

NEGOTIATIONS

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Pedagogy and Course Objectives

- Introduction to the theory and practice of negotiations
- Analysis of the structure, context and dynamics of negotiations
- Development of analytical and interpersonal skills in negotiations

Structure and Organization

- Conceptual Framework and Negotiation Analysis Fundamentals
- Negotiation Exercises
- Exercise Debrief
 - ▣ Backward Mapping and Sequencing
 - ▣ Use of Tactics, Styles and Strategies
 - ▣ Creating and Claiming Value

Learning Model

- To provide you an understanding of the dynamics of negotiations;
- To equip you with a skill-set of strategies to help you identify opportunities and potential barriers to agreement; and
- To make you aware of your default negotiation strategy and help you gain data points from the exercises to improve on your “new” negotiations strategy.

What is Negotiation

- A process of potentially opportunistic interaction aimed at advancing the full set of one's interests by jointly decided action- James Sebenius

Negotiations happen when

- We look for a new house
- We decide where to have dinner with our loved one
- We want to be promoted
- We want a new car or want to borrow our dad's/mom's/brother's/sister's car
- We want an upgrade, either of a hotel room or a better seat in the plane

Negotiation Structure



1. Interests
2. Options
3. Standards
4. People
5. Batna
6. Closure and commitment

Making the First Offer*

1. The dramatic effect of anchors
 - in situations of great ambiguity and uncertainty, first offers have a strong anchoring effect
 - making the first offer will anchor the negotiation in your favor.
 - studies show that the final outcome of a negotiation is affected by whether the buyer or seller makes the first offer
 - first offers are dependent on one's confidence and sense of control at the negotiating table

*Galinsky, A. "Should You Make the First Offer?" *Negotiation*, Vol. 9, No. 7, July, 2004.

Making the First Offer

2. Don't be afraid to be aggressive

- high-anchor offers lead to higher final settlements;
- allows you to offer concessions and still reach an agreement that's much better than your alternatives
- non-aggressive offers leaves you with two unappealing options: small concessions or stand by your demands
- caution: should not be absurdly aggressive

Making the First Offer

3. Focus on your target price

Two rules:

a) consider your alternatives to agreement and create a reservation price.

b) determine your ideal outcome, or target price

- focus on your counterpart's alternatives and try to determine his reservation price.

Making the First Offer

4. Protect yourself against a first offer

- counteroffer should be based upon the same information you would use to construct a first offer: ideal outcome, opponent's alternatives and probable reservation price

- accept the first offer quickly if it is close to your ideal but demand concessions! This will create more value for you and increase opponent's satisfaction

Ways of Creating Value*

1. Creating Value Through Logrolling

- making trade across multiple issues
- Logrolling requires that you not only know your priorities and what you essentially want but you also learn about the priorities of the other side.
- requires patience and asking of the right questions

*Malhotra, D. and Bazerman, M.(2007). *Negotiation Genius*. New York: Bantam Books.

Ways of Creating Value



2. Creating Value By Adding Issues

- maximizing value by adding issues
- e.g. delivery date, financing, quality, length of contract
right of first refusal, warranties, exclusivity clauses, etc.

3. Creating Value Through Contingency Contracts

- clauses of “if and then” to resolve uncertainties
- contingency contracts should be incentive compatible

Threats in Negotiations

Use of Threats:

- 1) might be required to get the other party to come to the bargaining table
- 2) can be a weapon against recalcitrance, steering a negotiation from impasse to settlement
- 3) may ensure that an agreement will survive the negotiation and secure implementation

Components of a WISE Threat*

1. WISE threats express willingness

- willing to impose the stated consequences in the event of non-compliance (yet making demands sufficiently reasonable so your counterpart will be willing and able to comply with them)
- demands must fall within the realm of what is feasible

*Galinsky, A. and Liljenquist, K., "Putting on the Pressure: How to Make Threats in Negotiations," *Negotiation*, Vol. 7, No. 12, Dec. 2004.

Components of a WISE Threat

3. WISE threats save face

- to be taken seriously in a negotiation, make sure the consequences are meaningful to the other side

- frame threats so that your counterpart feels his compliance is a gift rather than a forced coercion

Components of a WISE Threat

4. WISE threats are exact

- lay out a causal “if , then” sequence of events that attaches specific consequences to the other side’s failure to meet your demands.

- must know ahead of time what you want and when you want it

“The goal is to achieve implementation without resistance, compliance without revenge, and respect without contempt.”