Lecture

INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

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Subject : Business communication

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Chapter: Unit 4 Chp 2

Chapter Name: Communication during negotiations

Today’s Agenda

1. Business negotiation
    1. Features of negotiation
2. Negotiation approaches
    1. Distributive negotiation
    2. Integrative negotiation
3. How to deal with a deadlock?
4. Principles of effective negotiation
5. Negotiation process
6. Negotiation tactics
7. Third party intervention
8. Negotiation as a communication skill

1 Business negotiation

Negotiation is a strategic discussion between two parties to resolve an issue in a way that both find acceptable. It is simply a formalized discussion between two parties with a view to mutual settlement.

1.1 Features of negotiation

Prerequisite	• There are minimum two parties (individuals or teams) present
Motivates the parties to enter negotiation	• Both the parties have predetermined goals • Not all predetermined goals are shared by both the parties
Deals with satisfaction with the outcome	• There is a definite outcome • Both parties believe and accept that the outcome may be satisfactory
'Give and take' model	• Both the parties are willing to be flexible and modify their positions
Process understanding and conversational conventions	• The parties understand the purpose behind the negotiation

1.1 Features of negotiation

Negotiations involve certain distinguishing features. These are shown in the flowchart in the previous slide. Research shows that in the absence of any of the features, the interaction between the parties fails to quality as a negotiation.

Hence, for negotiations to take place, essentially two conditions must be met:

- There must be a conflict of interest between or among the parties.
- All parties must believe that there exist some possible agreements that make each of them better off than no agreement.

2 Negotiation approaches

Negotiations can be distinguished according to the strategy and tactics that are used. There are 2 types of negotiation strategies:

1. Distributive
2. Integrative

2.1 Distributive Negotiation

Distributive negotiation occurs when there is supposed to be a fixed pie and negotiators have to decide who gets how much of that pie. It is also called 'competitive', 'zero-sum", 'claiming value or 'win-lose approach.
In this type of negotiation, each party tries to maximise and secure its gains and minimise the losses.
Distributive negotiation is competitive, with each negotiator taking positions to achieve victory over the other side.

Distributive negotiators

- Collect maximum possible information about the other side since any additional information can be used as leverage to negotiate a better deal
- Misrepresent the information and make exaggerated statements about their positions to mislead the other party about their true objectives
- Manipulate or distort facts to reduce the options for the other party

2.1 Distributive Negotiation

Distributive approach is best used in the following cases:

- When resources, options and choices are limited
- When there is a clear conflict of interests between both the parties
- When the other party insists on taking a win-lose approach
- When one is powerful enough to prevail
- When short-term goals are more important as against long-term relationship

Distributive negotiation can be viewed as positional negotiation, which occurs when people negotiate according to their positions or statements of what they want to get out of the situation.

2.1 Distributive Negotiation

Positional negotiation can be further divided into two forms:

Hard negotiations or win-lose approach

- It emphasises the importance of getting what one party wants from the other party by playing hard ball and being tough during negotiation.
- This approach is adopted when participants are adversaries or rivals. They stick to their position at any cost and may use threat to make a 'good' deal.
- Both the parties insist on one-sided gain but end up being the losers.

Soft negotiation or compromise approach

- This approach provides some improvements over the win-lose approach as it emphasises the importance of building relationships.
- In this case, participants are friends and their goal to some extent is to bring about an agreement. They change their position easily and settle for something less than their original demand.
- They may make concessions to maintain the professional relationship.

2.2 Integrative Negotiation

Integrative negotiation occurs when there is more than one issue to be resolved. It is also called 'interest-based negotiation', 'win-win negotiation', 'collaborative negotiation' or 'creating value approach'. This negotiation strategy focuses on developing mutually beneficial agreements based on the interests of both the parties.

Integrative negotiators

- Share available information openly and freely
- Search for solutions so as to satisfy the needs of both the parties
- Try to understand the needs and aspirations of the other party
- Make particular agenda for items, separate issues and recombine those issues in creative ways for developing possible solutions to the problems

2.2 Integrative Negotiation

The integrative negotiation approach is best used in the following cases:

- When both the parties have similar interests
- When resources, options and choices are sufficient
- When the other party is willing to consider a win-win approach
- When long-term goals and relationships are more important
- When power is approximately equal

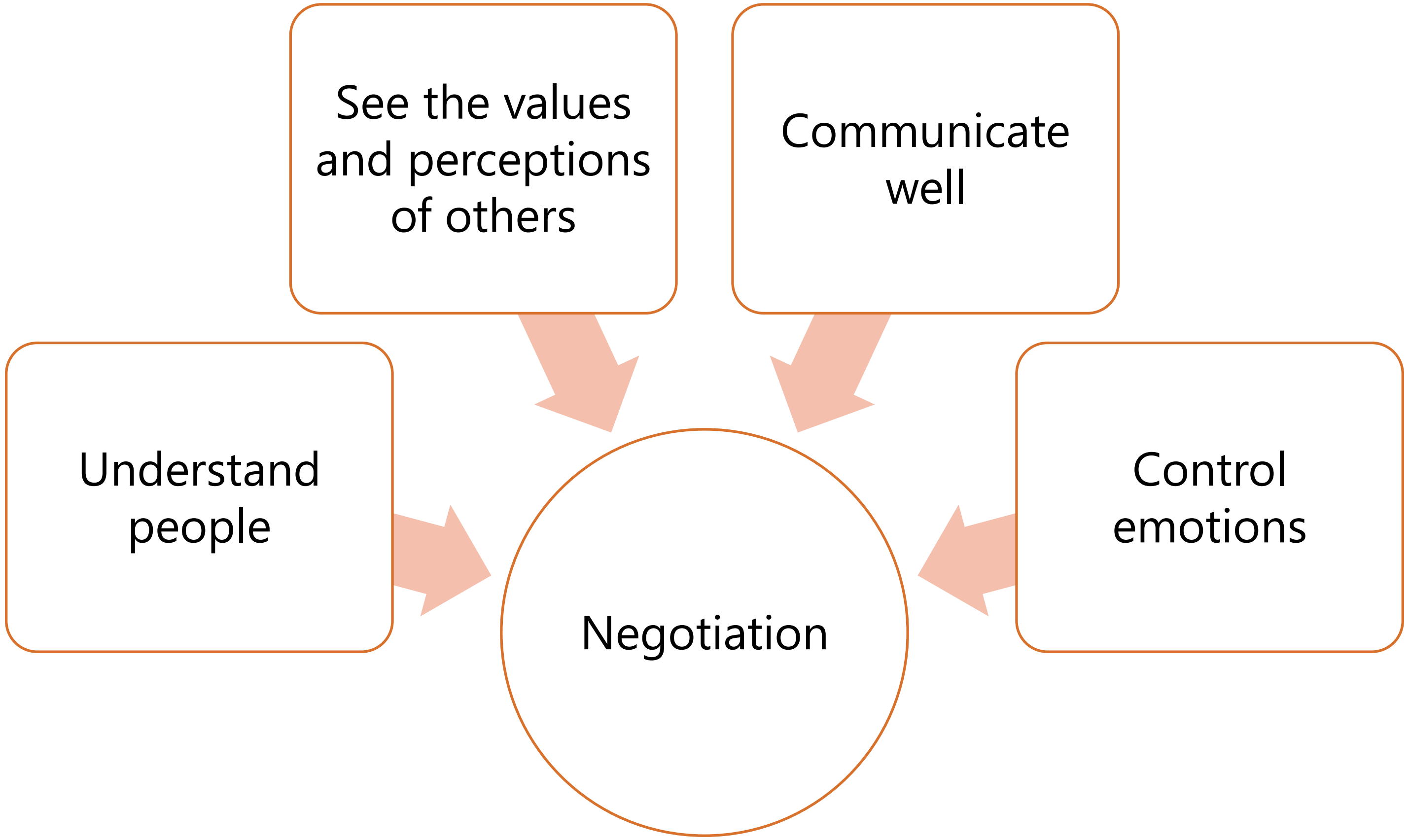
3 How to deal with deadlock?

Deadlocks can usually be tricky and difficult to handle. Following are some of the ways one can handle a deadlock:

- Figure out an area other than the one that caused the deadlock, that can be negotiated on, in order to move forward
- Explore the areas in which value can be added, and for the meantime, drop the area that caused the deadlock
- Do not make any statement against the other party as it may hurt their sentiments causing further harm to the negotiation
- Keep an open mind and listen to the other party

4 Principles of effective negotiation

Broadly speaking, effective negotiation or principled negotiation in organisations breaks down into four main elements.



4 Principles of effective negotiation

1. Separate People from the Problem

- Effective negotiators should be able to differentiate between issues related to people and the problem. As soon as we identify the problem, we can distinguish between issues to be solved and the people to be involved.
- People problems often involve emotions - fear, anger, distrust and anxiety.
- It is important to understand the other party's perceptions by 'putting oneself in their shoes' and then understanding their position.
- Negotiations get mired in controversy at times, and no solutions are forthcoming because feelings are hurt and pride overtakes common sense and good judgement.

2. Focus on Interests, Rather than Positions

- Positions are often pre-determined, concrete and explicit. Interests allow flexibility and define positions by determining the needs, concerns and motivations of each party.
- There is a high possibility that even though two parties might be at opposite poles with their positions, the underlying interests are quite compatible.

4 Principles of effective negotiation

3. Develop Options for Mutual Gain

Developing options for mutual gain involves brainstorming ideas before committing to any one option. There are four main obstacles to the development of options that need to be avoided:

- Do not be judgemental
- Do not limit options
- Avoid creating fixed pie situation
- Avoid focusing on personal interests

4. Insist on Using objective criteria

- If both parties are interested in following objective criteria like industry standards, professional standards and market value and equal treatment, this leads to a fair agreement as the parties avoid personal biases and prejudices.

5 Negotiation Process

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Pre – negotiation

- Determine the objectives
- Know the needs
- Know the other party
- Decide strategy and tactics

During negotiation

- Create an environment of trust
- Beginning of negotiation process
- Process of bargaining
- Formalise the terms and conditions

Post negotiation

- Evaluation and feedback of the work

6 Negotiation Tactics

During negotiation, many tactics can be used. These can be fair, foul or something in between, depending on the competitive or collaborative style of the people involved and the seriousness about the result. These are as follows:

- One party may choose to impose a deadline to put pressure on the other party and extract major concessions or force a decision.
- One party may adopt the ruse that the negotiator has limited authority and needs to get back after discussion with a senior person. This is a tactic to buy time and look around for other alter. natives or compare prices of other suppliers.
- Insist on the negotiating in own premises. This gives a psychological advantage and a sense of control. Familiar surroundings give a comfort zone to the negotiating party.
- One party may resort to constant adding of small requirements instead of putting forward all requirements in one go. This reduces the resistance from the other party.
- Ask for concession just before signing.
- It is advisable to avoid bluffing for the sake of bluffing.

6 Negotiation Tactics

- When a solution cannot be found, one party may suggest going for arbitration. This may force an agreement from the other party as entry of a third party whose decision may or may not be tavourable, may be found undesirable.
- Not all agreements need to be close ended. If it is not possible to settle everything at that very moment, an open-ended contract may be desirable.

7 Third party intervention

During negotiation, if personal biases and interests sometimes creep in and destroy the environment of trust, one’s credibility as a negotiator erodes. A third party intervention may be sought in this case.

8 Negotiation as a communication skill

Some essential communication skills necessary during negotiation:

1. Stay quiet deliberately
2. Be an active listener
3. Ask questions
4. Take notes
5. Be emotionally intelligent
6. Be persuasive
7. Use humour with discretion
8. Observe the Non – verbal cues closely