

Negotiation Overview

Negotiation is a skill that everyone develops from an extremely young age, and everyone is a skilled negotiator by the time they can talk. On a business level, negotiation is often a highly complex and sophisticated process. Unfortunately, many people get stuck in a particular way of thinking about how to negotiate, limiting their efficiency and capabilities. Negotiation is a key business skill that needs to be developed through training and practice.



What is negotiation?

Definition

Negotiation is, at its simplest, a discussion intended to produce an agreement. It is the process of bargaining between two or more interests. [1]

The primary **goal** of negotiation should be to achieve a mutually acceptable deal, which accomplishes the objectives of the negotiation, without making the other party walk away or damaging a valuable relationship. This often requires substantial preparation, informed negotiation, compromise and flexibility, depending on the situation. Some of the business situations in which might require negotiation skills include:

- determining the details of a new commercial contract
- agreeing pay between management and a trades union
- bringing in new working practices
- changing employees' contractual arrangements
- arranging funding from a governing body
- agreeing next years' budgets
- working out the details of a major new project with colleagues
- agreeing objectives with team member

Stages of negotiation

Most negotiations can be broken down into six main stages:

1. Preparation

Achieving objectives in the negotiation will be much easier if negotiators are fully prepared. A successful negotiator will ensure that they:

- are fully briefed on the subject matter of the negotiation
- are clear about their objectives and what they are trying to achieve
- have worked out their tactics and how best to put their case

2. Initial exchanges

At the beginning of the negotiation, both parties will be sizing each other up. Both will be trying to find out and understand the others' position and requirements. The atmosphere in which the negotiation will be conducted should begin to form, and issues that need to be resolved later will emerge. At this stage it is probably wise to encourage the other side to say as much as possible, to listen a lot and not reveal too much too soon.

3. Bidding

In this phase the negotiation begins to get serious, as both parties start to put forward their own offers of what they want to get out of the negotiation. During this stage, a number of different things will be happening:

- both sides will be searching for common ground, which could form the basis of an agreement
- both sides will be exploring possible areas of compromise, where ground could be conceded if necessary
- sticking points or objections, which will need to be resolved later, will begin to emerge

4. Bargaining

This is often the crunch-point of the negotiation, as the parties start to trade and exchange in the search for an agreement. Both parties will be aware of the limits they have set themselves on each of the negotiable issues, and therefore which issues they can concede and which they need to hold out for. This is the point at which the difficult issues will need to be resolved and is consequently a vulnerable point at which the negotiation could break down. There are many tools and **techniques** (such as **BATNA** and **game theory**) that have been developed to determine bargaining positions when negotiating.

5. Securing agreement

As the two parties arrive at their final positions, the negotiation could still break down. There are two common reasons for such a failure:

- potential loss of face in coming to a sensible compromise solution
- the last-minute introduction of a completely new set of conditions

In either of these situations, a final, small, unrelated concession, as a gesture of

goodwill, may be necessary to secure the agreement. In order to reach a mutually satisfactory conclusion to the negotiation, care needs to be taken to ensure that:

- the best time to bring the negotiation to a conclusion is chosen
- a 'final' proposal is put forward only if it is really meant and if the reasons why no further movement is available are justified
- the final agreement is comprehensive, unambiguous and clearly understood by each party

6. Implementation

A deal is only successful if it is workable. A successful negotiator is one who has a sound track record of successfully implementing the agreement that has been reached. The implementation plan will need to incorporate the following:

- a comprehensive list of necessary activities
- timescales or deadlines for each of the activities
- a clear understanding of who will be responsible for carrying out each action
- the resources and information that will be necessary to carry out the activities
- who else needs to be involved or informed
- arrangements for coordination and monitoring
- how to review the implementation and evaluate the effectiveness of the negotiated solution
- who should be informed of this outcome

Negotiation styles

While successful negotiators tend to do many of the same things, they often go about it in different ways. This is because there are a number of different negotiation styles. The style a negotiator adopts will depend upon many things, including:

- their **knowledge** of the subject matter which is under negotiation
- their **personality**
- what they know of the other party, and how much they **trust** them
- whether it is a one-to-one or a team negotiation
- the national or regional **culture** of the individual(s) involved
- the **type** of negotiation and its level of importance
- how much **time** is available for the process to take place
- whether the negotiation is a 'one-off' or one in a regular series of events

A simple, but effective, classification of negotiators is whether they are **task-oriented** or **people-oriented**. The former will pursue their objectives relentlessly, will be tough, aware of tactical ploys and have little concern about the effect they have on others. The latter, on the other hand, are highly concerned about the wellbeing of others, which can mean they are more likely to understand the emotional aspects of the negotiation and build rapport. However, negotiators who favour the people-oriented approach can put insufficient emphasis on business goals, making them a 'soft touch' for negotiators who favour the task-oriented approach. In reality though, it is not quite so simple: there are a number of intermediate points in between the two extremes. Bill Scott has identified three main styles of negotiator: [2]

1. **The fighter:** highly task oriented and likely to go flat out to achieve objectives
2. **The collaborator:** attempts to get everything into the open, is prepared to confront issues and be innovative in order to make a deal.
3. **The compromiser:** tends to make significant use of compromise in order to

settle deals.

The significance of negotiation styles is threefold:

1. To be successful we must recognise the negotiating style of the other party and work out what **impact** this is likely to have on us.
2. We must work out what our own natural **negotiating style** is and whether the combination of the two styles can lead to problems.
3. We should decide how we could **adjust** our own negotiating style, if necessary, in order to cope with, and succeed in, the situation with which we will be faced.

Negotiation tools and techniques

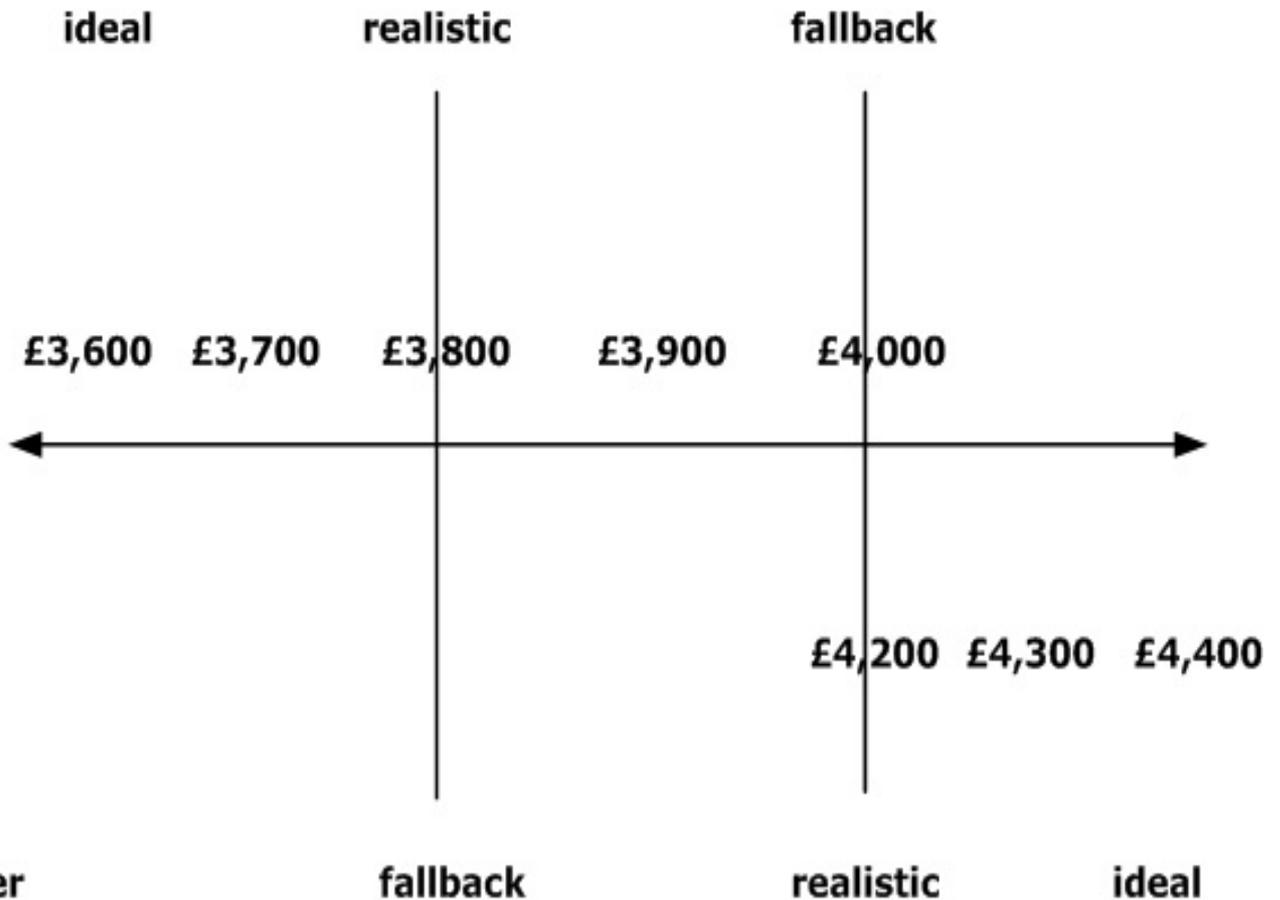
Many tools and techniques have been developed to determine bargaining positions when negotiating. One of these advises negotiators to work out three negotiating positions in advance:

1. **Ideal:** the best possible outcome
2. **Realistic:** what they expect to achieve
3. **Fallback:** minimum what they will accept.

This strategy, also known as **BATNA** (Best Alternative to Negotiated Agreement) was developed by **Fisher and Ury** as part of the Harvard Negotiation Project at Harvard Law School. [3]

Negotiators should also estimate what they think the negotiating positions of the other party will be. If there are overlapping areas, **bargaining** and agreement may be possible. For example, a car buyer would ideally like to pay £3,600 for a new car but, realistically, expects to have to pay £3,800, and as a fallback will pay no more than £4,000. The car salesperson will also have equivalent ideal, realistic and fallback positions:

Buyer



As the diagram shows, there is a small degree of negotiating space between the two parties in this situation. The price where the two parties will find their compromise, if one is to be reached, is between £3,900 and £4,000.

One of the major developments for 20th century negotiation was that of game theory. **Game theory** is strategic interaction between two or more players, who make decisions and negotiate while trying to anticipate the others' actions and reactions. [4] Techniques such as game theory, or the use of **asymmetric information**, give a trained negotiator an edge over someone relying on general life experience. [5] Game theory has become a useful negotiation tool for mapping out potential **scenarios** and assessing the options that both the parties face.

Qualities of a successful negotiator

Successful negotiations require an atmosphere of **calm, reasonable** discussion. This can often be difficult, as negotiations which have taken a significant amount of time and energy to prepare for, can easily become **emotionally charged** events. Key to thriving in these situations is the ability to distinguish between the issues involved in the negotiation, and the relationship with the other party. Discussing issues as a matter of mutual, legitimate concern can diffuse emotional aspects of a negotiation, and produce a stronger long-term relationship between the two parties. Negotiating to solve problems helps participants move away from an adversarial approach, aiding the search for a solution through **co-operative** work.

That is not to say that there is no place for playing the negotiation with specific **techniques** to gain an advantage (the other party is most likely doing the same), but these must be carefully considered, and the circumstances judged perfectly in order to avoid permanently damaging a relationship.

Pragmatism is an essential quality for a negotiator, with good, objective judgement required at all times. The negotiator needs to be able to judge precisely when to make concessions, when to play hardball, or when to back away from a deal.

Negotiating formally is a skill which needs to be developed through **training** and practice. Individuals may well have been informally negotiating for their whole lives, but there are aspects of a formal negotiation, mentioned above, which need time, preparation and thought to master.

[1] <http://www.thefreedictionary.com/negotiation> (February 2009).

[2] Bill Scott, *The Skills of Negotiating* (Jaico Publishing House, 2005).

[3] Roger Fisher and William Ury, *Getting to Yes: Negotiating Agreement Without Giving In*, 2nd Ed (Penguin Putnam, 2008).

[4] In the 1950s, work on game theory really began to gather steam, specifically the work by **John Nash**, proving the existence of an equilibrium (the Nash Equilibrium), for non-co-operative games, and mathematician **Albert Tucker**, who developed the example of the **Prisoner's Dilemma**. This model was an example of a **non-zero-sum game** i.e. a game that allows for collaboration, as opposed to a zero-sum game, a win-lose situation, in which a gain for one party means an equal loss for the other.

[5] Asymmetric information exchange occurs when one of the parties involved in a negotiation has more information concerning the process than the other party.

Image Credit: Flickr [US Embassy New Delhi](#) (accessed 18 September 2014).