

Session 4

Negotiation Planning

Goals – The Focus That Drives Negotiation Strategy

- Determining goals is the first step in the negotiation process
- Negotiators should specify goals and objectives clearly
- The goals set have direct and indirect effects on the negotiator's strategy

Goals, Strategy and Planning



The Direct and Indirect Effects of Goals on Strategy

- Direct effects
 - Wishes are not goals
 - Goals are often linked to the other party's goals
 - There are limits to what goals can be
 - Effective goals must be concrete/specific
- Indirect effects
 - Forging an ongoing relationship

Strategy versus Tactics

- Strategy: The overall plan to achieve one's goals in a negotiation
- Tactics: Short-term, adaptive moves designed to enact or pursue broad strategies
 - Tactics are subordinate to strategy
 - Tactics are driven by strategy
- Planning: The “action” component of the strategy process; i.e. how will I implement the strategy?

Approaches to Strategy

- Unilateral: One that is made without active involvement of the other party
- Bilateral: One that considers the impact of the other's strategy on one's own

Strategic Options

- Choice of strategy is reflected in the answers to two questions:
 - How much concern do I have in achieving my desired outcomes at stake in the negotiation?
 - How much concern do I have for the current and future quality of the relationship with the other party?

The Dual Concerns Model

		Substantive outcome important?	
		Yes	No
Relational outcome important?	Yes	Collaboration	Accommodation
	No	Competition	Avoidance

Avoidance: Don't negotiate

Competition: I gain, ignore relationship

Collaboration: I gain, you gain, enhance relationship

Accommodation: I let you win, enhance relationship

Understanding the Flow of Negotiations: Stages and Phases

- How does the interaction between parties change over time?
- How do the interaction structures relate to inputs and outcomes over time?
- How do the tactics affect the development of the negotiation?

Understanding the Flow of Negotiations: Stages and Phases

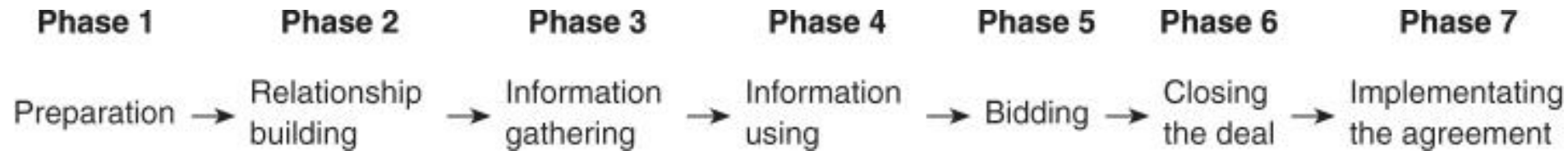
Negotiation proceeds through distinct phases or stages

- Beginning phase (initiation)
- Middle phase (problem solving)
- Ending phase (resolution)

Key Steps to an Ideal Negotiation Process

- Preparation
 - What are the goals?
 - How will I work with the other party?
- Relationship building
 - Understanding differences and similarities
 - Building commitment toward a mutually beneficial set of outcomes
- Information gathering
 - Learn what you need to know about the issues

Key Steps to an Ideal Negotiation Process



Key Steps to an Ideal Negotiation Process

- Information using
 - Assemble your case
- Bidding
 - Each party states their “opening offer”
 - Each party engages in “give and take”
- Closing the deal
 - Build commitment
- Implementing the agreement

Getting Ready to Implement the Strategy: The Planning Process

- Define the issues
- Assemble the issues and define the bargaining mix
 - The bargaining mix is the combined list of issues
- Define your interests
 - Why you want what you want

Getting Ready to Implement the Strategy: The Planning Process

- Know your limits and alternatives
- Set your objectives (targets) and opening bids (where to start)
 - Target is the outcome realistically expected
 - Opening is the best that can be achieved
- Assess constituents and the social context of the negotiation

Getting Ready to Implement the Strategy: The Planning Process

- Analyze the other party
 - Why do they want what they want?
 - How can I present my case clearly and refute the other party's arguments?
- Present the issues to the other party

Getting Ready to Implement the Strategy: The Planning Process

- Define the protocol to be followed in the negotiation
 - Where and when will the negotiation occur?
 - Who will be there?
 - What is the agenda?

Developing a Reservation Point

Step 1: Brainstorm Your Alternatives. Imagine that you want to sell your house. Your target point—\$275,000. What will you do in the event that you do not get an offer of \$275,000? Consider as many alternatives as possible.

Step 2: Evaluate Each Alternative. Order the various alternatives in terms of their relative attractiveness, or value. If an alternative has an uncertain outcome, such as reducing the list price, you should determine the probability that a buyer will make an offer at that price. Suppose that you reduce the list price to \$265,000. Based on research, you assess the probability of an offer to be 60%. The best alternative should be selected to represent your BATNA.

Step 3: Attempt to Improve Your BATNA. In this case, you might contact a rental company and develop your rental options, or you may make some improvements that have high return on investment (e.g., new paint). Of course, your most attractive BATNA is to have an offer in hand on your house.

Developing a Reservation Point

Step 4: Determine Your Reservation Price. The least amount of money you would accept for your home at the present time. You assess the probability of an offer of \$250,000 or higher to be 95%. You think there is a 5% chance that you will not get such offer and will rent it. The probabilities always sum to exactly 100%. We have considered all possible events occurring. No alternative is left to chance. You can assess your expected probabilities of selling your house:

Reduce the price of your home to \$265,000 $P_{\text{sale}} = 60\%$

Reduce the price of your home to \$250,000 $P_{\text{sale}} = 35\%$

Rent the house $P_{\text{rent}} = 5\%$

An overall value for each of these “risky” alternatives is assessed by multiplying the value by its probability:

Value of reducing price to \$265,000 = $\$265,000 \times 0.6 = \$159,000$

Value of reducing price to \$250,000 = $\$265,000 \times 0.35 = \$87,500$

Value of renting the house = $\$100,000 \times 0.05 = \$5,000$

Add all the values of the alternatives to arrive at an overall evaluation:

$$= 0.6(\$265,000) + 0.35(\$250,000) + 0.05(\$100,000) = \$159,000 + \$87,500 + \$5,000 = \$251,500$$

Information Gathering: MOTIVATION FACTORS

- Learn all about the parties involved.
 - Find out not only what they want, what specifically motivates their desires.
- Learn about their communication style and problem-solving approach.

Information Gathering:

Do Not Limit Yourself To What You Find In Print.

- Studying the history of an organization.
- **Conversation** Discuss the issues with "non-negotiating" members of the organization. Often, individuals with no apparent ties to the discussions can be very influential in affecting the outcome.
 - Talk outside the formal setting with the individuals involved in the negotiation.
 - Take time to develop a relaxed and comfortable dynamic. A solid relationship synergistically creates trust, which, in turn, tends to unlock information.
 - **The information you need to understand others' needs and motivations won't always be at your fingertips.** Articles, Web pages, or your own knowledge of a company or industry can prove to be a treasure chest of information.

Empathic Analysis

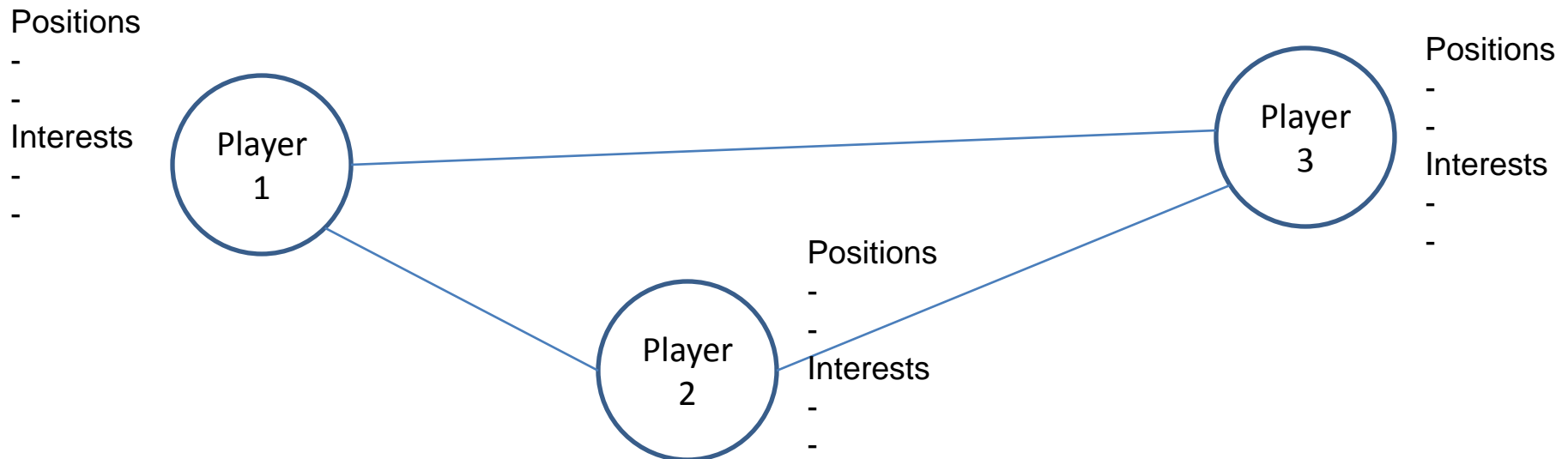
- Ask yourself how does the other side perceive my demands?
 - What is standing in the way of them agreeing with me?
 - Do I know what my own underlying interests are?
- If you can figure out their interests as well as your own, you will be much more likely to find a solution that benefits both sides.

Empathic Analysis

- Analyze the potential consequences of an agreement you are advocating, as the other side would see them.
 - Carrying out an empathetic analysis will help you understand your adversary's interests.
 - Then you will be better equipped to negotiate an agreement that will be acceptable to both of you.
- Find out if there are multiple interests each side is trying to satisfy.

Interest Map

- An interest map shows positions and deeper interests that link all players in a negotiation.
- By looking at an interest map, you will know what information is needed, which questions to be asked and how to design an initial offer.



Summary on the Planning Process

“...planning is the most important activity in negotiation.”

- 90% of planning occurs before the negotiation.