



## THE NEGOTIATION PANORAMA

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### Synopsis

*Negotiation is one of the key aspects of successful leadership in management. Negotiation is a very important skill a leader or manager has to equip himself with to arrive at a win-win situation. A professional manager or leader always tries to reach a negotiated settlement which is beneficial to both the negotiating parties. There is an array of approaches to a negotiation like collaboration\ cooperation, confrontation/ aggression, accommodation and ignoring backed by a set of negotiation tactics unique to each approach. Besides the negotiation approach and tactic, a prudent manager should be well aware of the different stages of negotiation and what one has to do in a particular stage to arrive at a successful negotiation. Professional negotiation demands that long term relationships should be maintained with the other party by following a collaborative style of negotiation.*

*The present article titled “The Negotiation Panarama” discusses in detail the various approaches involved in the process of negotiation along with the specific stages of negotiation and plan of action in each stage.*

**Key words:** Negotiation, negotiation approach, BATNA (Best Alternative to a Negotiated Agreement), negotiation stages

### Introduction

“Negotiation is a dialogue between two or more persons or parties intended to reach a beneficial outcome”. It is a process or an art of discussing an issue, subject or problem by a group of people to reach a consensus or an agreement. The objective should be to hammer out all disagreements

and reach a mutually acceptable solution. The process of discussion could be between two or more people or two or more parties, each party represented by a group of people.

Though the process of negotiation is intended to derive an outcome beneficial to all the parties involved in the process, more often than not, it may not be achieved owing to the goals and objectives of the parties involved and the negotiation advantage a party wishes to acquire. Hence, the desired outcome in a negotiation depends on the power, position, relationships and attitudes of the negotiators. On most occasions, only one party might take the entire advantage or benefit leaving the other party at the mercy of the first party. Such negotiations create a sense of dissatisfaction and disillusionment in one of the negotiating parties. Such negotiations occur when one of the parties is having a 'vested interest' and tries to derive 'maximum advantage' from the discussion or agreement. Therefore, negotiation is not a 'zero sum' game and is dependent on the 'degree of trust', 'vested interest' and the 'concern for the other party' to reach a favorable and amicable settlement. Some people are willing to extend a small concession to other party and accept a 'compromise' in order to ensure that an agreement is reached to save time and cost associated with procrastinated and protracted settlement.

Negotiation situations could be varying in nature from a simple salary negotiation to a very complex dispute settlement involving two or more parties. It could also be a job offer, job responsibility, compensation, salary for the work done and a marriage negotiation. Business negotiations involve appointment of dealer\ distributor, sourcing material from suppliers, buying shares of another company, taking over another company and discussion with government \ trade bodies to seek or offer concessions. A negotiation could take place between the management and trade union to improve working conditions, implement salary agreement or introduce new policies of work.

If the number of parties involved in the negotiation is two, then it is called 'Bipartite negotiation' and if the number of parties involved in the negotiation process is three, it is called 'Tripartite negotiation'. If there are more than three parties taking part in the negotiation, the process is referred to as 'Multiparty negotiation'.

The negotiation process is divided into two types based on the way in which the negotiation is done:

1. **Distributive Negotiation-** This is based on some hard bargaining by the parties involved in the process. Each party takes a rigid, tough and extreme position and it is centered on guile, bluff, brinkmanship, threat, coercion and above all, an aggressive stance taken by one or both the parties. There is no relationship established or sustained during the process of negotiation because the parties know that there is no further or future interaction. It is almost a one-time negotiation. Hence, it is more of a ‘Win-Lose approach’. There is no mutual respect and concern between the parties involved in the process of negotiation. There is no optimum gain for the negotiators and they end up mostly as adversaries.

Sometimes, these types of negotiations do not end up in a negotiated settlement and may require the presence of a ‘mediator’ or an ‘arbitrator’. Mediation refers to the appointment of a ‘mediator’ who is a neutral third party very much impartial in nature. The mediator listens to the arguments of the parties involved and ensures that an agreement is arrived at by the parties. Arbitration is the process of appointment of an arbitrator who is a formal and legal authority, empowered to take a decision after listening to the arguments of the negotiating parties.

2. **Integrative negotiation-** This is based on mutual respect, concern and interest of all the –parties involved in the process of negotiation. It is in effect a very principled and a high quality negotiation where there is tremendous satisfaction for the parties negotiating the deal. It is long lasting and the future relationships are kept in mind while discussing the issues or situations. High degree of satisfaction ensures that relationships are maintained in the long term. It is based on the ‘Win-Win’ principle. All the business negotiations like dealer appointment, distributor appointment, salary negotiations fall in this category. Cooperation, collaboration, compromise and collective wisdom & vision are the highpoints of an integrative negotiation.

### **Stages in the negotiation process**

Negotiation is a complex process and a skill one has to develop and practice on all professional platforms. It is not something one can take it as it comes or take part in a negotiation without adequate thinking, planning and preparation to beget best results. The following stages are involved in a professional negotiation process.

## **Planning Stage**

The following points should be considered during the planning stage of the negotiation.

- Chose the main person who negotiates in case a team is going for the process of negotiation
- Information and history of the other party
- Information about the negotiating person from the other party
- Negotiation style and commitment of the other party
- Decide upon a strategy and the negotiation tactics to be used
- Decide goals and outcomes
- Interest of self and other party
- Options available
- Identify various alternatives
- Points that could be immediately accepted
- Points to be discussed thoroughly
- Copies of documents to be prepared

## **Preparatory stage**

During this stage, the parties involved in the process of negotiation make a sincere assessment of their capacities and also their respective limitations. A shrewd negotiator is one who does a SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of not only self but also of the opposing\ other party. The points of agreement and disagreement should be decided. The negotiator will also decide how much concession could be offered to the other party or how much could be bargained, from the other party. A clear view should emerge as to what is expected from the discussion and the goals defined.

If there is more than one point to be discussed, an ‘agenda’ is prepared highlighting the points to be discussed, their priority, and the sequence of discussion in the order of their importance. The date, time, place or venue are also decided and mentioned on the agenda.

## **Introduction stage**

During this stage the parties greet each other, introduce themselves and exchange the pleasantries. The agenda, if prepared, is handed over to the negotiators and 'amendments' if any are also made to the agenda.

### **Opening Stage**

During this stage the negotiating parties share with each other their expectations and what they want from the other party. They may also share information with some facts and figures and may cite reasons or examples. A sense of camaraderie and friendly atmosphere is to be created in this stage so that the discussion could proceed on a friendly note. A perfect rapport should be created to end the negotiation on a fruitful and satisfied manner without any dissonance. In a sense, the proposals are tabled during this stage for further review and discussion.

### **Discussion Stage**

This is the stage at which the points are actually discussed as per the agenda and in the order of their priority. The concessions if any to be made are discussed. For formal and protracted negotiations, the MOM (Minutes of Meeting) is also written. Sometimes, this stage is also referred to as the 'Bargaining Stage' as the proposals and counter-proposals are discussed. Concessions are offered or bargained for, in this stage. Views are also exchanged during this stage about the proposals made by each of the parties.

The negotiating persons should maintain a good body language and para language. The voice quality should suit the occasion and should be polite but firm. The parties involved in the discussion should have and also project an 'open mind'.

### **Exploration Stage**

After the proposals and counter proposals are put forth and discussed the parties engaged in the discussion will explore the points of actual agreement; and the points of dispute or disagreement are noted. Further, discussion is made with offers and counter offers to ensure that the disputes or conflicts are addressed in an amiable and amicable manner. If there is any dispute or conflict which is not resolved, the parties might also explore the possibility of going for a 'Mediator, or an 'Arbitrator' who is mutually agreeable to both the parties. Sometimes, if the negotiators are not having the authority to decide on certain things they take a 'recess' and discuss with their higher-ups and come back to the negotiating table. If it is still not decided, the discussion is

postponed for a future date. Attention should be paid for the political, social, technical, legal and other operational issues that could be encountered in the implementation of the contract and set realistic deadlines for making the payments or scheduling the deliveries. The negotiators should keep in mind that a badly negotiated deal is worse than no negotiation. The focus should always be on arriving at BATNA (Best Alternative to a Negotiated Agreement) - (Roger Fisher and William Ury). BATNA is beneficial to all the parties in the negotiation and amount of post negotiation dissonance is limited. Negotiators should avoid a stage of TINA (There is No Alternative) which means that there is no acceptable solution in sight and all avenues for further negotiation are closed. TINA situation therefore, shows that there is a breakdown in the negotiation.

### **Signalling Stage**

This is the stage when both the parties almost come to an agreement and acknowledge acceptance of the terms discussed. They are also willing to offer or accept certain concessions to move forward and close the deal. The parties are in a mood to close the deal with an assurance that they keep their word and would not backout.

### **Closing Stage**

This is the stage when the negotiating parties try to solidify the deal by ratification of the points discussed or accepted. The points of agreement and proposals accepted are noted and the negotiating parties sign the document (or MOM) as a token of acceptance. A detailed MOU (Memorandum of Understanding) or a formal 'Contract' could be prepared and signed later on and the date may be informed to the parties in the process of negotiation. The formalization of the contract\MOU by signing and the implementation dates should be confirmed. The negotiating persons should shake hands with each other to seal the deal.

### **Post -Negotiation Stage**

A thank you note may be sent to the other party\ parties who took part in the negotiation. Copies of the MOM are sent to the negotiating parties with the dates of signing the actual contract or MOU. This stage is very crucial in the sense that all agreements made during the negotiation are executed in this phase especially with respect to the deadlines for delivery of materials and for making or honoring the schedule of payments.

## Suggested Skills for Negotiation

- Good interpersonal skills
- Effective communication and presentation skills
- Perfect and friendly body language
- Para language in terms of voice quality, tone and emotion
- Extraordinary listening skills
- Emotional balance when there are disagreements
- Problem solving skills to come out of the impasse
- Creative thinking to offer solutions
- Decision making skills
- Assertive skills
- Open mind to new offers and suggestions
- Mutual respect and concern for each other
- Honor deadlines for implementing the schedules of payments\ deliveries

## Negotiation Styles

Negotiating style refers to the art of actually conducting the negotiating or the strategy adopted by a person during the process of negotiation. Sometimes, the style of negotiation is a natural thing to a person. Some people decide the style of negotiation to gain maximum advantage. A person could adopt an aggressive style if the 'power differential' rests with him and thereby gain maximum advantage. Negotiation style is an approach chosen by the parties to accomplish their negotiaion goals and objectives. The following styles are followed by the negotiators:

1. **Accomodation** happens when a person\party is at a 'highly advantageous position' or in a 'highly disadvantageous position'. For example, a seller enjoys a monopoly of a product and he is willing to accept a concession or discount requested by a hapless customer, who in a way has no other choice except buying from the present seller. The 'accomodative' seller accepts the customers' request and offers some concession or discount, because he is willing to preserve a relationship keeping in view the long term perspective, and the benefits that could accrue to him. He wants to gain customer loyalty and also to ward of any competition in future.

Similarly, a jobless person might accept the salary offered by the prospective employer as it is, without any further negotiation, inspite of the fact that the salary offered to him is below his expected salary. He may feel that that some job is better than no job or may have an opinion to first show his prowess on the job and request for a hike in salary.

Accommodation is not advised for a one time deal and when there is no recurring business expected from the other party. Basically, it is a 'Lose-Win Approach' where one party is strong and another weak, and a strong party, from a position of advantage, trying to accommodate proposals from a weak party. A weak party who is in a position of disadvantage may accept the proposals from the strong party without any further negotiation.

- 2. Collaboration** happens when two parties are strong enough and realise that they need the cooperation of the other party for future growth and expansion of the business. It is a 'Win-Win Approach' adopted by two parties which are equally strong and recognise that their strengths complement each other. For example, a foreign company planning to expand its business in a country will try to identify the local distributor of the similar products. They enter into a collaboration to leverage on their respective strengths-- technical expertise of the foreign collaborator and distribution strength of the local firm.

When the negotiators are in a collaborative mood and mindset, they could come out with simple solutions for complex problems. Not only that, a collaborative approach solves all disputes or conflicts in an amicable manner leading to lot of satisfaction. Collaboration is the preferred style or approach because it is based on mutual interest of the parties concerned.

- 3. Competing/Aggressive** approach is followed by some negotiators to derive maximum advantage from a discussion. One party usually approaches the negotiation in an aggressive manner and tries to bulldoze or pressurize the other party to accept its suggestions or terms and conditions. The strong party tries to use all possible tactics to make it a one-sided game. There could be threats or ultimatums given to the other party to accept the proposals as it is without any modification. Aggressive approach is basically a 'Win-Lose' Approach'. Most of the times, an aggressive approach leads to lot of dissatisfaction on the part of the weak party. It is basically 'winning at all costs' approach without an iota of importance to the interests of the persons negotiating and totally neglecting the relationships in the long term.

The competing approach has to be followed when some emergency situation is there and quick decisions are to be taken or when there is not much time to involve in the process of negotiation.

4. **Compromise** happens when both parties involved in a negotiation are equally strong or equally weak and also realize that postponing the negotiation will be detrimental to the interests of both the parties. In a way, they are both willing to walk that extra mile and offer or accept the other party's suggestions and recommendations. The degree of benefit or gain from the negotiation is more than what they give up to the other party. Both parties tend to lose if they delay the negotiation and it may be detrimental to them. Therefore, compromise is 'Lose-Lose Approach' wherein both the parties gravitate to this approach to minimize losses and also when they realize that postponing a negotiation could harm both of them.
5. **Avoidance** happens when both the parties are strong enough and see that there is no immediate benefit to them. They can afford to keep the discussions pending and proceed individually. They buy time and tend to defer, dodge and postpone the process of negotiation. Sometimes, a strong party has a vested interest to delay the things and get the negotiation procrastinated. The management of a company tries to postpone the discussion with the labor union because, if there is negotiation it has to accept the terms and conditions of the union and the implementation of certain policies might involve additional costs to the management. It will therefore try to avoid discussion to the extent possible and try to postpone the things. Avoiding could be used as a strategy when the persons are highly emotional and bringing them to the table may further erode the relationship or goodwill. They may avoid each other for sometime to keep at a distance to do some kind of introspection and rethinking.

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