the negotiation has solved all of the problems in a deal, then you may encounter a nasty shock when the agreement will be formalized.





A negotiation process can be thought of being analogous to a news broadcast. The headlines may draw the attention and interest of the people. However, without the related stories these headlines would have no purpose at all. The basic principle will be the headline, however, details are needed to back it up. A team, good at negotiations needs at least one **details person**, who is capable of getting a rough record after the negotiators have outlined the agreement.

## The Terms of Agreement

We all are acquainted with what the consequences will be, when the terms and conditions of an agreement are not communicated properly.

Let's take a scenario to understand the importance of having an agreement in place. Two co-workers accept their respective responsibilities to update the website of their company. They had a good understanding of their responsibilities. But they had not come up with a plan to carry out their responsibilities. As a result, nothing has happened even after a week, because both the employees are waiting for the other to take the initial step.

In order to make an agreement successful, all the necessary terms and conditions must be specified clearly in writing. It is quite a thing to reach at a theoretical agreement, however, without the necessary practicalities in place, the theoretical agreement will never hold its true meaning.

The agreement which comes out at the completion of the negotiation process demands to be with respect to the **how to** factor. What does come out as a result of the initial negotiation is something that you are going to do and probably when.

The **how** is the most crucial question of them all. If the terms of an agreement do not throw light on the **how's** of executing a plan, then it might not be useful at all.

# 13. Dealing with Working Space Tactics

Most of the people have a will to negotiate with fair ethical values. They do not encourage tricking or frightening their opponents. Still, there are unfortunate times, when you might come across people who choose a less ethical approach. It is necessary for you to be ready to deal with negotiators who play foul during a negotiation. It is not an act of distrust to be ready for the probability that someone may go against the rules, specifically when rules aren't addressed in a written form.

It is simply a way of prevention, and accepting the reality. Some people do not tend to abide by moral values. You should acquire adequate skills needed to handle these type of people.

The use of **working space tactics** to gain an upper hand in a negotiation does not usually happen. However, it is essential for negotiators to be ready for it. A very common instance would be the officer, who denies to stand up from his/her chair and makes the other party sit in the chairs meant for visitors.



If you face this kind of a situation, the best possible feedback might be to say — “Please, excuse me, but I require some space for spreading my notes out. Can I have an available conference room?”

The party hosting the negotiations is in a more powerful position, but if you do not at least question something about this, then your opponent might tend to believe that they can do as well as speak anything they want and will get away with it.

Even if you just make a single appeal for a betterment in the situation, you will make them alert of the fact that you have seen where they have gone wrong. If you present yourself to be capable enough to negotiate consistently, in spite of the hurdles which have been thrown on you, this may as well make your opponent respect you.

# 14. Dealing with Personal Attacks

A negotiation will excel in terms of productivity, if you are capable of concentrating on issues and not individual persons. There are many different reasons why a negotiator may sometimes attack someone personally:

- They think that behaving in this way, they will gain the upper hand.
- They think that if their position is disagreed, it is a harm to their self esteem.
- They may think that they are being treated unfairly or are being disrespected.

Sometimes, you can negate a personal attack by showing respect to the other parties and their positions from the very start of the negotiation. In addition, paying respect to your opponents in the beginning helps in setting a positive environment for the negotiation.



If your opponent negates your efforts for establishing an environment of mutual respect, you may say something like — “Let us not disperse our focus from the issues”. If the other party is stubborn enough and still attacks you personally, you may call for the suspension of the negotiation.

It would be a really pleasurable ambiance, if all the negotiators are compassionate, empathetic and friendly. However, the real world does not work in this way. Negotiations normally grow into aggressive situations.

You should most likely walk away from a negotiation, if you feel as if you are being threatened by the other party, or the other party makes you feel extremely uncomfortable in the negotiation process. Sometimes, the other party also implements unfair tactics to make it difficult to have a balanced and fair negotiation.

To go through a negotiation, it is not necessary that the two parties to have a friendly relation. However, it is essential for both the parties to keep the negotiation process away from the interference of personal conflicts and unfair tactics.

# 15. Controlling Your Emotions

To know and to control your emotions is a part of your **emotional intelligence**. Your emotional intelligence is very different to your academic intelligence. The academic intelligence of people enables them to secure good marks in exams and tests, however you would require more than just **academic intelligence** to thrive in both personal and professional lives.



In case of a negotiation, emotional intelligence involves yours as well as other people's emotional responses to the discussion. If you find the emotional temperature in the venue to be hot, you may consider to take a break. There are negligible advantages of building up a negative environment within a boardroom. Moreover, a negative environment may destroy the negotiations that are at a fragile standpoint.

You will come to know when the emotional temperature has increased beyond its limits. The most basic symptoms start to show up when conversations will be less focused on the issues and voices will be louder and the silences will lengthen. On reaching this point in negotiations, it would be advisable for everyone to take a short break from the negotiation process and clear their heads. Then, you can come back to the negotiations with a somewhat cleared environment and try to solve the issues, diminishing the risk of people to lose their temper.