

IBP2424 (W5)
Negotiation Strategies

MANAGING THE NEGOTIATION ENVIRONMENT

When to negotiate:

First considers these –

- what kind of schedule is everyone accustomed? Starting the day at 7 am? Don't forget to think about time differences and travel schedules.
- Consider about the comfort of everyone involved to make things proceed as smoothly as possible.

NEGOTIATION ENVIRONMENT

Factors such as **time, place, surrounding**, etc. can put a pressure to negotiators regardless of time spent for consideration.

Therefore, managing the formal and informal negotiation environments should be well prepared and structured.

Where to negotiate

It should be held on neutral territory, neither your office nor theirs. The fact is that when a team is playing in their home arena, they tend to win more often.

MANAGING THE FORMAL NEGOTIATION ENVIRONMENT

- Planning should include **time, place** as well as who will get to sit at the table.
- **Planning** can reduce the tensions and disruptions that might occur during the negotiation period.

First class or no frills?

Give the feeling of superior to the other side. If you are negotiating upward, make the negotiation surroundings something to which *they* are accustomed.

Remember that extremes of opulence will work against you and your credibility.

o Places, Everyone!

Places at the negotiating table are often symbolic of power and prestige, or the lack of them. Mostly, the CEO is likely to sit at the head of the table. If negotiators choose their own seats, the team leaders will take positions at either end of the table, with the teams sitting opposite each other.

Remember that do not speak too loudly.

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Strategy for neutralizing the typical conference room



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Strategy for the dinner party

- If there are a lot of people (more than 8) in the dinner table, fragments the group into a series of smaller conversations.
- Spokespersons should be limited to three with each spokesperson having expertise in a designated specialty (expert on finance, production, engineering, and so on).
- If additional support staff are needed, they can be seated in the room but should be located away from the table and called upon only as needed.

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- Team leaders sit at the center, facing each other
- Team members sit next to the leader at either side
- Remember that the seat at the heads of table should be removed before the conference starts
- This seating arrangement reduces the hierarchical seating arrangement of the typical conference table and facilitates a quieter, more results-oriented session

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- This way, the negotiation has the chance of taking on the atmosphere of an intimate dinner party dominated by a single conversation, rather than an aimless gabfest.

****Keep a negotiating team as small as possible. This will speed things along on the road to reaching the agreement****

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2. Defining the problem

- Deciding exactly what's being negotiated
- If possible, the problem or objectives statement should be drawn up in advance, with the basic content agreed to by both sides. This should be a concise statement of the purpose of the negotiations, such as:

STRUCTURING FORMAL NEGOTIATIONS

1. Ritual Conversation

- For the American, usually begin with the weather, the journey to the meeting, restaurant recommendations, or news events of the day.
- Engaging in this polite conversation shows that you have a friendly side.
- Ask some simple questions: "how was your trip here? Did you have any trouble finding the conference center?"

Example

To arrive at an agreement of terms for a labor contract between the management of Krylex Manufacturing and the members of the International Federation of Krylex Workers. The agreement to be in force for a period of three years beginning ninety days from the conclusion of these talks and subject to ratification by a simple majority of the union membership.

- These questions will do to get the negotiators on the road to a few minutes of typical ritual conversation.
- The rule in ritual conversation is to keep it light, to keep it real, and to say away from religion and politics!

The items to be negotiated are:

1. Revision of day-care-center eligibility rules
2. Employee meal allowance allotments
3. Proposed increase in personal-day allocation
4. Evaluation and adjustment of dental plan
5. Cost-of-living allowances for the retirement plan
6. Establishment of a tiered salary structure for professional staff
7. Evaluation and adjustment of current salary schedules

- Once the list is established, it should be distributed to everyone present as an agenda and guide to the running order of the items to be negotiated.
- The reason for writing a list is that everyone has a clear idea of what the goals are.

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THE FORMAL NEGOTIATION STRUCTURE

A four-step sequence for each of those issues:

1. Position statement
2. Response and initial proposal
3. Discussion
4. Counteroffer and agreement discussion

This sequence is repeated for each issue or agenda item.

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3. Visual reinforcement

- Post the objectives statement in a place visible to both teams
- Post a list *only* after it is finalized
- Reason: remind of progress and reinforces an atmosphere in which agreement is being achieved

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STEP #1: POSITION STATEMENT

- Let the other team speak first (if you can)
- The side will gain advantage since they have information in advance

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4. Start with the easy stuff

- Formal negotiations shouldn't begin with the major issue
- Negotiators should have time to warm up and get to know one another, becoming acclimated to one another's behaviors, emotions, and approaches to the issues
- Tackling some of the minor items/issues first

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STEP #2: RESPONSE AND INITIAL PROPOSAL

- Each side states their position on the opening agenda item, based primarily on prior preparation and in part in response to what they have heard at the table
- This response may be immediate if the issues are complex, which sometime may require a break during the response.
- A break should be planned and announced in advance

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STEP #3: DISCUSSION

- This step is where the heart of negotiation takes place
- The discussion should have mutually agreed upon time limits for each speaker as well as for the overall session
- Setting time limits shows that the amount of time is worth and also remind those who often go out of the issue, go back to the track.

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2. Plan ahead

- Use all opportunities to create sales, such as a salesperson in an auto showroom may ask “What can I do to get you to buy now?”
- With the readiness to respond those opportunities, the outcome is likely to be better than expected
- The best result will come from surprising not being surprised
- Those opportunity will occur when you plan ahead, know your goals and are ready to act

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STEP #4: COUNTEROFFER AND AGREEMENT DISCUSSION

- All participants should be made aware that a counteroffer is a signal of a genuine intention of coming to an agreement
- By the time the counteroffer phase is reached, it is the time of *the agreement discussion* and then answers “How can we agree?”

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3. Don't Apologize for negotiating

- Do not categorized your request for negotiation as an interruption. For example, when talking to someone in authority, if you begin your remarks with “I know you're busy, but if you have a moment I'd like to discuss the possibility ...” In this case, you might even cannot finish the sentence.
- The position of a “possibility” gives the target easy access to the response “Of course it's always a possibility, but just not right now.”

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INFORMAL NEGOTIATIONS

1. Self-Management in Informal Negotiations

- Aim is to gain an advantageous outcomes
- Involve the issues such as getting the best price of product

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4. When you're about to get shot down, don't supply the bullet

- Do not enter negotiations with negative expectations because you are likely to provide your target with an excuse to reject your proposal or even to refuse to negotiate
- Be direct and unapologetic. For example, “Who do I see to get a discount on this item?” Even if you get turned down, let the sales staff come up with their own reason

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5. Ten key statements for informal negotiations

The following are some aggressive result-oriented openers:

- “This is unacceptable.” (regarding price, a product, something the target wants you to sign)
- “You’ve got to do better than this.”
- “What’s the very best you can do?” Follow up with “I’m sure you can still do better.”
- “If you’re saying you can’t make an exception, who can?”

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- “We both know exceptions are made all the time ... so what about ...?”
- “We both know this price is way off.”
- “I’m ready to buy right now, but only if the price is right.”
- “I know you’re making an effort, but it’s just not enough.”
- “I wasn’t even considering this, but at the right price ...”
- “I don’t really like it, but I’m willing to settle if the price comes down.”

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REMINDER

- Remember that aggressive and direct doesn’t mean being insulting or threatening
- Being quietly, self-assured, polite negotiator gets better results than the bully every time.
- When you negotiate, have the facts, and in both formal and informal negotiations, deliver that information quietly and deliberately.

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