Program Uczenie się przez całe życie

WIELKOPOLSKA IZBA PRZEMYSŁOWO-HANDLOWA
CHAMBER OF COMMERCE AND INDUSTRY

Lifelong Learning Programme

Internationalization and Commercialization Methods for Business Networks

First Joint Training Session for Business Clusters

Negotiation

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What is negotiation?

Popular myths about negotiation

- Myth 1: There must be a winner & a loser
- Myth 2: Appears to involve conflict
- Myth 3: Negotiation is not an option
- Myth 4: Only cheap, petty people bargain
- Myth 5: A good negotiator is manipulative

Negotiating is about WHY, not WHAT

- Negotiation - is about an agreement on something, not on winning or loosing
- The purpose of negotiating is seeing if you can get your interests met through and agreement, versus an alternative.
- Positions are WHAT we want
- Interests are WHY we want something
- Negotiate the WHY….not the WHAT

When we Negotiate ?

- When there are more factors to discuss: not only a price
- When risks cannot be accurately predetermined
- When a long period of time is needed to implement the agreement
- When implementation is likely to be interrupted because of numerous changes

Classic negotiation concepts

- BATNA
- Reservation Price
- ZOPA
- Value Creation through Trades

Know your BATNA

- Best Alternative to a Negotiated Agreement (BATNA)
- Improving your situation
- Improve your BATNA
- Identify the other side's BATNA
- Weaken the other party's BATNA

Reservation price

- The least favorable point at which one will accept a deal
- The “walk-away”
- Example: you need to prepare the stand for a trade fair. You set your BATNA at 10K and your Reservation Price at 15K
- If the supplier won’t make it for 15, you walk away and take advantage of your BATNA

ZOPA

- Zone of Possible Agreement (ZOPA)
- The difference between the Seller's Reservation Price and the Buyer's Reservation Price
- The reservation price of selling side is 10K, the reservation price for buying side is 20K. The agreed price is in between.

Value Creation through Trades

- Trade things you value less to the other party
- Examples:
- You don't need full member commitment for participation in the fair immediately, but extended term of payment may be a huge advantage for a member
- The member is not able to contribute to cluster financially but would appreciate to be able to start participating in steering committee meetings right away

Negotiation behavior

Hard behavior

- Manipulation
- Aggressive
- Intimidating
- Exploitation
- Always seeking the best for you
- No concern for person you are negotiating with
- Taking

Soft behavior

- Win win approach
- Cooperation
- Trusting
- Pacifying
- Relational
- Giving, going to compromise

Value creating behavior

- Give me some of what I want , but I'll give you some of what you want
- Deal with people as they are not how you think they are
- Good intentions
- Two way exchange
- Be open

Negotiation strategy

- Strategic plan
  - Be committed to an overall approach that has a good chance of achieving the negotiator's objectives
  - Soft : avoid conflict, make concessions; often end up exploited and feeling bitter
- Hard : sees any situation as a contest of

Principled Negotiation :The Method

Harward negotiation project

- Separate the people from the problem
- Focus on interests not positions
- Invent options for mutual gain
- Use objective criteria

Separate people from the problem

Relationship Issues:	Substantive Issues:
Emotion/reason	Money
Understanding	Terms
Communication	Conditions
Reliability	Concessions
Coercion/persuasion	Promises
Acceptance/respect	Dates/numbers

Problems in positional negotiation

Which game to play?

SOFT style (Relations oriented)

- Participants are friends
- The goal is agreement
- Make concessions to cultivate the relationship
- Be soft on the people and the problem
- Trust others
- Change your position easily
- Make offers
- Disclose your bottom line
- Accept one-sided losses to reach agreement
- Search for the single answer: the one they will accept
- Insist on agreement
- Try to avoid a contest of wills
- Yield to pressure

- **HARD style (Gain oriented)**
- Participants are adversaries
- The goal is victory
- Demand concessions as a condition of the relationship
- Be hard on the problem and the people
- Distrust others
- Dig in to your position
- Make threats
- Mislead as to your bottom line
- Demand one-sided gains as the price of agreement
- Search for the single answer: the one you will accept
- Insist on your position
- Try to win a contest of wills
- Apply pressure

Focus on Interests not Positions

- Interests = desires and concerns that underlie positions
- Prepare for negotiation:
  - Clarify interests
  - Understand the interests of the other side
- Focus the negotiation discussion on:
  - Interests – not positions

Focus on Interests not Positions

Negotiation is not about making compromises:

- It is about joint problem solving
- Our goal is to efficiently reach a satisfying agreement for both parties, and to conclude on a positive note.
- Negotiations are “Back and forth communication to reach agreement where some interests are shared and some interests are opposed.

Listening and understanding

Active listening skills

- Encouraging. Show the interest
- Clarifying. Help the other side to express themselves
- Paraphrasing. Show you were listening
- Reflecting. Show you understand
- Summarizing. Review the progress
- Affirming. Acknowledge the other side

Listening and understanding

- Listening is the most powerful negotiating skill
- Effective communication leads to understanding your preferred method and learning the method of the other party.
- Communicate in a way that will be most effective with their style. This helps to eliminate the possibility of misunderstanding, as we communicate in many ways

Communication breakdowns

- Why are we such a bad listeners?
  - We listen to reply, argue, rebut, make our point, or win.
  - We do not typically listen to understand.
  - Seek first to understand, then be understood

Learn to ask questions

Before you can listen, you have to be skilled at asking questions

- Three critical questioning skills:
  - Know where your questions are going
  - Ask for permission to ask questions
  - State why you want to ask questions

Invent Options for Mutual Gain

- To invent creative options:
  - Separate inventing from judging;
  - Broaden the options on the table, rather than look for a single answer;
  - Search for mutual gains;
  - Invent ways to make their decision easy.

Use Objective Criteria

- Frame each issue as a joint search for objective criteria
- Reason and be open to reason as to which standards are most appropriate and how they should be applied
- Never yield to pressure, only to principle.

Negotiation Styles

HIGH

CONCERN FOR RELATIONSHIP

ACCOMMODATE

Build friendly relationship

Characteristics:

Promote harmony

Avoid substantive differences

Give into pressure to save relationship

Place relationship above fairness of the outcomes

AVOID

Take whatever you can get/Inaction

Characteristics:

Feeling of powerlessness

Indifference to the result

Resignation, surrender

Take what the other party is willing to concede

Withdraw & remove = behavior of negotiator

COMPROMISE

Split the difference

Characteristics:

Meeting half way

Look for trade offs

Accept half-way measures

Aims to reduce conflict rather than problem solve synergistically

COLLABORATE

Problem solved creatively, aiming for win-win

Characteristics:

Search for common interests

Problem-solving behaviors

Recognizing both parties' needs

Synergistic solutions

Win-win becomes the main purpose of the negotiator

DEFEAT

Be a winner at any cost/Competitive

Characteristics:

Win-Lose competition

Pressure/Intimidation

Adversarial relationships

Defeating the other becomes a goal for the negotiator

CONCERN FOR SUBSTANCE

HIGH

The Four Steps of Negotiation

1. Planning
2. Debating
3. Proposing
4. Bargaining
5. Agreeing

Planning

- Research
- LIST your objectives and their objectives
- Those you INTEND to get
- Those you MUST get

Debating

- Listen carefully
- Ask questions
- Clarify
- Summarize
- Don’t argue, interrupt or assume

Make proposal

- Make proposals
- State conditions
- Express concerns
- Search for common interests

Bargain

- Key words are IF and THEN
- Start making concession:
  - Every concession should have a condition (IF you… THEN I will…)
  - Conserve your concessions - don’t give everything away too soon
- You don’t have to share every piece of

Classic Bargaining Tactics

- **Acting Crazy**
  - Put on a good show
  - Visibly demonstrating your emotional commitment to your position
- **Increase credibility**
  - Give opponent a justification to settle on your terms
- **Big Pot**
  - Leave your self a lot of room to negotiate
  - Make high demand at the beginning
  - After making concessions, you'll still end up with a larger payoff
- **Get a Prestigious Ally**
  - Try to get opponent to accept less

Classic Bargaining Tactics

- **The Well is Dry**
  - Take a stand and tell the opponent you have no more concessions to make
- **Limited Authority**
  - Negotiate in good faith
  - If you're ready to sign the deal, say I have to check with my boss
- **Whipsaw / Auction**
  - Several competitors know you are negotiating in the same time
  - Schedule competitors with you for the same time and keep them all waiting to see you

Classic Bargaining Tactics

- **Divide and Conquer**
  - Negotiation with opponent team
  - Sell one member to help you sell the other members of the team
- **Get Lost / Stall for Time**
  - Leave the negotiation completely for a while
  - Come back when things are getting better and try to renegotiate
  - Time period can be long or short
- **We Noodle**
  - Give no emotional or verbal response
  - Don’t response to his or her force or pressure
- **Be Patient**
  - If you can afford to outwait
  - You will probably win big

Classic Bargaining Tactics

- Let's Split the Difference
  - The person who first suggest this has the least to lose
- Trial Balloon
  - Release your possible / contemplated decision through a so-called reliable source before the decision is actually made to test reactions to your decisions
- Surprises
  - Keep the opponent off balance by
    - Drastic
    - Dramatic
    - Sudden shift
- Never be predictable
- Keep the opponent from anticipating your move

Agreeing

- Usually final concession:

  "IF you do that, THEN we have a deal!"

- Gain commitment
- Record and agree results
- Leave satisfied

Deadly sins of negotiation

- Pride - Be prepared to make concessions
- Gluttony - Don’t bite off more than you can chew
- Anger - Handle objections calmly
- Covetousness - Prioritize needs/wants
- Envy - Know your own and competitors strengths & weaknesses
- Sloth - Do your homework
- Lust - Don’t look desperate to settle

You must never try to make all the money that's in a deal. Let the other fellow make some money too, because if you have a reputation for always making all the money, you won't have many deals.”

J. Paul Getty

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Thank you for attention

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