

It's a Deal!

Training Notes

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Negotiation – a definition

What it's not

Negotiation is one of the more abused words in the English language.

Consider the following:

- Estate Agents commonly refer to themselves as 'negotiators'. Yet, especially in domestic sales, what do they ever do except discount the price of the property?
- During a recent hostage crisis the government was castigated by a relative of one of the hostages: 'They're not doing anything,' she said. 'I'm not saying they should make concessions, but at least they could negotiate.'
- One of the world's largest management consulting firms bought a Selling Skills course for its consultants. To avoid offending their sensibilities it was re-titled 'Negotiating Profitable Partnerships'.
- Paul Simon released a successful compilation of his recordings entitled 'Negotiations and Love Songs'.

So what is negotiating? Is it discounting? Talking about a solution to a problem? A euphemism for selling? An integral part of everyone's life, like love?

None of these is really a correct use of the word, Negotiation. Reference to the dictionary definition immediately shows why.

What it is – a definition

A short dictionary definition of Negotiation is 'conference and bargaining for mutual agreement'. Simple though this is, it tells us a lot about Negotiation. We can deduce that for a Negotiation to take place, certain conditions must be satisfied.

Both Parties must have some Level of Commitment to do a Deal

If one side is not committed, why would it want to confer or bargain? The management consultants were not being trained to negotiate, they were being trained to sell, to create a need for their product. Negotiation only occurs after both sides have recognised a need to do business.

Introduction

The most conclusive evidence of this is that in selling the behaviour of Buyer and Seller are totally different. In negotiation, however, the skills used on both sides of the table are exactly the same because both sides want the deal. This training programme is therefore equally relevant to Buyers and Sellers.

Both Parties must have the Authority and the Will to Vary the Terms of the Agreement

Bargaining implies trading something you have for something the other party has which is important to you. So both sides must make concessions on some issues to gain advantage on others. The suggestion that the government should 'negotiate... but not make any concessions', is self-contradictory. Similarly, we could ask if the Estate Agent is really negotiating. He may make a concession by discounting the price of his client's house, but what concession does he ask for in return from the purchaser? Usually none. The Estate Agent is not negotiating – he is differentiating his product through price in the hope of making it more attractive.

Negotiation does occur very frequently throughout our lives, so maybe Paul Simon's use of the word is the most accurate. But it would be wrong to reduce negotiation to the level of an emotion or a reflex action.

Negotiation is not selling or discounting; it is the process by which two parties who want to make a deal reach agreement on what the precise terms and conditions of the deal should be.

Negotiation is a complex art. It involves elements of philosophy, long-term strategic planning, arithmetic agility, commercial creativity and high levels of interactive skill.

So whether you're discussing the washing-up with your spouse or a multi-million contra trade with the third world, you're negotiating as long as our two key conditions exist.

This video will help you improve your negotiating performance: help you get more deals on the terms you desire. Interestingly, you may also find that the parties you negotiate with are happy with the agreements you've reached – but they'll probably never know why!

The Self Study Workbook

The accompanying book to this package – Self-Study Workbook has been written to help the individual learner working on their own with the video.

In addition to individual distance learning, the Workbook can also be used as a form of revision and consolidation at the end of your training programme. It can be handed to course delegates to take away with them, since it contains summaries and explanations of all the key points made in the video. Delegates can also benefit from working through some of the activities on their own at a later stage, as a means of keeping the techniques fresh in their minds, and applying them to their own particular negotiating circumstances.

You may also like to make use of some of the workbook activities as part of your training programme, since some are ideal for pair or group work where individuals can have the chance to exchange opinions, experiences and ideas. Here is a guide to help you locate these activities:

| Topic | Activity | Page |
|--|---------------------------------------|-------------|
| What is negotiation? | <i>Exchanging experiences</i> | 5 |
| Successful negotiators | <i>Exchanging opinions</i> | 7 |
| Preparing | <i>Researching experiences</i> | 9 |
| Setting objectives | <i>Identifying generic objectives</i> | 11 |
| Prioritising tradeables | <i>Exchanging opinions</i> | 24 |
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Phase One: Preparation

The underlying reason for the failure of most negotiations is lack of preparation. The biggest lesson for most trainees in negotiation is usually the amount of time which is necessary for thorough preparation and the pay-offs which result from it.

As we go through the five steps of preparation you should consider how much preparation time would be appropriate for the negotiations in which you and your trainees are typically involved. You will need to give some guidelines so that your trainees can plan preparation time into their work schedules.

Step 1 – Set Objectives

Like most business interactions, a negotiation must have an objective. In fact, it will have two: yours and the other party's. The Objectives will have some elements in common and some areas of conflict or disagreement.

What is an Objective?

An Objective is defined as:

The outcome you wish to achieve at the end of the negotiation.

It should start with your long-term goals, strategies or interests and then show how your desired outcome for the present negotiation would serve in achieving them.

Take an example of a major chemical company negotiating the bulk sale of a product to a major plastics manufacturer. One possible objective might be:

'We wish to maintain market share with good profitability. We therefore seek a long-term partnership with good margins for both parties.'

Under different market conditions, however, the objective for the same negotiation might be totally different:

'We must reduce prices as a barrier to competitive entry. We therefore seek a short-term agreement to share reduced margins until our market is once again secure.'

Note that the objective is not the sum of your negotiating positions. There is no mention of specific issues or trades, that comes later. For the moment we are merely seeking to describe our overall purpose.

Phase One: Preparation

In the video Betty tells Christopher his objective is 'to gain recognition as a high-profile performer so that, long-term, you might become a big star.'

Win-win, win-lose or ethical approach

Setting the objective raises for the first time the question of our attitude to the negotiation and the other party involved in it.

The concept of win-win has become a business buzz-word in recent years, linked as it is to that other business panacea, the 'partnership'.

Win-lose, on the other hand, suggests that in a position of negotiation, power is used unscrupulously to gain as many concessions as possible from the other side, regardless of whether they know the agreement is inequitable or whether they feel aggrieved.

Many negotiation theorists espouse a win-win philosophy, yet preach win-lose tactics. We must be wary of this in defining our own attitude.

Another group of theorists advocate the 'ethical approach' seeking a 'fair' agreement. While laudable, this approach ignores the practicality that concepts of ethical behaviour and fairness have confounded philosophers for three millenia and that even two laymen can seldom agree totally on what is a 'fair' resolution of a dispute.

In this training programme, therefore, we will adopt a practical win-win approach, which we define as:

The best agreement for us which will still give the other side the perception that they achieved a reasonable agreement under the circumstances.

Note the 'feel good' factor and the pragmatism:

- We want the other party to 'feel good' about the agreement so that they will co-operate in its implementation.
- The 'feel good' factor relates to the circumstances; if the other party perceives us as being more powerful they will be happy with less, which means we can take more and still have a win-win implementation.

Their Shoes

The key to planning a successful win-win negotiation of the type described is constantly to put yourself in the other party's shoes; to consider their needs, priorities and thought processes. As an inexperienced negotiator, this was an alien concept to Christopher:

Betty: Now, tell me about their main objective.

Chris: How should I know?

Betty: Take an educated guess. It's important to put yourself in their shoes.

We shall be returning to the theme of 'their shoes' several times throughout this programme, but for the moment we need to consider what the other party's objective is likely to be and how it could impact on or modify ours.

Discussion topics and 'own case' planning sheet follow.

Step 1 – Objectives

Objectives – Discussion Topics

- What are our organisation's key strategic interests and goals?
- Have those interests and goals changed recently? Are they likely to change in the future?
- Does our/your function in the organisation have any goals which are different from, or more specific and secondary to the organisation's goals?
- Given our organisation's and our own function's interests and goals, suggest some Objectives which we might set for typical negotiations in which we are involved.
- From discussions on the foregoing point, can our Objective, or any part of it be generic, i.e. a common theme which would play a part in all our negotiations?
- What are the long-term goals and interests of other parties with whom we negotiate?