

Unit:1

Business Negotiation Strategies

Negotiation

The term negotiation refers to a strategic discussion intended to resolve an issue in a way that both parties find acceptable. Negotiations involve give and take, which means one or both parties will usually need to make some concessions.

Negotiation can take place between buyers and sellers, employers and prospective employees, two or more governments, and other parties. Here is how negotiation works and advice for negotiating successfully.

Effective negotiation requires several key skills:

1. **Communication:** Clear and effective communication is crucial. Listening actively to the other party's perspective and expressing your own thoughts clearly can help prevent misunderstandings.
2. **Empathy:** Understanding and considering the other party's point of view, needs, and emotions can build rapport and create a more collaborative atmosphere.
3. **Flexibility:** Being open to compromise and finding creative solutions can lead to win-win outcomes. A rigid stance can hinder progress.
4. **Preparation:** Research and gather relevant information before the negotiation. Knowing your own goals, priorities, and potential concessions can help you make informed decisions.
5. **Patience:** Negotiations can take time. Be patient and willing to work through challenges without rushing to a resolution.
6. **Conflict Resolution:** Develop skills to manage conflicts and disagreements constructively. Focus on the issue at hand rather than personal attacks.

There are certain essentials of negotiation as follows:

1. It is a communication process;
2. It resolves conflicts;
3. It is a voluntary exercise;
4. Parties retain control over the outcome and the procedure;
5. It is said to be a non-binding process;

6. There is a possibility of achieving the wide-ranging solutions, and of maximising joint gains beneficial to the parties.

What are the 4 social interactions?

The most common forms of social interaction are

exchange,

competition,

conflict,

cooperation, and

accommodation.

Aspects of negotiations

THE PROCESS OF NEGOTIATION:

Lax, D.A., & Sebenius, J.K.(1986) in his research paper “ The manager as Negotiator” developed a thought that all negotiation share the same four following common elements. These are: •

- The parties involved are in some way interdependent.
- The parties are in conflicts over goals and processes.
- The parties involved are motivated and capable of influencing one another.
- The parties believe they can reach an agreement.

These four elements came into picture at four different stages of the negotiation process presented below:

Phase 1: Investigation and preparation

Phase 2: Preparation

Phase 3: Bargaining

Phase 4: Agreement

While most of the managers emphasize on bargaining and agreement as they are heart of negotiation, but many other managers and business people consider careful and thorough preparation and presentation in negotiation is also very crucial. Let's discuss about how above given charts works and what all these phases signifies.

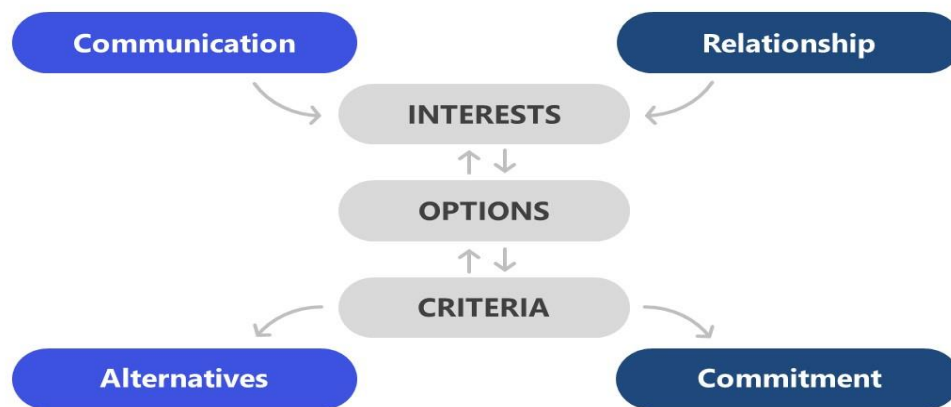
Phase 1:Investigation and preparation: Means accumulation of various factual information about the issues and alternatives and gaining access to softer information other concerned party's interest, position, personality, and style.

Phase 2: Presentation: It means presentation of initial orders and demand either in writing or orally. Care should be adopted for choosing right words and self presentation to project the right image through effective verbal and non verbal communication.

Phase 3: Bargaining: Where managers tries to reach at a mutual agreement with the help of various negotiating strategies and tools. The manager should be concerned about facts and people. This thought can make his position stronger. Active listening, feedback, persuasion, and the various communication techniques and barriers all comes into this phase.

Phase 4: Agreement: It is the final and ultimate step where negotiation comes to an end. Here the agreement is finalised with the terms and conditions acceptable to both the parties

7 Elements of a Negotiation



- **Interests.** Interests are “the fundamental drivers of negotiation,” according to Patton—our basic needs, wants, and motivations. Often hidden and unspoken, our interests nonetheless guide what we do and say. Experienced negotiators probe their counterparts’ stated positions to better understand their underlying interests.
- **Legitimacy.** The quest for a legitimate, or fair, deal drives many of our decisions in negotiations. If you feel the other party is taking advantage of you, you are likely to reject their offer, even if it would leave you objectively better off. To succeed in negotiation, we need to put forth proposals that others will view as legitimate and fair.
- **Relationships.** Whether you have an ongoing connection with a counterpart or don’t think you’ll ever see her again, you need to effectively manage your relationship as your negotiation unfolds. Relationship dynamics become all the more important when you have an ongoing connection: future business, your reputation, and your relationships with others may hang in the balance. You can strengthen the relationship by taking time to build rapport and by meeting your own high ethical standards throughout the process.
- **Alternatives and BATNA.** Even as we take part in negotiations, we are aware of our alternatives away from the table—what we will do if the current deal doesn’t pan out.

Negotiation preparation should include an analysis of your BATNA, or *best alternative to a negotiated agreement*, according to *Getting to Yes*. For example, a job candidate may determine that she will start applying to grad schools if a particular job negotiation falls apart.

- **Options.** In negotiations, options refer to any available choices parties might consider to satisfy their interests, including conditions, contingencies, and trades. Because options tend to capitalize on parties' similarities and differences, they can create value in negotiation and improve parties' satisfaction, according to Patton.
- **Commitments.** In negotiations, a commitment can be defined as an agreement, demand, offer, or promise made by one or more party. A commitment can range from an agreement to meet at a particular time and place to a formal proposal to a signed contract.
- **Communication.** Whether you are negotiating online, via phone, or in person, you will take part in a communication process with the other party or parties. The success of your negotiation can hinge on your communication choices, such as whether you threaten or acquiesce, brainstorm jointly or make firm demands, make silent assumptions about interests or ask questions to probe them more deeply.

Certainly, negotiation myths are common misconceptions about the art of negotiation that can hinder your effectiveness in achieving mutually beneficial outcomes. Here are some negotiation myths debunked:

1. Myth: Negotiation is all about winning.

Reality: Effective negotiation aims for a win-win outcome, where both parties benefit. A focus solely on winning can lead to strained relationships and missed opportunities.

2. Myth: Being tough and aggressive gets better results.

Reality: While assertiveness is important, aggressive tactics can damage relationships and lead to resentment. Collaboration and empathy often yield more sustainable agreements.

3. Myth: Always start with an extreme offer.

Reality: Starting with an extreme offer can backfire, creating an atmosphere of distrust and making it difficult to find common ground. Starting with a reasonable offer encourages productive dialogue.

4. Myth: Never show your emotions during negotiation.

Reality: Suppressing emotions completely can hinder effective communication. Displaying genuine emotions can humanize the process and lead to better understanding.

5. Myth: The first offer sets the final agreement.

Reality: The first offer is just a starting point. Skilled negotiators explore multiple aspects and variables before settling on an agreement.

6. Myth: Negotiation is only about price.

Reality: Negotiation encompasses a wide range of factors beyond price, including terms, conditions, delivery, quality, and more.

7. Myth: It's best to keep information close to the chest.

Reality: Transparent communication fosters trust and collaboration. Sharing relevant information can lead to creative solutions and build stronger relationships.

8. Myth: Silence is a sign of weakness.

Reality: Silence can be a powerful tool, allowing both parties to reflect and consider their options. It's not always a sign of weakness but can indicate thoughtful consideration.

9. Myth: Good negotiators are born, not made.

Reality: Negotiation skills can be learned and improved over time with practice, study, and experience.

10. Myth: Compromise means losing.

Reality: Compromise is a key aspect of negotiation that enables both parties to find common ground and reach an agreement that satisfies their needs.

11. Myth: The best deals are made quickly

Reality: Rushing through a negotiation can lead to overlooking important details. Taking time to fully understand and address all aspects often results in better outcomes.

12. Myth: Negotiation is only for big issues.

Reality: Negotiation is a daily part of life, from workplace discussions to personal matters. Developing negotiation skills can improve various aspects of communication and decision-making.

Understanding these myths and adapting your approach accordingly can significantly enhance your negotiation skills and lead to more positive outcomes in various situations.

Setting effective goals is crucial for personal and professional growth. Here's a structured approach to setting and achieving your goals:

1. Clarify Your Vision:

- Start by envisioning what you want to achieve in the long term (e.g., 5-10 years from now). Consider various aspects of your life, including career, relationships, health, and personal development.

2. Categorize Your Goals:

- Divide your goals into categories such as personal, professional, health, financial, and social. This helps organize your thoughts and prioritize your objectives.

3. Set SMART Goals:

- Ensure your goals are Specific, Measurable, Achievable, Relevant, and Time-bound (SMART). Break down your long-term goals into smaller, achievable milestones.

4. Specific (S):

- Clearly define what you want to accomplish. Be precise about the who, what, when, where, why, and how of each goal.

5. Measurable (M):

- Establish measurable criteria to track your progress and determine when you've achieved the goal. Use quantifiable metrics to assess your success.

6. Achievable (A):

- Assess the feasibility and attainability of each goal. Consider your resources, skills, and circumstances. Ensure the goal challenges you but is realistic.

7. Relevant (R):

- Evaluate if the goal aligns with your overall vision, values, and long-term objectives. Ensure the goal is meaningful and contributes to your growth and well-being.

8. Time-bound (T):

- Set a deadline for each goal. This creates a sense of urgency and helps you stay focused and accountable. Break down larger goals into smaller, time-bound tasks.

9. Prioritize Your Goals:	<ul style="list-style-type: none"> Rank your goals based on importance, urgency, and alignment with your long-term vision. Focus on high-priority goals first while keeping a balance among different life areas.
10. Create an Action Plan:	<ul style="list-style-type: none"> Break down each goal into actionable steps or tasks. Outline what needs to be done, who is responsible, and when each task will be completed.
11. Track Progress and Adjust:	<ul style="list-style-type: none"> Regularly monitor your progress toward each goal. Celebrate achievements and reassess your approach if necessary. Modify your action plan if circumstances change or if you're not progressing as expected.
12. Stay Committed and Motivated:	<ul style="list-style-type: none"> Stay dedicated to your goals by reminding yourself of the reasons behind them. Visualize your success and the positive impact achieving these goals will have on your life.
13. Seek Support and Accountability:	<ul style="list-style-type: none"> Share your goals with a mentor, friend, or accountability partner who can provide encouragement, guidance, and help keep you on track.
14. Reflect and Learn:	<ul style="list-style-type: none"> Periodically reflect on your progress and experiences. Acknowledge what worked well, what didn't, and what you've learned. Use this reflection to refine your goals and strategies.
15. Adjust and Set New Goals:	<ul style="list-style-type: none"> As you achieve goals, set new ones that build on your successes and align with your evolving vision and circumstances.

Best alternative to a negotiated agreement (BATNA)

A best alternative to a negotiated agreement (BATNA) is a course of action that a party engaged in negotiations has determined should be taken if talks fail and no agreement can be reached.

Understanding a Best Alternative to a Negotiated Agreement (BATNA)

Considering a BATNA can be useful to anyone in any situation that calls for negotiations, whether it's an employee seeking a raise or a company considering a merger. A party to negotiations cannot make an informed decision about whether to accept an agreement unless they first think through their alternatives.

Pros and Cons of BATNA

Pros

- Provides a backup plan if negotiations fail.
- Grounds negotiations in a sound factual basis.
- Makes agreement more likely, as a strong BATNA is more likely to be acceptable to all parties.

Cons

- Calculating BATNAs can be an expensive and complicated process.
- Negotiators may still miscalculate the cost or benefits of some alternatives.
- There is still a risk of making a disadvantageous choice.

What Is a Strong BATNA?

- A BATNA, or Best Alternative to Negotiated Agreement, is the best option in the view of one party in a negotiation if the talks break down. A strong BATNA gives that party a reasonably attractive alternative to negotiation. If an agreement cannot be reached the BATNA can be implemented with minimal disruption.

WHAT IS THE ZONE OF POSSIBLE AGREEMENT?

The Zone of Possible Agreement, or ZOPA, is the range in a negotiation in which two or more parties can find common ground. Here, the negotiating parties can work toward a common goal and reach a potential agreement that incorporates at least some of the other's ideas. ZOPA is also sometimes referred to as the "bargaining range" or "bargaining zone."

Positive Bargaining Zone

When the terms that both parties are willing to agree to overlap, there is said to be a positive bargaining zone. That is, the terms the buyer agrees to clearly align with the terms the seller is willing to accept.

Take the sale of a used car, for example. The buyer is hoping to purchase a vehicle for a price between \$2,500 and \$3,000. The seller is willing to sell for a price between \$2,750 and \$3,250. In this scenario, a positive bargaining zone exists between \$2,750 and \$3,000, where both the buyer and the seller's terms can be met.

Negative Bargaining Zone

When the terms that both parties are willing to agree to don't overlap, there is said to be a negative bargaining range—also called a Negative Zone of Possible Agreement or Negative

ZOPA. In these instances, a deal can't be reached under current circumstances unless one or both parties are willing to adjust their view of what is acceptable.

In the case of the used car, a negative bargaining zone would exist if the buyer and seller could not reach an agreement. If the buyer is willing to pay no more than \$3,000, yet the seller is willing to accept no less than \$3,500, then neither party's terms can be met.

Best Alternative to a Negotiated Agreement

In addition to understanding the ZOPA and negative ZOPA in a negotiation, you should also consider your Best Alternative to a Negotiated Agreement, or BATNA, before any discussions take place. The BATNA is the course of action a party will take if no agreement can be reached during a negotiation. In other words, a party's BATNA is what they plan to fall back on if a negotiation is unsuccessful

FINDING THE ZONE OF POSSIBLE AGREEMENT

Here are some key points to keep in mind when assessing ZOPA that will help you be better prepared when it comes to negotiating, and ultimately increase your chances of reaching a deal.

1. Your Success Depends on More Than Just Skill

Luck, good or bad, plays a role. You don't always know who you'll negotiate with on a given day. Some people will be unreasonable while others may be willing to offer more than you'd ever hoped. While you should always employ your best negotiation tactics, remember that some circumstances will always be out of your control.

2. Know Your Limits

It's a huge advantage to know the upper and lower boundaries of a ZOPA. A negotiator is understandably reluctant to disclose their walkaway, or bottom line, as it's the least attractive deal they would accept before walking away from the negotiation. By knowing the boundaries of a ZOPA, it's possible to push your counterpart close to their limit to reach a favorable deal.

3. The Situation Can Change

The ZOPA can grow, shrink, or disappear during the course of a negotiation as parties refine their own priorities and reassess each other's walkaways. When preparing for a negotiation, remember that the situation can always change. Being able to adapt to these changes is a key factor to being a successful negotiator.

4. The ZOPA Can Be Shaped

As shown throughout the Negotiation Mastery course, much of the interaction in a negotiation is about shaping perceptions of the ZOPA through persuasion and other tactical moves, as this is more likely to lead to an agreement.

5. Preparation Matters

Studies have shown that, in cases like Bridport, the parties' initial aspirations and expectations before they ever get to the bargaining table have nearly the same impact on the final outcome as whatever they do and say once they get there. That's why rigorous preparation is essential.

Here's how the ZOPA negotiation concept works:

1. **Identifying the ZOPA:** The first step in any negotiation is to identify the ZOPA. This involves understanding each party's minimum acceptable and maximum acceptable terms. The ZOPA exists when there is an overlap between what one party is willing to accept and what the other party is willing to offer.
2. **Negotiation Strategy:** Once the ZOPA is identified, negotiators can develop their strategy. They aim to create a deal that falls within the ZOPA. This can involve making concessions, proposing creative solutions, or finding trade-offs to satisfy both parties' interests.
3. **Effective Communication:** Effective communication is crucial during the negotiation process. Both parties should clearly express their needs, concerns, and priorities to better understand each other's perspectives and facilitate reaching a mutually beneficial agreement.
4. **Flexibility:** Negotiators should be flexible and open to compromise. Sometimes, the ZOPA may shift during the negotiation as parties gain a better understanding of each other's needs and constraints.
5. **BATNA:** A key concept related to ZOPA negotiation is BATNA, which stands for "Best Alternative to a Negotiated Agreement." Each party should be aware of their BATNA, as it helps determine their negotiation strength. A party with a strong BATNA is often in a better position to negotiate and may be less willing to accept a deal that falls outside the ZOPA.
6. **Reaching Agreement:** Ideally, a successful negotiation results in a mutually agreeable outcome within the ZOPA. This outcome should balance the interests and needs of both parties.

Documenting the Agreement: Once an agreement is reached, it's essential to document the terms and ensure that both parties understand and agree to them. This helps prevent future disputes and misunderstandings.

Collaboration is an important skill for in-house legal teams who need to work effectively across their organisations and have a lot to contribute in helping to mitigate and prevent risk. In-house teams also regularly collaborate with other lawyers. Collaboration implies a sense of partnership and equal contribution, although leadership and management may be needed to direct collaborative efforts to their desired conclusion. Most people will have a general idea of what collaboration is, but it will inevitably mean different things to different people.

Identifying barriers to collaboration

Identifying the barriers to successful collaboration is usually the first step in removing any hurdles and driving better collaboration that has more impact. There are several barriers to collaboration that commonly occur across different organisations.

Lack of time

Even though effective collaboration often saves time, a lack of time is often a key reason why collaboration does not occur. In-house legal teams are always busy and simply do not have the time to set up the mechanisms for effective collaboration. Even if there is an easy route to collaborate, the daily rush of operational matters can still stymie collaborative effort.

Lack of scope and focus

Collaboration is quite a high-level term and an intention to collaborate more often can be so woolly that it is meaningless. For example:

- Who should we collaborate with?
- How should we collaborate?
- What should we collaborate on?
- Where should we start?

Not having a focus for collaboration can be a barrier too. It's much easier to focus on a set goal, perhaps a project or improving an inefficient process, and using collaboration as a working style to achieve that goal. Having scope, focus and specific objectives gives momentum to collaboration and generally leads to activity, rather than vague intentions.

Organisational culture

Some organisational cultures promote collaboration better than others. There are a range of influences on culture that can make collaboration more difficult. For example, collaboration may be less straightforward than it should be where:

- There is a strong risk culture.
- All time is recorded, and non-chargeable time is (unofficially) frowned upon.
- Cost centres are encouraged to compete against each other.

People and politics

Sometimes it's not the culture of your organisation, but an issue with a function, a team, an individual or a relationship that hampers collaboration. Personal preferences and office politics can also prove to be a barrier as not everyone is keen on collaboration.

Tools and facilities

There may be a real desire to collaborate, but the tools you use or the facilities you have access to could be the stumbling block. Perhaps you don't have an effective meeting space, or your online collaboration toolset is too clunky, slow or difficult to use. Fortunately, if the tool or facility is the barrier, there is usually a clear path to a remedy.

Confidentiality

The need for confidentiality, or concerns over confidentiality, is a real barrier to collaboration, particularly when working with third parties or those outside your organisation. If it is unclear or there is the potential for confidentiality rules to be broken, then people will be reluctant to collaborate. This is clearly a major issue for in-house legal teams where most of the work will be highly confidential and sensitive.

Proximity

It can be a challenge to collaborate across different locations and time zones. Although there are many excellent remote collaboration tools, some people still find virtual collaboration less successful than face to face meetings and find the lack of proximity challenging.

Creating a thorough negotiation plan is crucial for achieving your desired outcomes in any negotiation scenario. Here's a step-by-step guide to help you design an effective negotiation plan:

1. Preparation and Research:

- Identify Goals and Objectives:

Clearly define your goals, both primary and secondary. What are the outcomes you seek from this negotiation? Be specific and prioritize them.

- Understand the Other Party:

Research the other party's objectives, constraints, interests, and potential negotiation strategies. Understand their strengths, weaknesses, and potential areas for compromise.

- Assess BATNA (Best Alternative to a Negotiated Agreement):

Understand your BATNA and the other party's likely BATNA. This helps set your negotiation boundaries and know when to walk away.

- Build a Negotiation Team:

Assemble a team with diverse skills and expertise that can contribute to different aspects of the negotiation, including legal, financial, and subject matter expertise.

2. Setting the Agenda:

- Define the Meeting Structure:

Decide on the format, duration, and location of the negotiation meetings. Establish ground rules and guidelines for behavior and communication.

- Develop an Agenda:

Outline the topics to be discussed during each session, including the order and estimated time for each item. Share the agenda with the other party in advance.

3. Communication Strategy:

- Determine Communication Channels:

Decide how and when you will communicate with the other party—whether in-person meetings, video conferences, emails, or phone calls.

- Draft Communication Scripts:

Prepare key messages and responses for likely scenarios and objections. Anticipate questions and concerns from the other party and plan your responses accordingly.

4. Negotiation Tactics and Techniques:

- Choose Negotiation Approach:

Decide on the negotiation approach—competitive, collaborative, compromising, or avoiding. Tailor your approach based on the situation and your objectives.

- Identify Concession Strategies:

Plan your concession strategy, including what concessions you're willing to make and when you'll offer them.

- Develop Persuasion Techniques:

Prepare persuasive arguments, evidence, and compelling stories to support your position and influence the other party positively.

- Consider Counteroffers and Counterarguments:

Anticipate potential counteroffers and prepare responses to effectively counter them while staying aligned with your goals.

5. Risk Management:

- Assess Risks and Mitigation Strategies:

Identify potential risks and challenges during the negotiation and devise strategies to mitigate or address them.

- Plan for Deadlocks and Impasses:

Outline strategies to break deadlocks and impasses, ensuring the negotiation keeps moving forward even in challenging situations.

6. Execution and Post-Negotiation:

- Conduct Pre-Negotiation Briefings:

Brief your negotiation team, ensuring everyone is on the same page and understands their roles and responsibilities.

- Monitor and Adapt:

During negotiation, monitor the progress, adapt to changing circumstances, and remain flexible in adjusting your strategies based on real-time developments.

- Post-Negotiation Review:

After the negotiation, conduct a thorough debriefing with your team. Evaluate what worked well, what didn't, and identify lessons learned for future negotiations.

By following this comprehensive negotiation plan, you'll increase your chances of achieving a successful negotiation outcome that aligns with your objectives.