

Chapter **1ONE**

First steps in negotiation



This chapter explains the key principles of the art of negotiating.

Introduction

An owner-manager of a small business, whether buying, selling or discussing employees' wages, must get the best possible deal without creating unnecessary conflict. Negotiations should be collaborative and constructive, satisfying both parties. If one party 'wins' at the other's expense, this may jeopardise future relations. However, there will, almost certainly, be occasions when you will find yourself in competitive negotiations. Negotiation skills can be learned and improved through use.

Important principles

Negotiating may be looked upon as the process of finding the point of balance between your own objectives and the objectives of the other party. Negotiations can be 'competitive' or 'collaborative'. In competitive negotiations the negotiator wants to 'win' even if this results in the other party 'losing'. It can end in confrontation. In collaborative negotiations the aim is to reach an agreement which satisfies both parties, ie to maximise mutual advantage.

There is no one right way to negotiate. Each person will develop a style which suits them. Your skills will develop with experience, but you can try to pick up the basics from books, training videos and short training seminars. To negotiate successfully it is necessary to learn how to:

- understand the importance of preparation;
- understand how to develop objectives for negotiations;

- understand the strategies, tactics and signals which may be used; and,
- assess realistically the chances of a successful outcome.

Steps in negotiation

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

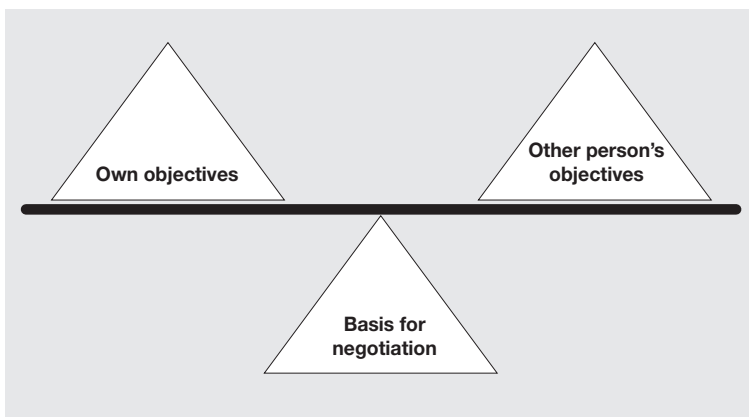


Figure 1: The three key elements to successful negotiation

Firstly, you need to know your own objectives. Then you need to plan and prepare for your negotiations. It is assumed that you have a thorough knowledge of the subject under negotiation. This will often be the case, for example, when dealing with customers or suppliers. However, you will also find yourself negotiating leases on property or loans from the bank and may not feel totally confident about your knowledge. You should try to find out as much information as possible, from various sources, prior to the meeting.

You may need to think about the procedure for the negotiation, particularly if there are a number of negotiable points.

If the negotiation is at your request, you will wish to retain control as far as possible to establish the scope for reaching agreement. It can be important, therefore, that you create a friendly atmosphere to achieve satisfactory negotiations.

Stages in negotiation

There are five essential stages in the negotiating process. Use the mnemonic ‘Partners Don’t Pick Bad Arguments’ to remember them!

1. Prepare

Define your objectives. These must be specific, achievable and measurable. In other words, you must have a clear idea of what you want from the other party, you must be realistic and you must be able to assess how well you have done. Write them down. Objectives should also be put into order of priority. One way to do this is to classify them as ‘must achieve’, ‘intend to achieve’ and ‘like to achieve’. For example, you have bought a photocopier for your office. It breaks down after a week and you have to contact the supplier. What are your objectives?

- Must achieve: the use of a photocopier that works.
- Intend to achieve: get the photocopier repaired.
- Like to achieve: get a replacement photocopier.

Research. Gather as much information as possible about the subject to be negotiated. The person with the most information usually does better in negotiations. For example, two people have each prepared a

very important document. They both need to have them processed by the one desktop publishing operator in the firm and couriered to the destination for the following morning. But there is only time to have one job finished before the daily courier collection at 4pm, so the two argue over whose document is the most vital. If they argue too long neither job is finished on time and both would 'lose'. The senior could pull rank, resulting in the junior being the 'loser', and the possible loss of his future co-operation. If they obtained more information they would find out that the courier company runs an optional 6pm collection which also guarantees delivery before 11am the next day. A 'win/win' situation could be achieved.

2. DISCUSS

This is the process of exploring each party's needs, starting with tentative opening offers. These need to be realistic, otherwise there will be little scope for a satisfactory conclusion. If both parties are co-operative, progress can be made. If one side is competitive, problems may arise. Analyse the other party's reaction to what you say.

Use an opening statement covering the main issues at stake for each party. Allow the discussion to develop naturally. Make it clear that at this stage you just wish to talk, not negotiate as yet. Establish a relationship with the other person. Ask questions to find out more about their needs and to keep things moving. The more you find out about one another's needs, the greater the possibility that you will find a mutually acceptable solution.

3. Propose

This is the stage where you are giving and receiving proposals and suggestions. Remember to trade things, not just to concede to them. You'll find this phrase invaluable:

'If you (give us something), then we'll (give you something).'

Look for the opportunity to trade things which are cheap for you to give, but valuable to the other party, in return for things which are valuable to you. For example, Kevin is a painter and decorator who needs to rent a reasonably priced flat. Mr Smith is the landlord of a property which he is letting for £50 per week. The property is in relatively bad condition:

Mr Smith: 'The room is £50 per week.'

Kevin: 'That's a little more than I was expecting to pay.'

Mr Smith: 'There are lots of other people interested in the flat if you don't want it.'

Kevin: 'If you give me the flat for £40 per week, then I'll paint the walls in the living room for you.'

Mr Smith: 'If you paint the living room and the kitchen then I'll let you have the room for £40.'

Kevin: 'That's a deal.'

4. Bargain

After discussing each other's requirements and exchanging information, the bargaining can start (as in the example above). Generally speaking, you receive more if you start off asking for more, or will concede less if you start off offering less. If conflict arises at this point,

indicate that your opening position is not necessarily what you will finally accept. Agreement is reached when both parties find an acceptable point somewhere between the starting positions.

In any negotiation, you quickly need to discover whether there is a likelihood that you might be able to reach a satisfactory agreement. This may be thought of graphically, as illustrated below, 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.

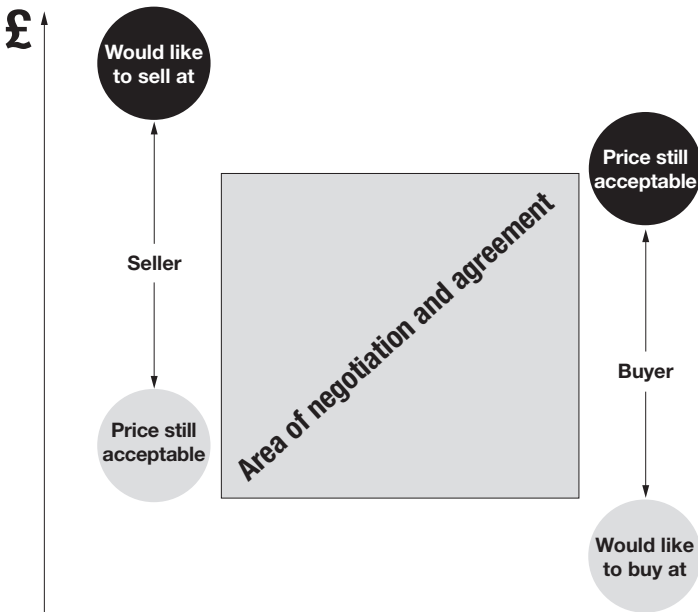


Figure 2: Overlapping objectives leading to satisfactory agreement

When your offer is made, state it clearly. If you use words like ‘approximately’ or ‘about’, an experienced negotiator can challenge on a number of issues and change your offer dramatically.

When the other party’s 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 preparation stage, so ensure that these are met.

5. Agreement

When agreement is in sight, listen for verbal indications such as ‘maybe’ or ‘perhaps’. Look for non-verbal signs, for example papers being tidied away. It is time to summarise what has been discussed and agreed. Do not start bargaining again.

Offer a summary of what has been agreed, this will give a chance to confirm any decisions. As soon as possible after the negotiation send a letter documenting the agreement. Having the agreement in writing is better than a handshake on the deal.

The letter should mention the following points:

- the terms of the agreement;
- the names of those involved;
- the prices mentioned plus discounts etc;
- individual responsibilities; and,
- time schedules and any deadlines agreed.

Post-mortem

We would suggest that as a matter of course you also conduct a post-mortem on the proceedings while they are fresh in your mind. Things to consider include:

- What went well? Why?
- What didn't go well? Why?
- Were you sufficiently well prepared?
- Did you question to gain information effectively?
- Did you use that information to guide your proposal?
- Were you happy with the outcome?
- What will you do differently next time?

Useful **tips**

- 1 Be assertive.
- 2 Be patient.
- 3 Be open minded.
- 4 Listen carefully.
- 5 Be self-disciplined.
- 6 Plan carefully and fully.
- 7 Be creative.
- 8 Be flexible.
- 9 Be persuasive.

- 10** Be decisive.
- 11** Show confidence.
- 12** Show consideration.