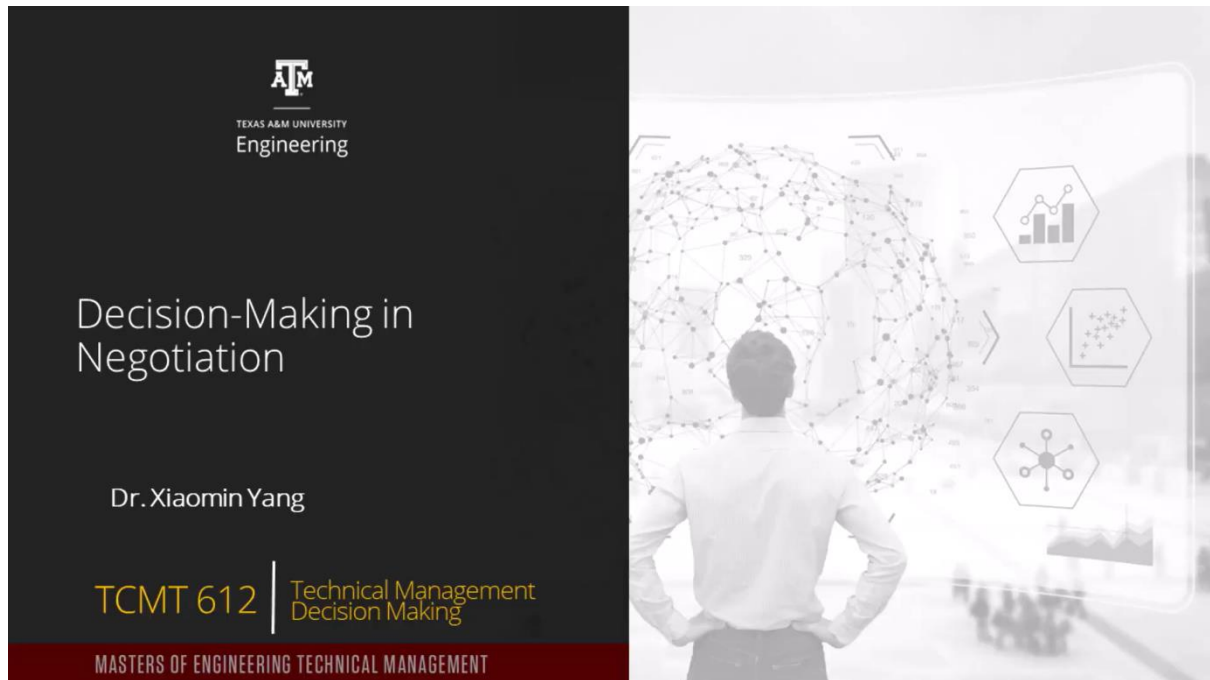


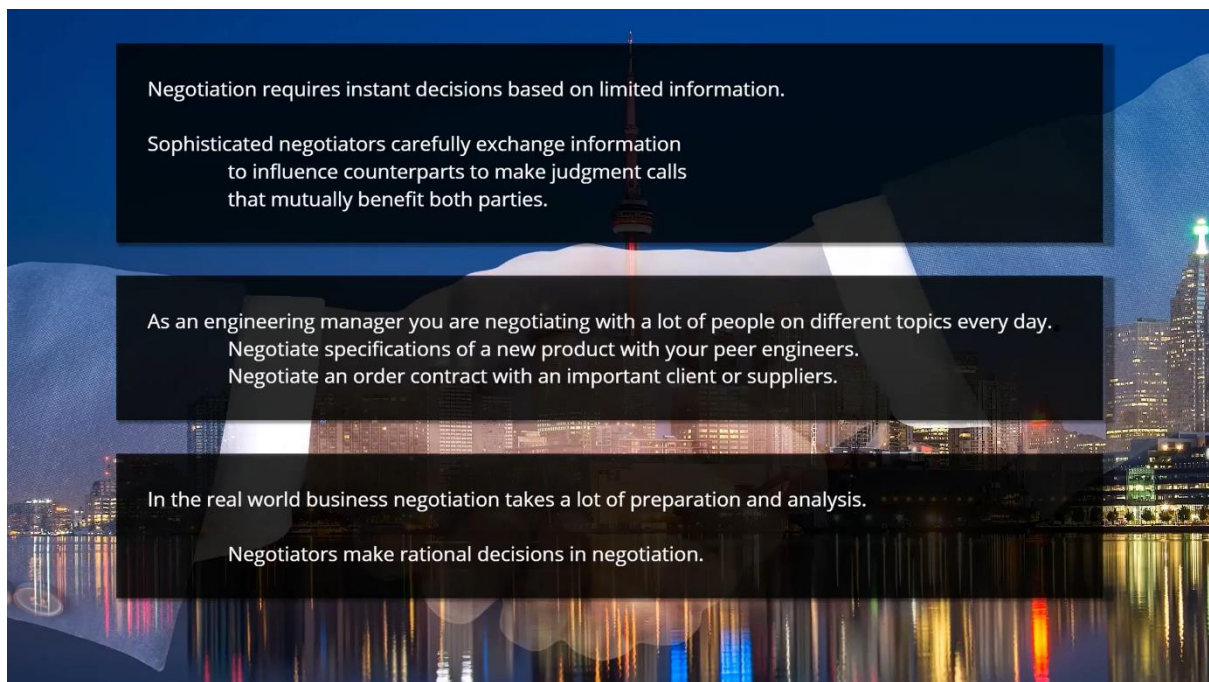
# M3L5. Decision-Making in Negotiation

## Slide #1



Now, let us switch gears to discuss decision-making in negotiation.

## Slide #2



Negotiation requires instant decisions based on limited information. Sophisticated negotiators carefully exchange information to influence counterparts, to make judgment calls that mutually benefit both parties.

As an engineering manager, you are negotiating with a lot of people on different topics every day. For instance, you negotiate the specifications of a new product with your peer engineers. You may negotiate an order contract with an important client or with suppliers.

Negotiation in the real world is very different from what is shown in the movies.

In the real world, business negotiation takes a lot of preparation and analysis.

Negotiators make rational decisions in negotiations.

**Slide #3**




The analytical structure of business negotiation starts with the assessment of three key sets of information.

## Slide #4

### Information Set #1

- A. Identify business terms/topics that each party wants to include in the agreement.
- B. Determine what terms are non-negotiable.
- C. Make a list of terms ~ willing to compromise or negotiate.
- D. Identify terms that are unimportant.
- E. Explore how important they are to your counterpart.



The first is to identify the business terms or topics that each party wants to include in the agreement. These terms are not equally important to different parties.

So you also need to determine what terms are non-negotiable that you absolutely require. These terms are so important to your company that they prevent you from entering into an agreement with your counterpart if you cannot get an agreement on those terms.

You also need to make a list of terms on which you are willing to compromise or negotiate.

In addition, you need to identify the terms that are unimportant for you, and you want to explore how important they are to your counterpart.

**Slide #5**



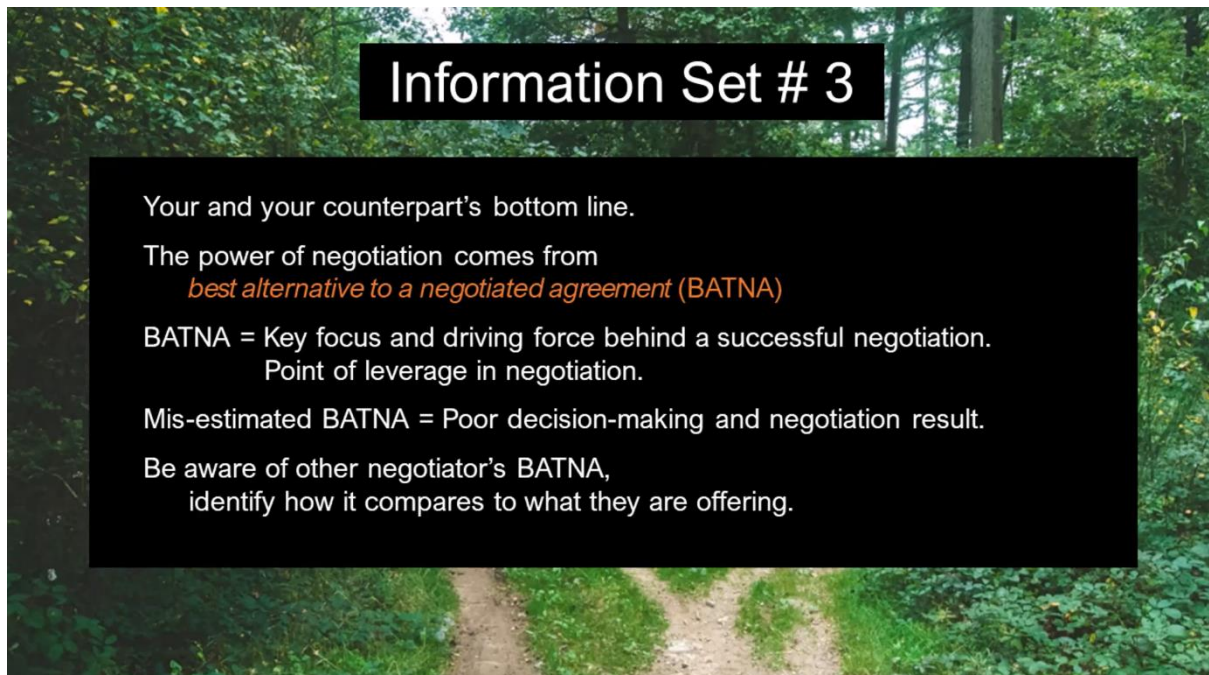
Business negotiation is a two-way process.

It is important to understand your counterpart's interests.

What terms your partner wants to include in the agreement and their relative importance to your counterpart?



**Slide #6**



### Information Set # 3

Your and your counterpart's bottom line.

The power of negotiation comes from  
*best alternative to a negotiated agreement (BATNA)*

BATNA = Key focus and driving force behind a successful negotiation.  
Point of leverage in negotiation.

Mis-estimated BATNA = Poor decision-making and negotiation result.

Be aware of other negotiator's BATNA,  
identify how it compares to what they are offering.

The third set of critical information is your and your counterpart's bottom line.

The power of negotiation comes from each party's best alternative to a negotiated agreement or BATNA.

BATNA is the key focus and the driving force behind a successful negotiation.

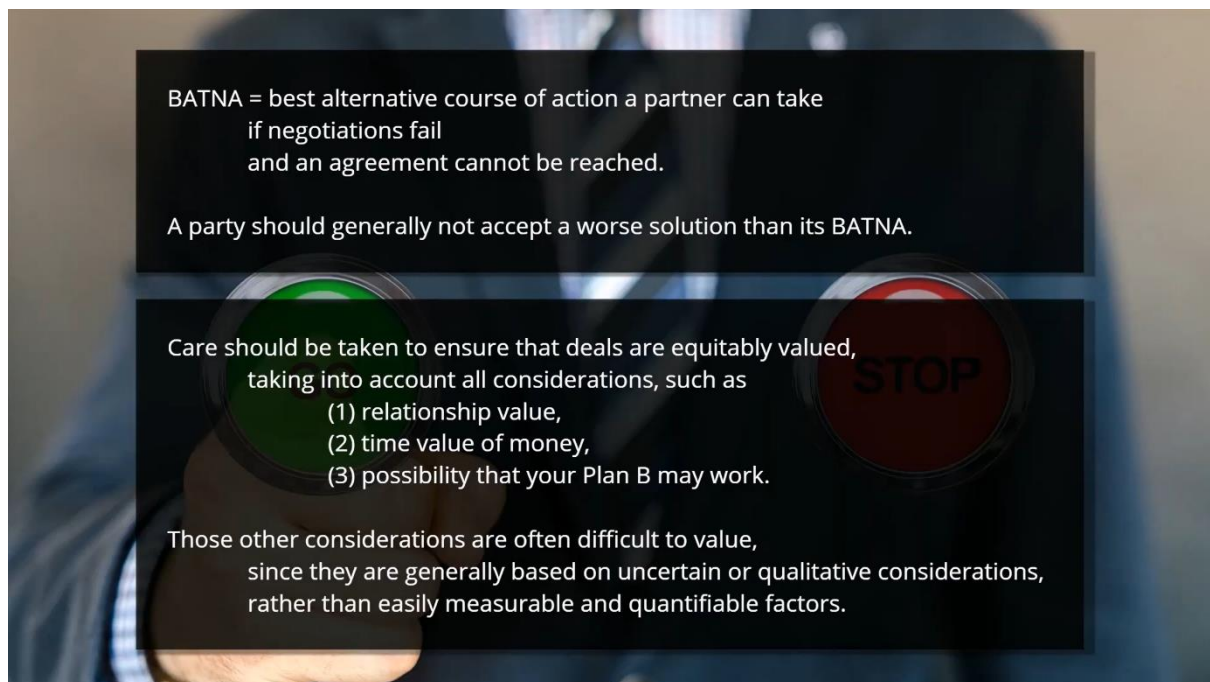
The BATNA is often seen by negotiators not as a safety net but rather as a point of leverage in negotiations.

Many managers invest too little time in researching their real options and misestimate their BATNA.

This can lead to poor or faulty decision making and negotiating result.

Negotiators also need to be aware of other negotiators' BATNA and to identify how it compares to what they are offering.

## Slide #7



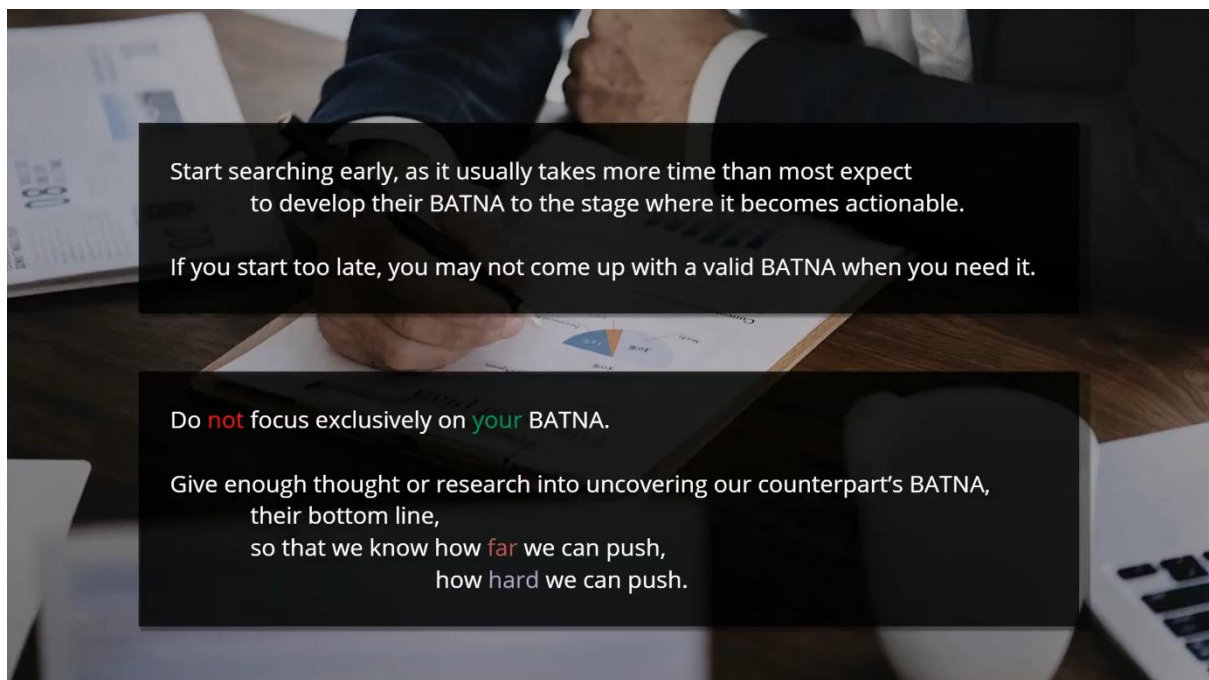
In negotiation, the best alternative to a negotiated agreement or BATNA is the best alternative course of action a partner can take if negotiations fail and an agreement cannot be reached.

A party should generally not accept a worse solution than its BATNA.

Care should be taken to ensure that deals are equitably valued, considering all considerations, such as relationship value, time value of money, or the possibility that your plan B may work.

Those other considerations are often difficult to value, since they are generally based on uncertain or qualitative considerations, rather than easily measurable and quantifiable factors.

## Slide #8



Start searching early, as it usually takes more time than most expect to develop their BATNA to the stage where it becomes actionable during negotiation.

If you start too late, you may not come up with a valid BATNA when you need it.

Another thing we need to pay attention to is do not focus exclusively on your BATNA.

We need to give enough thought or research into uncovering our counterpart's BATNA, their bottom lines, so that we know how far we can push, how hard we can push.