

Negotiation Strategies

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What is negotiation?

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What is negotiation?

- The word “Negotiation” originated from Latin expression, which means “To carry on business”.
- In other words, to carry on business, both sides have to reach a joint agreement.
- Therefore, there must be a point that both will reach a joint agreement.

What is negotiation strategy?

- A predetermined approach to reach an agreement.
- A prepared plan of action to achieve the goal of negotiation.

What does **BATNA**
mean in negotiation?

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In negotiation theory,

- BATNA is an acronym that stands for “The Best Alternative To a Negotiation Agreement.”
- BATNA is the point between
- “Deal” or “No Deal”.
- It is never wise to enter into a serious negotiation without knowing your BATNA.

BATNA example

- If we assume that John can sell his car to someone else for \$10,000 for sure, therefore the price of \$10,000 is John's BATNA.
- But John's desired price is \$15,000.
- As a seller, John's range is \$15,000 to \$10,000.

BATNA example

- If we assume that Judy, Buyer, wants to buy a car at a lowest price as \$7,500.
- But Judy's can pay up is \$12,500. So, from John's perspective, Judy's BATNA is \$12,500.
- As a buyer, Judy's settlement range is \$7,500 to \$12,500.

BATNA example

- When Judy offers to buy John's car at a price of \$7,500, John will not sell and the agreement will not be made.
- This is because BATNA is best alternative the party will take.
- The price is lower than John's BATNA or \$10,000

Reservation Price

- The reservation price is the least favorable point at which you will accept for the deal.
- For John as a seller, it is the minimum price he will accept which is \$10,000.
- For Judy as a buyer, it is the desirable price she will pay which is \$7,500.

BATNA Point = Zero

- In this case, the gap between seller and buyer is $\$10,000 - \$7,500 = \$2,500$. Therefore, no agreement.
- Only when BATNA point is zero, the agreement will be made easily.

ZOPA = Zone of possible
(potential) agreement

It is the bargaining zone which is the space of the overlap between the seller's and buyer's settlement range.

ZOPA

- (John) Seller's reservation S_r price is \$10,000
- But John's settlement range is \$15,000 to \$10,000
- (Judy) Buyer's reservation price B_r is \$7,500
- But Judy's settlement range is \$12,500 to \$7,500

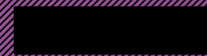
ZOPA

- \$7,500  \$12,500*

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-  \$10,000*  \$15,000

- In this case, the bargaining zone or the zone of possible agreement is between \$10,000 to \$12,000 or about \$2,500



ZOPA

- Therefore, ZOPA area is about \$2,500
- Zone of Possible Agreement or Bargaining Zone

From this theory, your tactics should be

- 1. It is important to identify your reservation price before negotiating.
- 2. Learn your opponent's reservation price in advance, if possible
- 3. Do not reveal your reservation price unless you are ready to settle.
- 4. Do not reveal your reservation price unless you have a strong BATNA.

From this theory, your tactics should be

- 5. If an offer is better than your BATNA, consider accepting it .
- 6. If an offer is worse than your BATNA, consider rejecting it.
- 7.....
- 8.....

BATNA is vital to negotiation.

- A party cannot make an informed decision about whether to accept an agreement unless they understand their alternative.
- But the fact remains, BATNA may not always be easy to identify.

From the research,...

- Those with a strong BATNA will have better outcomes than those without or with a fuzzy BATNA.
- Hence, what is the first rule of successful negotiation?
- Answer: to have a strong BATNA

BATNA in real life..

- BATNA in real life may **not** be an amount of money, but a variety of choices such as...
- - A minimum of \$100,000
- - Walk away or no deal
- - Approaching another potential buyers
- - See you in the court
- - Going on strike

Assignment # 8 (10 Points)

- 1. Write your own case study to illustrate your understanding of BATNA and ZOPA.
- 2. List and explain at least seven tactics to implement during the negotiation after you understand theory and the significant main points of BATNA and ZOPA.

Assignment # 8 (10 Points)

3. In your opinion, List 10 extremely bad negotiator's characteristics you have observed.

1. Do not have a strong BATNA
2. Always blame everybody else
3. Indecisive, or afraid to make decision
4. Never listen to anybody
5. Lack of patience

Assignment # 8 (10 Points)

4. In your opinion, list 10 extremely good negotiator's characteristics you have observed.

1. Pay attention and listen attentively
2. Ability to build trust
3. Assertive but fair in the process of meeting
4. Have strong communication skills
5. Going well-prepared for a negotiation