

Negotiations

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Negotiation: Planning is 90% of the Game

What do we prepare?

Issues

Stakeholders

What are your alternatives to a negotiated agreement?

Defining interests: For you and your counterpart

Priorities: For you and your counterpart

Assessing the other's priorities

Goals

Bargaining Range

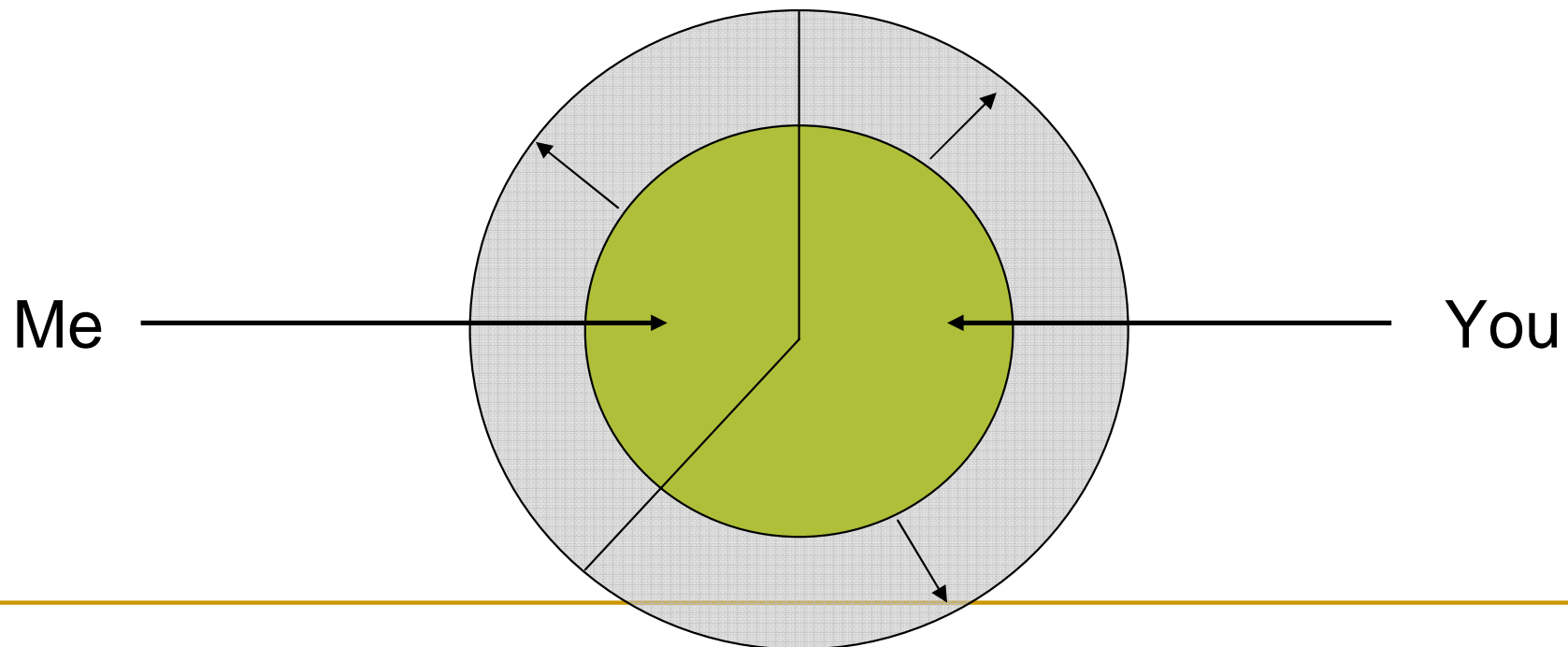
Supporting arguments

The other party's reputation and style

Why do we prepare?

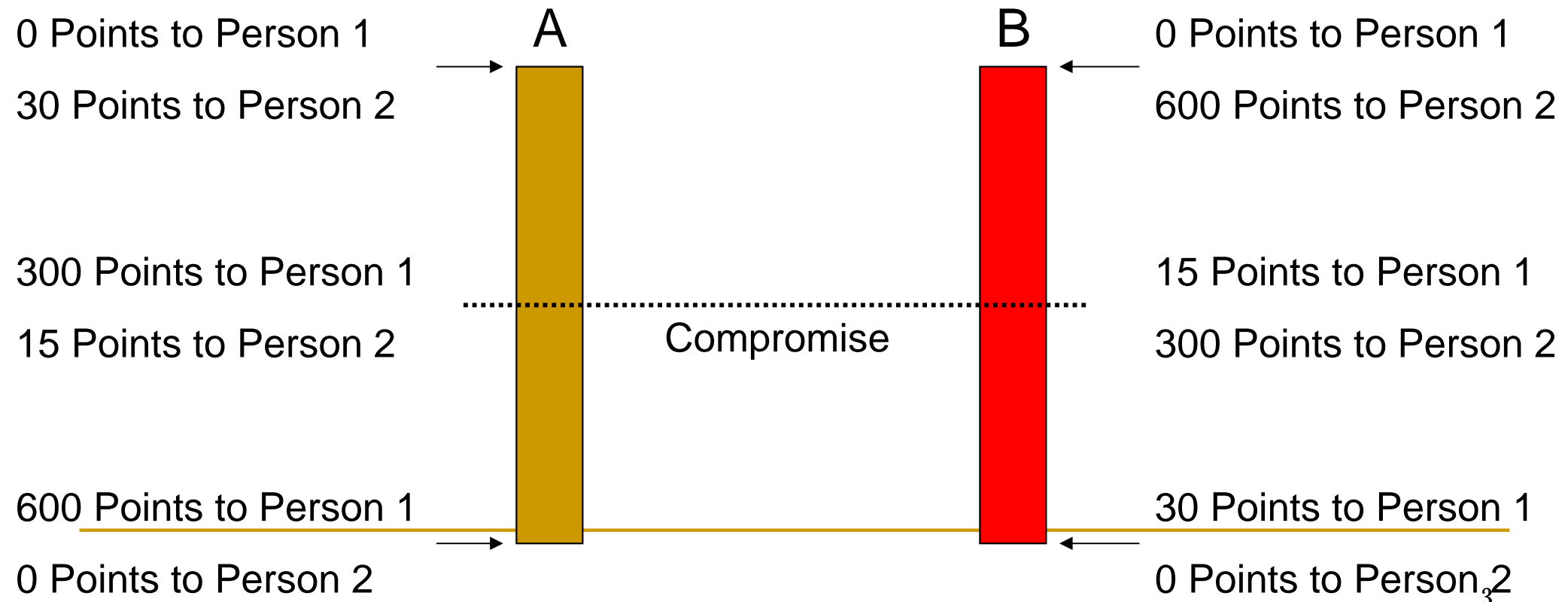
Negotiation does not need to be zero sum

- Issues
 - Distributive / Integrative / Compatible
- Not always a fixed pie



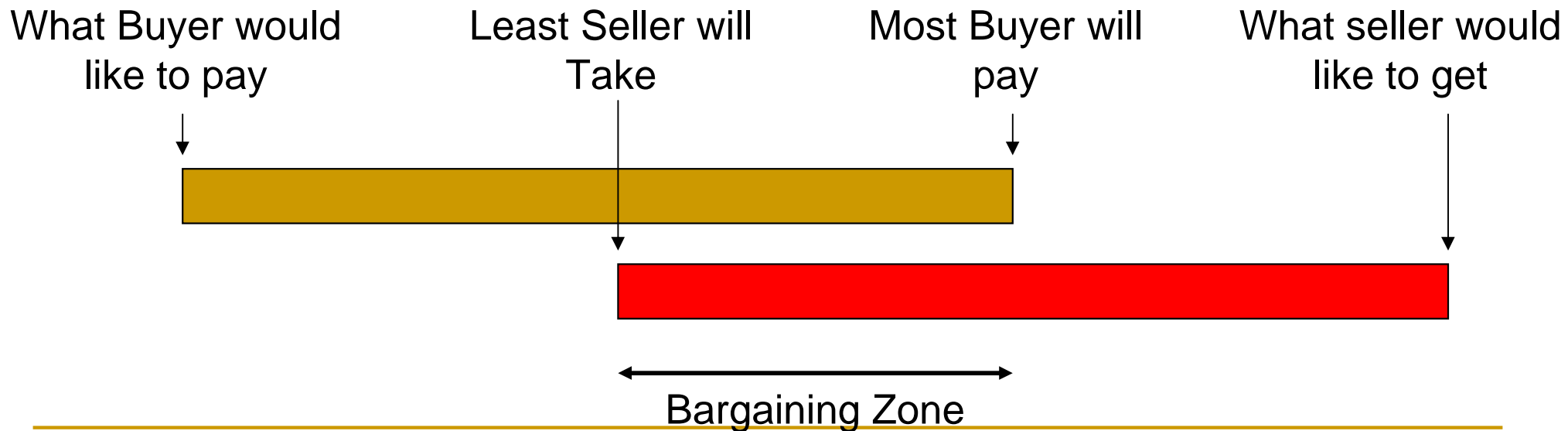
How do we avoid the fixed pie bias?

- Negotiate Packages not issues
- Don't compromise, you both lose
 - Ideal Solution versus Compromised Solution



Do I make a first offer or not?

- It depends
 - What does it depend on?
- Anchoring
 - Aim High, but not Too High



Have alternatives, not a bottom line

Best Alternative To a Negotiated Agreement

BATNA



Reservation Point

APEGM – NEGOTIATION KEY TAKEAWAYS

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PREPARATION CHECKLIST

Issues

- Define the issues to be deliberated.
 - Need to know not only the issues that you will bring to the table, but the issues that the other party will bring to the table.
- By identifying additional issues, negotiators can add value to the negotiation
 - Introducing additional issues often makes success more likely rather than less likely – provided they are all real
- Issues developed from:
 - An analysis of the conflict situation
 - Our own experience in similar contexts
 - Research conducted to gather information
 - Consultation with experts
- Assembling Issues and Defining Bargaining Mix
 - Your issues + counterpart issues = bargaining mix

Stakeholders

- Who is involved in the negotiation directly?
- Who is involved in the negotiation indirectly?
- What are the issues that each stakeholder is likely to have in the negotiation?
- What effect is likely to occur on the stakeholders given specific negotiated settlements?
- What will your ideal settlement do to the stakeholders

Alternatives

- What are your alternatives to a negotiated agreement?
- Need to address both your BATNA and the BATNA of the other party
- Without having this set up front, you are likely to generate your BATNA as you go along in the negotiation.

Interests

- Yours and your counterpart's
- Need to address why you want what you want in terms of issues
 - It is the underlying question of why that addresses the question of interests

Priorities

- After assembling, a negotiator must prioritize the interests
 - Determine which are most important and which are less important
 - This can be done by rank-ordering
 - Also can use point system – e.g., total out of 100
- Setting priorities is necessary on both the tangible and intangible side of interests
- Determine whether the interests are connected or separate

APEGM – NEGOTIATION KEY TAKEAWAYS

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- Need to consider multiple packages of interests – what would you be willing to accept given different levels of different issues
 - Develop packages based on interests
 - Need to understand tradeoffs and throwaways
- Assessing the other's priorities
 - If you are not able to talk to them directly, you need to gather information that may be valuable to understand their priorities
 - Take their perspective

Goals

- Need to set goals for yourself before entering negotiations
 - Research has shown that setting goals makes people bargain more effectively and thus, achieve more from negotiations
 - Again, you cannot set your goals during the negotiation because they are likely to be influenced by the other side at this point.

Bargaining Range

- Negotiation planning must be realistic
- Resistance point (Reservation Point) – the least acceptable settlement point, or the point below which we are likely to reject a deal

Supporting arguments

- What facts support my point of view?
- Whom may I talk to that will help me elaborate the facts?
- Have these issues been negotiated before in similar situations?
- What is the other party's point of view likely to be like
- How can I present the facts so they are most convincing?
- If you can't support it, don't talk about it.

The Other party

- Analyze the other party
 - The other party's current resources, interests, and needs
 - Conduct preliminary interview
 - Anticipate the other party by putting yourself in their shoes
 - Ask others who have negotiated with them
 - Read what other party says about themselves in paper, etc.
 - The other party's reputation and style
 - Need to keep in mind that people do change
 - May want to look for information that denies your impressions
 - May change behavior based on the other party's reputation – e.g., go into the negotiation with huge demands because the other side has a reputation of being competitive

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NEGOTIATION DOES NOT NEED TO BE ZERO SUM

Three different types of issues

- Distributive
 - Zero Sum
 - One person's gain is the other's loss
- Integrative
 - Issues that can be traded off due to differences in:
 - Priorities
 - The Assessments of the Probability of Future Events
 - Risk Preferences
 - Time Preferences
- Compatible
 - When both negotiators want the same thing.

HOW DO WE AVOID FIXED PIE BIAS?

- People tend to think of negotiations as a fixed pie – the pie is one size
 - They think their only goal should be to claim the biggest piece of the pie
 - If you make the pie bigger, then it is easier to get a bigger piece
- Negotiate Packages not Issues
 - If you negotiate issues by issue – end up in repeated single-issue distributive negotiations.
 - Each issue becomes one of “what I win, you lose”
 - If you negotiate by package – takes some of the edge off, allows for the generation of mutual benefit, it allows for reciprocity.
 - You can identify distributive issues and integrative issues

DO I MAKE THE FIRST OFFER?

What does it depend on?

- What is likely the most readily available anchor during a negotiation?
 - First offer
- Do you have information regarding the zone of potential agreement (the bargaining zone)?
 - If yes, then make a first offer because you can place your first offer beyond their reservation price.
 - If no, then let them make the first offer, Why?
 - If you make the first offer, you may sell yourself short.

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HAVE ALTERNATIVES, NOT A BOTTOM LINE

- Bottom line
 - Arbitrary number created by the negotiator to define a walk-away point.
 - Because it is not based on an objective criterion, it tends to be very flexible, and therefore useless.
 - Replace this concept with a reservation point
- Reservation Point
 - Value of your BATNA, plus the premium that you place on having your desired option.
 - The worst deal that is still acceptable.
- BATNA
 - **B**est **A**lternative **T**o a **N**egotiated **A**greement
 - What will happen if you do not reach an agreement.
 - It is your second choice to a deal with the other negotiator
 - Your impasse or no deal option.