HOW TO NEGOTIATE EFFECTIVELY

**1. What is negotiation**

Negotiation is an essential part of the every-day business life. It can take place at any time and in any place. Negotiation is a kind of meeting, but contrary to the latter it may be held in some unexpected and uncomfortable place such as the street or on the stairs.

There are several definitions of negotiation. It is said to be “the process for resolving conflict between two or more parties whereby both or all modify their demands to achieve a mutually acceptable compromise”. Thus, it is “the process of changing both parties’ views of their ideal outcome into an attainable outcome”.

The need of negotiation arises when we are not fully in control of events. Negotiations take place to handle mutual differences or conflict of:

1. interests (wages, hours, work conditions, prices: seller vs buyer)
2. rights (different interpretations of an agreement)

The aim of a negotiation is to come to an agreement which is acceptable to both sides, and to preserve the overall relationships. While specific issues are to be negotiated, common interest are yet still to be maintained. Negotiations do not mean “war”. Negotiators can still be friends and partners.

**2. The negotiation continuum**

1. Overlap

The situations of negotiation can be shown diagrammatically in terms of ideals and limits.

 Ideal Limit

 HIM

 Bargaining area

 Limit Ideal YOU

The limit may be the limit of negotiator’s authority, such as a minimum (e.g. price) acceptable. If there is overlap it is possible to settle. The final position within the bargaining area, where settlement takes place, depends on the negotiators’ relative strength and skill.

1. No overlap

The aim of the negotiator is to achieve a result, i.e. to find a solution, within the bargaining area. However, it is possible that both parties set limits which do not provide overlap. In this case the negotiators have to move their limits, otherwise the negotiation will be broken down.

 Ideal Limit

 HIM No deal

 YOU

 Limit Ideal

1. Too much overlap

The opposite case is also possible. When one is careless and settles for less than he could. In this case the limit of the opposite side should be found and the ideal should be revised.

 Ideal Limit

 HIM

 YOU

 Limit Ideal Revised Ideal

**3. The approach**

There are four main stages of negotiation:

1. Preparing objectives, information, strategy
2. Discussing (argue) and signalling willingness to move
3. Propose and bargain
4. Close and agree

While preparing to the negotiation it is important not only to prepare supporting arguments but also to define objectives. Objectives should be realistic and attainable and have certain priorities. It is also necessary to investigate the opponent’s plans and priorities, which can be rather difficult.

The objectives should be classified basically as follows:

Like Ideal but least important

Intend Achievable, a range of possibilities

Must The real limit

 Ideal Limit

 AREA OF NO DEAL

 Like

 Intend

 Must

The general strategy for negotiation is to have a negotiating team of three people, who will also be involved in the preparation.

1. Leader The person who will do the talking and conduct the negotiations
2. Summariser The person who will ask questions and summarise for control
3. Observer The person not involved in the actual negotiations, whose role is

to watch, listen and record

80 % of the negotiating time is spent arguing. If it equals 100 % the negotiation will break down. There are two kinds of arguing:

1. Reasonable and constructive Debates, discussions
2. Unreasonable and destructive Emotional quarrels

The opponent may try to divert you by escaping into destructive behaviour. In this case, your behaviour should be not to interrupt, but to listen and control your feelings. Even if the battle is won, the war can be lost.

A negotiator should be constructive in arguments and try to get information by asking open questions or even leading questions. One thing should be tackled at a time and the opponent should be made justify his case item by item.

It is important to be non-committal and to state only ideals at first. Later, the information about the negotiator’s position can be given, and later alternative proposals can be made. Sometimes it is necessary to challenge the opponent, so that he demonstrates his strengths.

Negotiation means movement. It may be that both parties move on one issue. It may be that each moves on different issue. The motive forces are twofold:

1. Sanctions The penalty of not agreeing
2. Incentives The benefits of agreeing.

In both cases, the parties seek to protect their self-interests. They will show willingness to move by sending signals.

To signal is not to show weakness. But if both parties wait for the other to signal, the result will be deadlock.

The opponent’s signals will show his willingness to move. So one should listen, recognise his signals and interpret them, looking for the qualified words which are evidence of willingness to move.

Another very important point of negotiations is proposing and bargaining. Proposals should be realistic in order not to cause argument and deadlock. The language of the proposal signals one’s firmness. Weak language such as “we hope…, we like…, we prefer…” should be avoided. Instead, a phrase “we propose…” is appropriate.

The final step in a negotiation is closing and agreeing. There are two aspects to it:

1. When to close
2. How to close

The first is the most difficult moment to recognise. There is a balance between:

1. Closing too early More concessions from the opponent could have been

 squeezed

1. Closing too late The opponents squeezed excessive concessions.

The aim of closing is to get the opposition to stop bargaining and to make an agreement. The final thing to do is to write down the agreement and agree what is written down. It is necessary to do this before leaving the negotiating table.

**4. Characteristics of an effective negotiator**

What characteristics should one have to be an effective negotiator. The first and the most important characteristics, from the standpoint of many executives and managers of large corporations, is **preparation and planning skills**.

The other very important characteristics are:

1. Knowledge of subject matter being negotiated
2. Ability to think clearly and rapidly under pressure and uncertainty
3. Ability to express thoughts verbally
4. Listening skills
5. Judgement and general intelligence
6. Integrity
7. Ability to persuade others
8. Patience
9. Decisiveness

**5. Conclusion**

In spite of the existence of negotiating theories, it is frequently difficult to apply theoretical and conceptual knowledge in a practical situation. In order to be a good negotiator, one should have negotiation skills as well as a theoretical knowledge. But without a practical experience it is hard to negotiate effectively.

Interpersonal skills are very important in the negotiation, but what can help a negotiating party while thinking what to do is not an elaborated theory, but rather is it a simple analysis and intuition.

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