



Negotiating skills

All human interactions are characterised by some sort of negotiation between or among people trying to give and take from one another. This process of exchange is continual and often goes unnoticed. Negotiating is a process of bargaining to reach a mutually acceptable agreement. It implies two communications between parties to find solutions to problems result in an outcome acceptable to all. It is not having your own way in all situations. Successful negotiations achieve win/win situations: mutually acceptable outcomes.

Scope for agreement

In any negotiation, you quickly need to discover the likelihood that you might be able to reach a satisfactory agreement. This may be thought of as an overlap of objectives. For example, a seller may be seeking to maximise the sale price, but has a price below which they must not go. Similarly, a buyer may want to minimise the purchase price, but will have a maximum above which they will not buy.

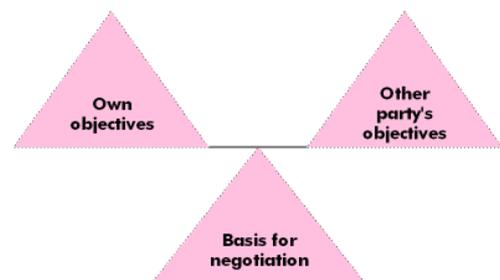


Steps in negotiation

In any successful negotiation you are concerned with three key elements as shown.

You need to know your own objectives. You need to plan and prepare for your negotiations. If you are negotiating, say, a sale or a purchase in relation to your business, then it is likely that you will already have sufficient knowledge.

However, if you are negotiating a topic with which you are less familiar, say on behalf of a trade association, then it is essential to research the topic thoroughly in advance. As the negotiation progresses, you need to learn as much as you can about the other party's objectives.



Five steps to successful negotiation

You can use the mnemonic "Partners Don't Pick Bad Arguments" to remember the steps in the negotiating process, which are as follows:

Prepare

Always prepare thoroughly. There will still be times when you must think on your feet and respond to the unexpected, but try to minimise the possibility. Decide your objectives and, as you will be assertive rather than aggressive, decide your fall-back position. Categorise them as follows:

- must achieve;
- intend to achieve; and,

- would like to achieve.

Negotiations often involve a compromise, so you need to decide what you are not prepared to concede. Think of all the solutions which may be offered to you and decide in advance which are acceptable.

Once your objectives are established, do enough research to be sure of your facts. Gather and analyse the information that is available; undertake or commission additional research if necessary. Then plan your strategy. What will your opening offer be? What are you prepared to trade?

Try to assess the needs of the other person in the negotiation by listing the information under must achieve, intend to achieve and would like to achieve. What will they need to get out of the deal? Use any previous knowledge of the person or organisation to work out what stance they are likely to take. Do not make assumptions.

Discuss

You know what you hope to achieve - the discussion stage is where you establish the other party's objectives and requirements. Once you have both sides of the story, you are in a position to move on.

Propose

Based on your knowledge, offer proposals and find out what the other person is prepared to trade in return. At this stage, nothing is set in stone - you are tentatively exploring possibilities.

This is the time to ensure that the information received is accurate. Both sides may have given facts and arguments, to convince each other of their case. However, statistics can be misused, facts may be wrong and emotional appeals might have been made. It is always sensible to test the other's statements.

When both parties have satisfactorily explored the issues, the requirements to be mentioned in the bidding phase should be summarised.

Bargain

You are now moving to firmer ground and your bargaining and trading should take you forward to agreement.

After discussing each other's requirements and exchanging information, the bargaining can start. It is important not to start bargaining too early - you may miss important concession areas or information. Generally, you receive more if you ask for more. If conflict arises at this point, indicate that your opening offer is not necessarily what you will finally accept.

When your offer is made, state this clearly. If you use the word "about", an experienced negotiator can challenge on a variety of issues, and change your offer dramatically.

When the offer has been made, the next step is to find out exactly what it includes. Ask for clarification. You will have prepared a list of your requirements in the pre-negotiation stage, so ensure that your needs have been met. The points to remember when making an offer are:

- Aim high - you can reduce your demands later.
- Make a positive offer.
- Ask for clarification of offers you receive.

The next stage is the most vital phase of the whole negotiating process. The offer has been made, and the two parties have to ensure that this is mutually acceptable. All the issues to be negotiated need to be identified. At this stage,

concessions may be introduced. Trade items that are of little value to you, but of great importance to the other party, in exchange for items of great importance to yourself.

If you are offered a concession, it can be dealt with in four ways:

- Be grateful - and ask for more.
- Trade with a smaller concession.
- Accept it and continue talking.
- If it was too small, act as though you had not heard it.

Do not trade all your concessions at once. If they are given too early, the other party may expect more. Also, you should record all concessions, to ensure no misunderstandings occur. No deals are binding until the contract has been agreed.

When making concessions or offering counter-proposals, flexibility should be maintained. This should reduce the possibility of a deadlock. If an agreement cannot be reached on one issue, discuss all the other issues and then return to the final point of disagreement, with the aim of finding a solution.

Agree

The final stage; an agreement satisfactory to both parties is arrived at and documentation, if appropriate, drawn up to seal the agreement.

When agreement is in sight, the energy level of the negotiators may increase. Other signs to watch for are verbal indications - "maybe" "perhaps", and non-verbal - papers may be placed in briefcases. It is time to summarise what has been discussed and agreed. Do not start bargaining again.

It is vital to ensure that all points discussed have been clarified. An action plan may be required, giving details of deadlines and allocating tasks.

Offer a summary of what has been agreed. This will give a chance to confirm or correct any decisions. Ensure that all concessions have been agreed as part of the total package. It is too easy to feel relieved at the final stage and overlook some detail that could disrupt the whole negotiation.

If there is any disagreement, it may be necessary for negotiations to recommence until a successful outcome is reached again. It is worth writing a minute of the meeting or, failing that, following up with a letter documenting the agreement made and, ideally, who will be responsible for what action together with a timescale.

Rules of negotiation

There are no rules, but the following pointers may help:

- be assertive;
- respect the other party – they have objectives, too;
- open with a realistic offer, be neither too greedy nor sell yourself too cheaply;
- work out your objectives in advance – this makes it easier for you to compromise if that becomes necessary;
- always trade – don't give anything for nothing;
- if you need time to think, take it – ask for a short break and recap your notes.

Ensure that the outcome is mutually beneficial and that all parties leave with a feeling of well-being; that way they'll be happy to do business with you again.

Factors in negotiation

Let's look at the sort of things that are likely to affect the negotiation process:

- The nature of the relationship between the parties. If you value the relationship you will generally use collaborative strategies; collaboration seems to demonstrate concern for the other party.
- Your, or the other negotiating party's, skill in communicating. Much of this is simply a matter of confidence, which is built up over time.
- The amount of time available to the parties. Studies have shown that parties who face tight deadlines when negotiating will tend to use competitive strategies, although these are likely to be the most time-intensive where parties are more or less equal in power.
- Clarity of objectives impacts upon the negotiation process. If you have clear goals you will be more likely to enjoy a focused discussion in which the objectives can be used to define progress and as a measure of success.
- You may need to consider the way in which openness affects the negotiation process. Openness is a major factor in contributing to both communication effectiveness and negotiation success. You might think that knowledge of the other party's positional strength would put them at a disadvantage. Research seems to prove the opposite to be true. Knowledge of the other party's relative weakness seems to lead the negotiating party into responding collaboratively. Such information needs to be honest and relevant.

Collaborative and competitive negotiation

Competitive negotiation is about one party achieving power over another party, whereas collaborative negotiation is about both parties balancing the power between them. They look for solutions that will create value for all the parties involved in the negotiating process - to create a "win-win" situation.

Amongst the best known proponents of win-win negotiation strategies are two Harvard professors, Roger Fisher and William Ury¹, who have produced a model of "principled bargaining" built around four strategies:

- Separate the people from the problem – involves communicative strategies, which accept the people as human beings and focus on the problem as a separate issue.
- Focus on interests, not positions – involves avoiding the opposing party's positional stance, but looking for the underlying interests; a communication strategy, which looks at the underlying message.
- Invest options for mutual gain – creating new opportunities based on the free exchange of information about individual need.
- Insist on objective criteria – creating or using external standards that are untouched by the bargaining process.

Collaborative negotiation can be much less intense because of the parties' attitude to power within the negotiation. Where parties set out to balance power in a relationship, this gives clear messages about the quality of the relationship and the degree to which the parties wish it to continue.

Conclusion

Negotiation is a means of arriving at a solution to a problem (or problems) in a manner which ideally results in an outcome which is of benefit to all parties; in other words, a win/win situation. Everybody is happy, and as a result of your different needs and objectives, it is possible for everyone to leave the table with substantial gains and inconsequential losses.

¹ Roger Fisher and William Ury, "Getting to 'Yes'"; Hutchinson, 1990.