

Business Communication

MGT3201

Lecture 21 and 22

 **Negotiation Skills**

Negotiating

- What kind of things do you negotiate for?
- What negotiating tactics do you use?
- What do you need to be a successful negotiator?

Negotiating Role Play



If you want something, sometimes you have to negotiate for it. We will role play a market negotiation to test your skills of negotiation

In pairs we will negotiate a transaction for some Persian candle holders. One person will be the customer, the other will play the trader.



Role Play

1. Find a partner
2. Each pair will have a “bargain hunter” and a “market trader”. Decide who will be who
3. The setting is a large market in Istanbul, Turkey. The bargain hunter has seen some ornate candle holders that are irresistible. The candle holders are marked at US\$25 each and the bargain hunter wishes to buy two (one for each daughter).
4. The bargain hunter wants to get the lowest price possible. The trader wants the highest price possible

Definition

Negotiation is the process by which people deal with their differences. To negotiate is to seek mutual agreement through dialogue.



Types of Negotiation:

Distributive Negotiation

In distributive negotiation, people compete over the distribution of a fixed sum of value. The question is “Who will claim the most value?” A gain by one side is a loss to the other.

For example; the sale of a house or purchase of a car.

Types of Negotiation:

Distributive Negotiation

- How much budget you can win for your team or a given project
- What salary you (a new hire) will start on in a new job
- How much you will charge internal customers for your services
- Negotiations over a tender with a private contractor
- The hire / purchase of equipment
- Fees for external contractors such as trainers

Types of Negotiation:

Integrative Negotiation

Integrative negotiations are where parties cooperate, examine trade-offs and seek to find maximum benefit for both parties in the final agreement. You will know this by its common name of 'win-win' negotiations.

The goal of each side is to create as much value for themselves and the other party as possible. Each side makes trade-offs in pursuit of what it most values; giving up the less important for the most important.

Types of Negotiation: Integrative Negotiation

- Who will do which tasks within the team
- How resources will be shared within the organization
- Who takes annual leave when
- Terms and conditions of employment
- Which professors will teach which courses next semester
- Deadlines for projects

Distributive Negotiations

Distributive negotiations are about compromise. However, compromising does not mean somebody has to lose.



The orange analogy

Negotiation Types: Comparison

Distributive v Integrative Negotiation		
Characteristic	Distributive	Integrative
Outcome	Win-lose	Win-win
Motivation	Individual gain	Joint & individual gain
Interests	Opposed	Different but not always opposite
Relationship	Short term	Long-term or short-term
Issues involved	Single	Multiple
Ability to trade-off	Not flexible	Flexible
Solution	Not creative	Creative

5 Negotiating Styles

- We all tend to have a preferred / natural negotiating style
- Each style has advantages and disadvantages
- You should know your style and its limitations
- Good negotiators can adapt their style as required

Activity – complete the handout and identify your preferred negotiating style

Assess Your Style

- What do you see as the advantages and disadvantages of your preferred negotiating style?

Multi-phase Negotiations

Negotiations are seldom straightforward – two people meeting once in a room.

Often negotiations have 'rounds' and last over many months as they deal with numerous, complex issues.

These are called **multiphase** negotiations

Examples?

Multi-party Negotiations

Often negotiations involve several parties at once. Sometimes each party will have quite different objectives.

Knowing the agenda of each party is important but not always easy...especially as negotiators change from one meeting to the next.

These are called **multiparty** negotiations

Examples?

4 Key Principles of Negotiation

Negotiations require a framework to guide them. They require some planning and preparation so that we get the best result from a negotiation

There are 4 key principles that give a negotiation its direction...

BATNA

Walk-away Point

AOPA

Value Creation

BATNA

Best **A**lternative **T**o **A**Negotiated **A**greement

What is your best option should you fail to reach a negotiated agreement? Always know this beforehand and always work on strengthening your BATNA before and during a negotiation...you just might need it.

Walk-Away Point

What is the minimum acceptable outcome to you in a given negotiation? Anything less than this is your 'walk-away' point.

Always know what you will and will not accept before negotiating. Never get in a position where you begin negotiating on 'non-negotiables'.

Be prepared to walk away.

AOPA

Area Of Possible Agreement.

This is the range within which a potential deal can be struck. It is the overlapping area of interest where both parties will accept an agreement.

The bigger you can make the AOPA, the more likelihood a deal will be reached. Negotiating is about identifying and exploring the AOPA.

Value Creation

Value creation through trades is the process of trading off things that have little value to us but high value to the other party.

You need to know what you have to trade and what the other party really wants and values. You also need to know what they can trade that you want.

Case study

“The Difficult Employee” case (on the L Drive) will test your application of the 4 Principles of Negotiation.