

NEGOTIATION FUNDAMENTALS

HOW TO NEGOTIATE EFFECTIVELY



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FUNDA

Negotiation Fundamentals: How To Negotiate Effectively

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Introduction

We negotiate every day, but most times, we don't really know that we are negotiating. Negotiation occurs everywhere; in business, between governments, non-profits, sales, legal proceedings, and personal situations, such as marriage, parenting, divorce, etc.

Negotiation skills are the qualities that enable at least, two or more parties to reach a compromise. The qualities required to successfully negotiate include cooperation, planning, communication, persuasion, and strategizing. For you to become a successful negotiator, you need to first understand these aforementioned skills.

The goal of negotiation is to settle a point of difference or to create outcomes that will satisfy various differences. Negotiation is conducted by putting forwards various offers and making concessions to achieve an agreement.

The duration of time to negotiate is dependent on the circumstances. Negotiation can sometimes take a few minutes, and in more complex cases, it takes longer.

The beneficial outcome of negotiation can be for the parties involved, or just for one or some of the involved parties. For you to be an effective negotiator, you need to understand the process as well as other negotiation

techniques to avoid conflict, increase your chance of closing a deal as well as establishing a relationship with other parties and gain profit.

It was Shapiro that said negotiation doesn't have to be an adverse game. *"A successful negotiation tends to result when the parties collaboratively problem-solve their differences,"* he says. *"Leaders will arrive at a better outcome if they work together, side-by-side, and jointly seek to satisfy their shared and differing interests"*

In negotiation, you should always strive for a win-win situation, where agreements are created by taking care of the interests of both sides.

When you have the ability to negotiate effectively, you will be appreciated in today's competitive market, because a lot of businesses suffer huge losses due to poor negotiation skills, whereas, their profitability can be increased with a better negotiation.

Apart from that, negotiation cuts across all other aspects of our lives, we negotiate with our employers for salary, we negotiate with our teachers for grade, we negotiate with our boyfriend or girlfriend for their time, and so on. When you are effective in negotiation, it helps you improve your relationship, because both parties are able to strike a deal without hurting each other's sentiments. If you are an effective negotiator, you will be able to achieve your goals. Negotiation, therefore play an important role in living a successful life.

Irrespective of who you are, you should strive to learn the art of successful negotiation for you to lead a calm and peaceful life.

Use Smart Tactics to Increase your Bargaining Power

When the bully on a boat in the movie: *Enter the Dragon*, asks Bruce Lee to describe his Kung Fu style, Bruce Lee said: *"you can call it the art of fighting without fighting"* . In the same vein, negotiation isn't a dispute or a confrontation. Great negotiators don't fight.

Negotiation is not really about competing. It is about being able to

communicate well. This is especially true if you are requesting a raise.

Want to be a better negotiator? Here are some tactics to increase your bargaining power:

1. Listen more than you talk

When you are nervous, it is easy to start a negotiation with only what you want to say in your head.

The goal of negotiation is not about getting what you want, it is also about helping both sides get what they want. Otherwise, how will you come to an agreement? In order for you to be able to do this, you really need to know what the other person wants, which means that you have to listen attentively.

For you to strike a common ground, you have to know that common ground exists.

In most cases, price is usually not the only thing on the table. It is possible that your counterpart would appreciate a longer delivery schedule, or perhaps a larger down payment. The point is, there are other options that can be explored to add to your negotiating power. You can only detect this by listening.

There was a time I wanted to buy a house, and I couldn't come up with the whole amount instantly, so I made a contract signing payment over the period of several months till the actual amount completes. The landlord was excited to do so. What I basically did was to make the payment of the house according to how convenient it going to be for me to pay.

2. Timing is advantageous.

Let me tell you a secret. Do you know that the best time to buy a car is at the end of the month? Do you know that salespeople have to hit their quota, and dealership wants to "make" their month? The same can also be said for real estate; house sales, (property leases) are generally not strong in the winter months. What this means is that owners will be more likely to negotiate.

Also, you can use back-end timing to your advantage. Let say you want to

lease a property starting in the month of March. Signing a 12-month lease means the owner will have to look for another tenant next March. But if you request for a 15-month lease, the property will be available at the start of a prime rental period. This means that the landlord or landlady should be happier to accept a lower amount.

This is what raises an important point.

3. Always find the right way to frame the negotiation

Deepak Malhotra showed in “*Negotiating the Impossible*” how properly framing a negotiation translates to finding the best perspective from which you can view negotiation. The frame can be money, or delivery schedule, or timing, or even quality.

For the landlord example I gave above, price isn’t the only frame, time was also included. In my house buying example, both time and price was the frame. If you frame a negotiation properly, it will be easier for you to negotiate on points that matter to you.

For Instance, let say you need a particular service performed. If you are willing to wait for the service to be executed-- or to be carried out more slowly than normal--- the person carrying out the service may be able to accept a lower price, since your timing fits in well into the service provider’s schedule. Look at it from this angle, if a customer asks you to perform a rush job, you will probably ask for a raise in price to accommodate the additional work, while considering the impact it’s going to have on your schedule and your other customers. The same principle applies in reverse: when you give additional time, the provider should be able to give concession on other terms.

If you are buying a car, implicitly framing the negotiation by waiting to the month’s end and then saying you want to purchase the car right away frames the negotiation in terms of time for the salesperson. Or you can frame it by going to the dealership at the end of the year. Of course, the salesperson will be happy to strike a deal, since most customers who leave saying “*I will return to buy it*” never almost do.

4. Always Get What You Give

You send a proposal to a customer and she requested a 15 percent cut in price. Simply saying “yes” to the offer sends a terrible message. In fact, it means that your original price was too high.

It is important that when you make a concession, make sure that you receive something in return. Perhaps, you can provide the 10 percent discount, but the delivery schedule will be extended. Or asking for a larger deposit.

Keep this in mind. You can also employ this approach as a buyer. You don’t just say “*I will have to reduce the price by 15 percent.*” Just say, “*I can only afford to pay \$X, but I will be happy to sign a long-term contract under those terms.*”

By doing such, you are not just competing, you’re looking for common ground by finding terms that work for both of you.

And the most important

5. Always Be Willing to Walk

When you are negotiating, don’t want something, unless you want the price, terms, etc, are also what you want. How will you know all these? You will have to decide those things ahead of time. Know your numbers. Know the terms you are open to accepting. Know the value of what you will be getting in return, as well as what you will be providing.

For you to be a great negotiator, you need to learn to take away emotion out of your equation. When it is objective and when it doesn’t feel personal, you won’t get stuck on either winning or losing. You will always calmly work towards getting the best for you.

What this means is that you are more likely to “win!”

Planning Your Negotiation Tool Kits

Do you feel confident when going into a negotiation? Would your negotiation skills pass the “*family*” test of ethical standards? The negotiation checklist is the most essential too because you can’t negotiate

successfully without planning. With a checklist and planning tool, you and your business partner can get the very best out of a business relationship. Shapiro outlines three key areas of preparation:

1. Substance:

“Before walking into the negotiation, analyze what your interests are-- and what the interests of the other side might be,” he emphasized. If you can identify and understand the interests of the other side, the better equipped you are to create more options that will result in mutual gain.

Shapiro also recommends that you evaluate your walk-away alternative-- what will happen if you don't eventually get the deal? Your solution to this is to strengthen your walk-away alternative. *“ For example, before you negotiate a deal with the supplier, you most want to work with, you might secure an offer from nearly comparable supplier.”* He further went to say that you won't be held hostage if the original supplier makes outlandish deals.

2. Process

Here, you will have to plan the flow of the conversation

“Often, it is best to start with some schmoozing, then to discuss each other's interests and motivations for working together and then to brainstorm options that satisfy each of your interests.” By encouraging constructive dialogue, Shapiro says this type of process agenda can prevent the negotiation from going off track.

3. Relationship

Is there a way you can build a relationship with the other side? Consider how you can do it.

“In Beyond Reason, Professor Roger Fisher and I highlight five core concerns that deeply affect working relationships: appreciation, autonomy, affiliation, status, and role.” Shapiro believes that when these factors are addressed, you are more likely to create positive emotions, which are very important to a good working relationship.

He emphasizes that a good negotiator does the following:

- Respects their status
- Appreciate the other side's perspective
- Build affiliation with them
- Allows them a reasonable degree of autonomy to make their own decisions
- Invite them to play a fulfilling role such as problem solver

“Countless negotiations have gone awry in the business and political realm because people have not realized or addressed these core concerns”

Shapiro went further to say: *“Even in the marital context, these core concerns affect the relationship and deserve adequate attention.”*

The Chairman and CEO of the Latz Negotiation Institute (LNI), Inc., and also the author of *“Gain the Edge! Negotiating to Get What You Want,”* Martin E. Latz believes that it is essential to prepare a negotiation.

“Most people under-prepared for negotiations and are often unaware of the process elements. As a result, they leave money and/or important issues on the table without even knowing it” Latz says.

He recommends learning and implementing the *“Five Golden Rules of Negotiation”* to effectively prepare. The *“Five Golden Rules of Negotiation”* is a strategic template that is based on negotiating best practices and research by negotiation experts:

1. *Information is Power-- So Get it!*
2. *Maximize Your Leverage*
3. *Employ “Fair” Objective Criteria*
4. *Design an Offer-Concession Strategy*
5. *Control the Agenda*

Furthermore, Latz said that preparation must be strategic.

“This entails not only understanding the underlying facts and positions, but also giving detailed thought to the process-oriented elements of negotiation, like whether and when to make the first offer, how to strengthen leverage, and how to control the agenda.”

Like every other skill, Latz said it takes time to perfect the art of negotiation.

“You will not “win” every time, but learning to focus on the process of negotiating will improve your interpersonal skills, heighten your curiosity and desire to learn, and get you in the habit of creating strategic plans to help you achieve your goals.”

The ability to also listen actively is a very important part of a negotiation. Latz recommends using these tips whenever you are engaged in an important conversation:

1. Know why you want to listen: what is the objective of the conversation?
2. Avoid interrupting when the other person is speaking.
3. Pay attention.
4. Eliminate distractions: avoid fiddling with your phone or any other thing during the interaction.
5. Avoid making judgments, and simply gather facts and make observations with an open mind.

Latz concludes: *“Your genuine presence in various interactions will heighten your awareness and your ability to achieve your desired results.”*

How To Make a Suitable Opening Offer

When it is time to kick-start a negotiation and set an opening offer, negotiators can often be overpowered by anxiety.

Then the question pops up. Who should first put the offer on the table? Them or me? There are awkward situations where neither of the party involved is unwilling to make the opening offer. Such scenarios are common among those with no experience. A lot of people believe that when they start a negotiation with an opening offer, they are at a disadvantage. Of

course, not only business minds think so, conventional wisdom too suggests so.

However, conventional wisdom is wrong in a case such as this, because studies have made us understand that those who make the first offer are more likely to have a better result. Equally, research has shown that the most successful cases are from those who make ambitious opening offers.

These are called anchors in negotiation. Every negotiator is expected to have a target point or a goal. For Instance, if you are trying to sell a car, your target point or goal can be to make at least \$ 1000 from selling the car, while your back up plan is to sell it to a car dealership for \$ 900.

What this implies is that the lowest you will go is \$900, but your main target point is \$1000. For a case like this, your anchor should be higher than \$1000. It can be something like \$1500.

Why Do Anchors Work?

There is a phenomenon called the “*anchoring principle*” in psychology. It is a situation where people mistakenly rely too much on the piece of information they can get first. This is connected to the primacy effect, where they can only remember the first piece of information that is presented to them. When someone uses a high opening offer to start a negotiation, even if you know it is unreasonable, your mind unconsciously associates this information with the value of the product.

The anchoring principle is being used everywhere, including your daily shopping. You must have come across an item marked a lot higher than its actual value but on a 30 percent discount. The original price has already anchored itself into your subconscious mind, as your mind will be focused on the discount you are getting rather than the actual price you are paying.

Anchor Can also Backfire

Although, it is a good idea to use anchor, but it can backfire if you used incorrectly. You run the risk of looking stupid as well as causing your counterpart to walk away if you put the price too high. When you place the price on an outrageous level, it causes a chilling effect to the other party,

causing them to lose motivation to continue negotiating.

The other party has a BATNA (Best Alternative to a Negotiated Agreement), just like yourself. For example, they might be able to buy the same car elsewhere for \$1200. So your anchor should be within their range of their BATNA. You will have a great advantage if you already know their BATNA. Knowledge is power in one-off scales. Knowledge is the power since you can push the negotiation in your favor without putting into consideration long term consequences.

How to Set Opening Offer

As you already know the meaning of anchor, the most important question now is, how can you set a price not too high that is close to their BATNA? For you to be able to do this, you must first understand the market value of the product you intend to buy or sell. In cases like this, look up how much other sellers are offering for a similar commodity.

When you research this, it provides you with the ammunition needed to negotiate a favorable cost. It doesn't only make you sound like an expert in the subject you are discussing, it also makes you draw outside reference point from outside. For example, if a buyer complains about the price is higher than they expected, you can point to online sources where the same car goes for a higher price. Moreover, you will be educated on such topics as how mileage influences the cost of a car or how much it will cost to repair the current damage.

Even with all these being said, sometimes the opening price can be too high even when it's close to their BATNA. The best way to decide how high to set your anchor is by asking yourself these questions: "*Can I justify the anchor?*" "*Can I debate well and convince the other person that my anchor is fair enough?*" If you can't do these, then you will just have to lower your opening offer.

If you are a good negotiator, you will be able to create a higher opening offer, since you can justify it while less perceptive negotiators can't. For example, a negotiator may take into consideration the mileage of a car, but an excellent negotiator will say that mileage alone isn't accurate since some people take care of their cars a lot better and how "*highway miles*" are

better than city miles.

How to Deal With Anchors

Now that you understand what anchor is, it is finally time to learn how to handle them in case they are used at you. The person giving the opening offer might be at advantage, but you are aware of the bias, you will nullify its effect, especially if you are ready to deal with it. Do you want to learn how to deal with anchors? Here are two ways you can:

- 1. You can respond to the other person's anchor by equally putting forward your own anchor. This is the simplest way because you both will be experiencing the "anchor effect."*
2. You can simply mention to them that their offer is ridiculous. Tell them that their opening offer is too extreme and make them make a more reasonable offer. Don't treat this moment as a bargain, but instead be specific that you want them to adjust the opening offer so that it becomes reasonable for you to negotiate over it. You can go ahead and throw in your own opening offer if they are making significant adjustments. Be reminded that more frequent concessions don't necessarily lead to bargaining ranges.

You will need to have a good knowledge of the market in question, for this counter-tactics to work. This emphasizes the importance of research. You will never be able to convince the other party that their price is outrageous if you come unprepared. Don't forget to always do your homework if you enter into a negotiation.

Setting Your Walk Away Points

Perhaps you have forced or pressured yourself to make an agreement that doesn't feel right with you. Whether professional or personal affairs, if you are not able to work away, then you have lost your power.

Although, nobody likes to walk away from the negotiation table, but for you not to end with a bad deal, you must be comfortable walking away.

Importantly, the other party must be aware that you are comfortable walking away.

The point at which you have to walk away should be kept at the back of your mind. You must be careful not to go slightly below your walk away level.

If the other person sense that you will not walk away when you start to end the discussion, they will be tempted to push you aggressively to get you to give them a better deal.

While your goal is not to walk away, but If the need arises, you must be able to do it confidently.

Are you sensing that the conversation is heading nowhere and becoming unproductive, it is time to leave if the other person:

- Evidently has no power or authority to say "yes" or even influence a yes
- Would be reprimanded or lose their job over your request by violating policy.
- Is being rude, disrespectful, or acting obnoxious.
- Starts packing up to walk away. Take it as a sign. Gather your items and say: "*It is time to get going.*"
- Lies to you. If you decide to stay, proceed with great caution and get a confirmation of the promises made.
- Make you look bad or to make a mistake.
- Is looking for information, and not willing to share his/her's in exchange.
- Mounting roadblocks and leaving you with no productive way to get your interest met.
- Stops and says, "*Let's postpone and talk about it later.*" Then politely excuse yourself.

The Principles and Techniques of Negotiation

It is essential you note that in most situations, you are negotiating a relationship, not a transaction. For instance, when you are negotiating an employment contract to join a team, you are not just attempting to get the best deal for yourself; you are as well trying to get the best deal for the team, which you will soon be a part of.

Attorney Craver says *"Never be so tough in negotiations that you begin with a negative relationship. Don't do something in the short run, that will come back to hurt you in the long run— that's not a smart negotiation."* He recommended what he calls *"competitive problem solving,"* emphasizing that studies have shown that most adversarial negotiators are ineffective. *"Competitive problem-solvers want a good deal for themselves, but they also want to maximize the joint return of both parties."* Your goal should be a *"win-win"* agreement, where both party feel positive about the result.

Never Tell a Lie, Be Nice, and Consider the Timing

According to Craver, most basic negotiation principles were learned before kindergarten. Be considerate. Be honest. Be polite.

Craver says, *"skilled bargainer do not behave badly. If you come to me and begin negatively, I will look for a reason to tell you 'no.' But if you are professional and personable, I will feel guilty if I say 'no.'"* Craver employed the term *"negotiating emotional intelligence"* to mean the overall interpersonal skills required to be successful in negotiation— the ability to adapt, self-awareness, and ability to empathize.

Gesme emphasizes the importance of honesty. *"Whether negotiating with a potential employer or a patient, honesty and integrity have to be first and foremost,"* he notes. *"You will always lose if you've been dishonest. Nobody wants to bargain when you're not bargaining in good faith. It takes too much time, too many resources, too much energy."*

Timing is important. Avoid initiating a negotiation during a difficult time for the other party involved, just as a child knows not to ask for a treat in the middle of a quarrel between mom and dad. Even if your negotiation is in process, correct timing is still important. For instance, when seeking a

new position, you shouldn't bring up salary and other compensation details prematurely. Craver advises that *"wait till you have an offer. If they ask you what you expect as salary before stating a figure, the best response is, 'what is your normal amount?'"*

Do Your Homework

Before you start negotiating, take your time to do some preparation. Start by giving your goals. Take a closer look. Gesme recounts that *"the bigger mistake I have seen in my own negotiation and those of others, is coming in with specific demand. You may think you want the corner office, but in fact, it has a water leak and the heat doesn't work, so there may be a better strategy. You want to be open going into a negotiation. Beware of assumptions and biases, which often become self-fulfilling. Be careful what you wish for."*

Other Ways to Prepare Before Beginning Negotiation

Research the other Party

It is advisable to find out all you can about the other person before you begin negotiating. If you will be negotiating with a group, practice, and read everything on its web page.

Consider Your Alternative

You must start a negotiation by knowing the alternatives that are available for you, that is your, BATNA (Best Alternative to a Negotiated Agreement). If an agreement can't be reached with the other person, your BATNA is what you will go for. When you know your BATNA beforehand, you won't have to accept a poor offer. BATNA puts you in an advantageous negotiating position.

Unbundle the Item to Be Negotiated

Here, you will have to breakdown the agreement to be negotiated into small parts. For instance, when you are dealing with an employment contract, break compensation down into smaller units such as salary, moving cost, health benefits, bonuses, reimbursed expenses such as car allowance, or cell phone, and so on. Craver notes that salary may or may not be negotiable,

but even if it isn't, items such as education allowance, licensure fee, moving expenses can often compensate for a slightly lower salary.

Anticipate the Other Party's Wants and Needs

Think deeply about what the other party needs are likely to be. This is what will help you develop strategies to negotiate your position. Examine the other party's probable limits in reaching a compromise. Consider the other person's BATNA; what could their best alternative be?

Establish Your Bargaining Range

Figure out objectives for each of the issues you want to unbundle, putting a minimum, optimum, and target goal for each. The minimum is the point at which you will like to walk away from the offer, once the other party can't meet your request. Your starting point is the optimum, that is, the best deal for you; the one you see as ideal but not outrageous. Your target is where you will want to end the negotiations.

Identify Your Leveraging Points and What You Can Give Up

Recognize the areas that are most important to you. Use those areas you don't care much about as leverage in negotiating to achieve your priorities. In addition, identify the attributes you bring to the table. Gesme advises, "*Before you go into negotiation, reflect on what the other party is looking for and what you can give up.*"

Identify the Decision Maker

When negotiating with several people, it is important that you identify the person who is the authorized decision-maker. Avoid a situation in which someone will have to say that he or she will have to "*check with the boss on that.*" You should talk directly to the person who has the authority to make agreements.

Negotiating Strategies to Help You

Since you have done your homework, it is time to negotiate. Here are a few important techniques that will help you sit down with the other party.

Convey Confidence, Not Cockiness

Remind yourself of your objective to help you stay focused. To a large extent, power is a matter of perception. You may think you are at a disadvantage when negotiating with a powerful person, but note that, you won't be negotiating if you don't have what the person needs. On the flipside, Gesme notes that *"overconfidence kills most negotiation."*

Set the Stage for Agreement

Craver notes that *"the first impression is truly the last impression. Even in negotiation, if I start in a positive way, the other party is likely to behave more cooperatively and reach an efficient agreement, meaning we are trading the right items."* Develop a rapport with other party by first looking for the areas, in which you agree. Bring up points that you are fairly sure that the other person can agree to. An agreement helps to solidify the foundation of trust and respect that is useful when addressing more controversial topics.

Do Not Put Off Bringing Up the Elephant in the Room

While it is good to first bring up points you both agree on, don't wait for too long to bring up points you know that might be significant.

Ask Open-Ended Questions

Employ phrases such as *"what is your biggest concern with...."* *"tell me more about...."* instead of questions that could be answered with a "yes" or "no." Your goal at this early stage of negotiation is to find out more about what the needs of your counterpart are. *"The more time they speak, the more information they disclose"* Craver notes.

Listen and Restate Comments

Be careful of talking too much. When you listen more than you talk, you can unravel the information and attitude that can help you understand the concerns and interests of the other person. *"Listen to verbal leaks that inadvertently give away important information"* Craver suggests. *"For example, someone who says he doesn't 'have much more room' clearly does have more room."*

Also when you paraphrase other's comments in your own words, make them provide clarification or note correct misinterpretations. Additionally, it will make them elaborate on their points, which will give you more information on their needs, and how it can be met. "*It is extremely important to understand their perspective as the negotiation proceeds,*" Gesme says.

Watch for Nonverbal Cues

Pay attention to the body language of the other person and your body language as well. Noting gestures help in negotiating. Leaning back or clasping a hand behind one's head is a sign of confidence and dominance. However, moving one hand behind one's head is a negative sign, which can mean uncertainty, frustration, or disagreement; while sitting on the edge of one's chair reflects interest, etc.

Stay Cool and Depersonalize Disagreement

Avoid negotiating when you are angry. Take note of your hot buttons, and don't allow your counterpart to push you to them. Equally, help the other person stay cool. When discussing touchy points, refer to them objectively rather than assigning ownership.

Separate Discussion of Problem From Exploration of Solution

Before you attempt exploring a solution to an issue, first seek to clarify the issue and evaluate the nature of the disagreement. When you discuss the solution without having clarity of the problem, it will lead to a premature agreement on a problem that the parties involved didn't fully understand.

Do Not Compare Offers

You might have researched your alternative, and know what someone else is offering you. Only discuss the merits of the current deal. Don't compare them openly with the offer you have. The other offers you have are your back up-- your BATNA, when a satisfactory agreement is not reached in the current negotiations.

Don't Use Ultimatum

Avoid using statements like “*take it or leave it*” or “*this is my final position.*” Such statements cut off the negotiation completely. Ultimatums are dangerous early in the negotiation process.

Use Your Leverage

All the leveraging points you identify during a negotiation shouldn't go unexpressed. As you prepare, think about the attributes you have that they want, then bring them up in your negotiation.

Bring Materials that Supports your Position

To solidify your negotiation stand, come along with reports, literature, dates, that back up your negotiation points. These things convey authority. For instance, you want to work part-time, come to the negotiation table with articles that discuss the benefit of what such an arrangement could offer.

Beware of a Stall: Reach Closure

If the other person seems uninterested in finalizing an agreement, they may think delaying will improve the bargaining position. Ask if their additional information is needed for a final decision to be made. On the other hand, you can use this stalling technique if you want the negotiation to go slower. You can tell the other person that you wish to consult with your attorney, for instance.

Evaluate Yourself

Throughout your life, you will be negotiating situations. Learn from them, and ask yourself in any negotiation process, these questions:

- Did I listen well enough?
- Did I explore sufficient options?
- What additional preparation would I have made?
- Did the outcome really meet the needs of both parties?
- Did I paraphrase statements from the other party?

Negotiating Under Pressure

High-pressure negotiation can either go very well or poorly. As so much is on the line, the negotiators on both teams often walk away and don't speak on a later date. When a resolution is needed urgently, it is likely that both teams end up walking away unsatisfied, or the deal that is made to have a negative repercussion later.

Remember that any deal you sign, often time will have a long-lasting effect on your business. Acquisition, in particular, could hurt you later. A key example happened in the 2008 financial crises. Companies took government bailouts in exchange for breaking up their businesses, but asset valuation falls prey to negotiating under stress.

A good example of a negotiation gone wrong under pressure is the Chrysler bailout by the United States Treasury Department. Chrysler collected \$12 billion in exchange for dividing its ownership among union workers, the Treasury Department, the Canadian government, and Fiat. Fiat also negotiated an option to buy out part of the union ownership and the owner of the U.S and Canadian governments.

Eventually, the Italian automaker sought to buy out Chrysler to prop up their business. The valuation of Chrysler caused issues when Fiat went to buy the union. No one had determined if a \$4.59 billion note paid to the union should be counted towards Chrysler's value, landing both Fiat and Chrysler in stress.

The lesson here is that stressful situations can potentially cause negotiations that cost your organization money. When Fiat negotiated its buyout clause, there was no foresight to get a valuation that helped future options. Likewise, the union dropped the ball when faced with the prospects of making billions, and pressure got to Fiat's and the union's executives.

We are prone to losing our creativity when we are stressed. Most times, this is usually to our detriment, because our best ideas come when we are able to access our creativity faculty of the brain. To detect whether you are falling into the fight-or-flight mode is for you to become mindful.

For thousands of years, mindfulness has been practiced in the East, and it has increasingly become popular globally at the negotiation table. Commit to watching each other, if you are a member of a team. If you are

negotiating on your own, track your muscle tension to find out very early on when you are becoming stressed.

Also, it is important that you watch and listen carefully to others in the negotiation room. Interruption and perhaps conflict can ensue when you interrupt the other person, especially using the word “*but*”.

Use Time Pressure to Your Advantage

As we have seen how stressful situations and decisions made in a haste can influence negotiation, let’s focus on time pressure. When we talk about time pressure, we mean, using the available limited time to your favor. If you know the other negotiators need to agree on a deal, the opportunity to your agenda may occur. Leveraging on time is a time-tested strategy to gain the upper hand in high-pressure situations.

In the example I presented, Chrysler and Fiat were both under the pressure of time to get their deals made quickly, Chrysler needed the bailout, and Fiat wanted to secure the best buyout clause while the deal was available.

In a normal negotiation, Fiat time pressures the Treasury Department into writing a deal where the \$4.59 billion note would count against Chrysler’s valuation (lowering the buyout price for Fiat). The time pressuring occurs because the Treasury Department needed to bail out Chrysler to save American jobs. Fiat could have backed away from the table and used Chrysler’s impending collapse to push the Feds into writing in their chosen buyout clause.

The way it occurred, Fiat missed the chance to control talks and instead panicked themselves into signing a contract that left key benefits on the table.

For you to measure the effect of a delayed deal on the person or people you are negotiating with, train yourself to write out questions such as:

- “*Is there a date by which this deal must be agreed?*”
- “*Will anything happen if we don’t agree by this date?*”

If you are working for an organization, talk to your employer to give you as much time as you need for you to be able to finalize a deal, so that time doesn't come hunting you. Also, ensure that your colleagues are not talking to the other side. This could undermine your position by having time and other factors acting as leverage against you.

High-Pressure Negotiation-- What Works

High-pressured negotiations pay off tremendously when they go well. After all, you won't be putting pressure on yourself just to make pennies. While we discussed pressuring other businesses involved, cooperation works better than arm-twisting.

When it comes to business negotiation, it is important that you meet face-to-face with your supplier or clients whenever possible. Face-to-face meeting builds trust and credibility-- vital to getting your discussion onto a collaborative path.

Go for early wins in your negotiation. This can be achieved by first finding your common goals. Early agreement helps to build momentum and confidence. It is risky tackling the most difficult area of a disagreement very early.

Collaborate When You Can

Just because you will lose more under high-pressure negotiation, high-pressure negotiation doesn't mean you shouldn't collaborate with the other team involved. Remember, the other group may have just much more to lose than you.

One of the best ways to fostering collaboration in a negotiation is to earn their respect. Start by doing the other side a favor. Favors demonstrate that you are lookout for the interest of the other group. It also shows that you are not only interested in meeting your own needs. Further, favor involves the universal principle of reciprocation. This is the foundation of a collaborative relationship.

When you look out for others in need, they will be obliged to return the favor and look out for your interest. So it is advisable to be the first to

invest in others.

To Conclude

The situation in which you are negotiating under pressure varies. There are a lot of strategies that can be employed from simple to advanced, but the most important and useful among them are time-pressuring and collaboration.

Be careful not to fight or fly in response to pressure when the going gets tough. You will do better in most business relationships by collaborating.

Taming Negotiation Nerves

The ordinary thought of negotiating a deal can make your nerves unsettle. The thought can start making your heart race, the shoulder tense, the palm sweaty, and so on. Faced with such a situation, human beings are more likely to feel anxiety-- fear, frustration, worry, and apprehension-- than other emotions. This is according to research by the University of Pennsylvania's Wharton School.

Of course, these feelings can be temporary, but for the CIOs, who make multimillion-dollar deals for their organization, their negative effect on negotiation can be long-lasting. Anxiety usually activates the flight response in negotiators, causing them to make lower offers at first, respond quickly to offers, and make the outcome of such negotiation unpleasant. This was explained by Maurice Schweitzer, an operations and information management professor at Wharton and co-author of a study that examined the effects of anxiety on negotiation, with over 500 research participants.

When one is nervous during negotiation, it can induce a variety of symptoms, which include increased heartbeat, decreased self-confidence, and impaired information processing, says Alison Wood Brooks, lead author of the study and a Ph.D. student at Wharton.

Fortunately, there is a way to take off the anxiety. (Schweitzer's previous research shows that while drinking alcohol before negotiation can increase rapport, it can impair cognition.) According to the study of Wharton, self-efficacy, that is, the belief that you are good at something can prevent

anxiousness in negotiation. And the best way to build that belief is through practicing.

When it comes to negotiation, Joe DeTullio is no baby in the game, putting together multiyear, multimillion-dollar outsourcing deals at talent agency IMG and Universal Music Group. With over a decade as the CIO, he has gathered a bagful of bargaining skills, but most were learned in his first job at the Patent and Trademark Office. He says, *“The structure and discipline of the government environment teach you that process is important whether you are framing a competitive or a sole-sourcing scenario.”*

Still, he says, *“I am much more comfortable in vendor negotiations than (in negotiation) with my boss. If I am in a vendor situation, I know that ultimately, I am in control. I know what I want and I know what I am willing to give up, and the dynamic is more clear-cut.”*

No matter the scenario of the negotiation, DeTullio does his homework. *“Whether you are dealing with a vendor or your boss or even your own team, you can never underestimate how much you need to prepare,”* he says *“Knowing what you want, communicating your expectations clearly and defining success criteria are important.”*

The Wharton studies speculate that while a high level of anxiety can bring about a negative impact on bargaining, a mild case of pre-negotiation jitters is capable of improving your performance, as long as negotiators channel that apprehension into what the researchers call *“defensive pessimism”* -- imagining the consequences of being unprepared to inspire preparation. As for trying to get over your anxiety during negotiation the best thing to do is just to try and get over it. *“Tell yourself that your racing heart and sweaty palms are because you are excited, not anxious,”* said Brooks. *“The difference between these two emotions is the way we view the task at hand--negatively or positively.”*

A few butterflies in the stomach are good signs, says DeTullio *“If you are not a little nervous, you’re probably bordering on arrogance, and that’s where you really start making mistakes”*

Understanding Negotiation Styles

Have you ever wondered why negotiators approach situations from a perspective that is completely different? How you ever thought about why some negotiations are unsuccessful, and the others go easily and smoothly? Have you ever thought that they may have different styles of negotiation? Not being aware of your negotiation style and not having an idea of what your negotiation counterpart is bringing to the table, including the advantages and disadvantages of working with differing styles of negotiation, might make your negotiation unsuccessful.

Negotiators have the tendency to negotiate from one of the five styles: competing, accommodating, avoiding, compromising, or collaborative. These are adapted from Thomas Kilmann's conflict styles and they tend to correlate well with negotiation, especially knowing that there is tension in the air when two or more parties are trying to meet their conflicting or differing needs.

The last two decades, over hundreds of negotiators' behaviors and perspectives, have been discovered through negotiation literature. And it has been confirmed that people approach negotiation from one of these five styles and display some characteristics.

Competing

Negotiators that exhibit this style are self-confident, assertive, and have their eye on the deal and results. Individuals as such tend to pursue their own concerns, sometimes, at the expense of their counterpart, and in extreme situations can be aggressive and domineering. On the scale of assertiveness versus cooperative scale, this style is higher in assertiveness and lower in cooperativeness. Using the substance versus relationship axes, competing negotiators have an inclination towards the substance than the relationship.

Avoiding

Negotiators that exhibit this trait are less apprehensive and assertive. They prefer to avoid stepping into tension or creating one. They remain neutral, objective, or distant from the situation or leave the responsibility to their

counterpart. The avoiding individual doesn't immediately go after their interest or those of the other person and there is an element of self-sacrifice in this mode. Avoiding style is low in cooperativeness and assertiveness, and not focused on either the substance of the agreement or the relationship.

Accommodating

Those who display the accommodating trait focuses on maintaining a relationship with the other party. They tend to be able to handle tension well and minimize differences and are much concerned with maintaining a good rapport and satisfying the needs of the other party. Accommodating style is lower in assertiveness and higher in cooperativeness. These negotiators place emphasis on the relationship as a more important substance of the agreement.

Compromising

Negotiators that display this style often split the difference, exchange concessions, and seek a quick middle-ground solution, which is likely to end in moderate satisfaction for the need of both parties. Compromising style is at the middle level of assertiveness and cooperativeness, and more focused on creating a decent agreement relatively efficient while maintaining some relationships.

Collaborating

Negotiators that exhibit this style are often honest and very communicative. They focus on finding creative solutions to the problem at hand that will satisfy both parties. They are fond of suggesting many ideas for consideration before deciding. This style is high in assertiveness and cooperativeness, promoting both the relationship and the substance of the agreement is very important to them. Negotiators in this circle tend to value taking their time to create optimal long-term outcomes over efficiency and leaving value on the table.

Each of these styles has its own advantages and risks. And at times, a certain style can be useful in a certain situation than the others. For example, as an accommodating negotiator, you should recognize that when it comes to transactional discussion, they may not take time to build a relationship, if the deal goes in their interest. On the flip side, if they are

negotiating with someone they will be involved with for a long time, they will want to develop a very strong relationship and strive for the best in order to avoid bad precedent.

For you to be an effective negotiator, you must recognize your tendency, and be able to assess the style of your counterpart, for you to be able to have a smoother negotiation.

Generally, if negotiators strive to use a collaborative style, they incorporate the relationship focus of an accommodating style. The assertive on its own needs a competitive style, the caution and observational skills of the avoiding style, and value maximization are often neglected by the compromising style. While the collaborative style may not make sense in all negotiations, this mode can especially be effective in business situations because of the long-term nature of the relationship internally and externally, as well as the need for strong substantive negotiation results.

Phrase to Use in Negotiation

Do you have an exit strategy when you reach a stalemate in a negotiation? Of course, existing is not your first and only option in negotiation. Either you are negotiating a deal with a prospective customer or a business partnership, there are a lot of ways you can open up the discussion for a more productive negotiation that is beneficial for the parties involved.

For example, if your prospective customer asks for a discount on your product, your two possible responses will likely be:

1. *“No,” that’s not an option”*
2. *“Okay, I will discount it for you.”*

However, you have an option to dip deeper for you to understand why they really want a discount and why they feel it’s necessary. Is it that they don’t trust your product or services? Why not? Or is their budget preventing them from paying the asking price? Why is that?

Finding the root of the challenge will enable you to get to the root of the issue, which will make speaking to that challenge easier, as against focusing

on the price.

I have noted six powerful phrases that you can employ to have a more productive negotiation and close big-ticket deals.

1. *“Is it okay with you if I steer the agenda to maximize the value of this conversation?”*

There are times when the person you are negotiating with will come to the negotiation with loads of complaints on how bad their weekend was or a new client has been proving difficult to deal with. They will ramble about subjects that are totally different from the reason for the conversation. It is important you make sure that you are using their time wisely. Staying in control of the subject of discussion is the best way to respect the time of your prospective negotiator, and making sure that the conversation is productive for both parties.

2. *“Tell me what you think I can provide”*

According to the Harvard Law School’s negotiation program, it is important that you have an understanding of the expectations of the other party, and what they want from you. When you are clear from the beginning, both parties are in the know whether or not they need to raise their expectations. This is what sets the tone for a fruitful conversation-- or if a conversation needs to be had at all.

If you know you can’t offer what they are expecting, tell your prospect. Be clear on what solution you can offer. If you know that you are not fit, introduce them to other options that would equally fit their request. One of the worst things you can do to them is to lie about what you can do. Such a strategy radiates dishonesty and will destroy future relationships and collaboration.

3. *“What is the most important issue for you to solve?”*

Try to dig deeper and find out what their goals are. According to the classic book on negotiation, *Getting To Yes*, you should focus on the priorities of the prospect.

There is a possibility that you find yourself in a situation where the prospect

will bring up many challenges, but when you dig deeper, they bring up their biggest concern and goal. It can be for instance to improve their marketing and generating more revenue for their business.

Follow up with, *“Just so I can understand the issue better, tell me what happens if that issue doesn’t get resolved?”* After telling you, you can now focus on how you can help them solve it.

4. *“Is X a big problem or a dealbreaker?”*

There are times where the other party presents an objection that may not be the real issue. This is another way of asking: *“So what is the real problem here?”* When you are straightforward, you will understand the prospects of real concerns and focus on it. For Instance, price objection is often a concern because they feel the value of the good or service is not justifiable with the price. Remember that prospects are not really fixated on price. They just want to solve a business problem, so if they can’t look beyond the cost, it is because they are not sold on value. In a case like this, the wrong response would be: *“This is actually a really good price, compared to our competitors.”* There no value in that response. Your goal should be to zero in on your prospect’s goals and demonstrate how your product can help achieve them.

5. *“If (objection) is resolved, are you happy with everything else?”*

If you arrive at a dead-end in the conversation, present a major objection for the moment and make sure that everything else is satisfactory and explore what is on the other end.

If the earlier example is revisited, say the following to your prospect with a price objection: *“Let pretend that you have unlimited budget and cost isn’t an issue for you. Is there anything else about the software you are concerned about?”*

There is a high likelihood for the prospect to share more concerns such as learning to use the product, the amount of time to see a return in investment, ease of use, and so on. This will give you more angles to approach the negotiation. To find a solution to theses concerns, you can provide some concessions. You can tell your prospect that you will provide

free training and technical supports, or link them up with a current happy customer.

6. *“Maybe X is not a good approach. What other options are there?”*

Some negotiations will not go as expected probably because both parties are too focused on minuscule details. Asking for other options opens the realm of possibilities. Perhaps you or the other party have some ideas in mind that are yet to be discussed.

As explained in *Getting to Yes*, negotiation participants may fall into a win-lose mentality by focusing on shared interests. When each of the party's interests differs, they can find options where those differences may complement each other.

Therefore, by asking for other options, you have more leeway to negotiate a deal that works for the parties.

Ten Effective Negotiation Skills

A lot of job descriptions often list the ability to negotiate as desirable assets for candidates to secure a job. However, negotiation requires the combination of interpersonal and communication skills, used together, to bring about a desirable result.

Here ten skills you will need to acquire to become an effective negotiator:

1. Problem Analysis to Identify Interests and Goals

If you want to be an effective negotiator, you must acquire the skill of analyzing problems to determine the interests of the other party in a negotiation. When you are detailed in analyzing problems, you will be able to identify grey areas and come out with deals that favor both parties. For instance, in an employer and employee employment contract, the problem or the areas where both parties disagree may be salary. If you can identify this issue, you can help find a compromise.

2. Preparation Before a Meeting

You have to prepare beforehand before approaching the negotiation table.

Skilled negotiators prepare before a negotiation. Your goals, areas of trade, and alternatives are included in your preparation. Also, a good negotiator studies the relationship history of the parties involved and past negotiations to find areas of agreement and common goals. Past precedents and outcomes can help to set the tone for current negotiations.

3. Active Listening Skills

You must be able to listen actively to the other party's debate. Active listening involves paying attention to the body language of your counterpart as well as verbal communication. If you don't listen attentively, you won't be able to find an area of compromise during the meeting. It is profitable to spend more time listening than actually talking.

4. Keep Emotions in Check

You must be able to keep your emotions in check during negotiations, because at some point in the negotiation, you may get angry with the other party for tabling a ridiculous offer or saying something that annoys you. When you allow your emotions to control you, the meeting can lead to unfavorable outcomes.

5. Clear and Effective Communication

Effective negotiators have the ability to communicate his or her thoughts clearly and effectively to the other party during negotiation.

Misunderstandings can occur if the negotiator has not communicated his or her case clearly. If you want to be an effective negotiator, you must be able to state your desired outcome as well as reasons to back it up.

6. Collaboration and Teamwork

Negotiation shouldn't always take the approach of one side against the other arrangement. You must develop the skill to work together with other negotiators and work as a team to achieve a win-win situation. Not only does collaboration foster good business relationships, but it also creates an atmosphere of trust during negotiation.

7. Problem Solving Skills

Those with strong negotiation skills have the ability to explore various

solutions to problems. Instead of focusing on the ultimate goal of the negotiation, individuals with strong negotiation skills can focus on solving the underlying problem, with the aim of benefiting both sides.

8. Decision-Making Ability

Individuals with negotiating skills have the ability to act decisively during a negotiation. It can sometimes be necessary during negotiation to quickly agree to a compromise to end a stalemate.

9. Maintaining Good Relationships

You need to acquire excellent interpersonal skills to be able to maintain a good working relationship with the other party. Negotiators that possess the ability to persuade without using manipulation can maintain a positive atmosphere in a difficult negotiation, and consequently, strike a good deal.

10. Ethics and Reliability

Ethical standards and reliability are the hallmarks of effective negotiators. Both sides must trust that the other party will follow through on agreements and promises. A negotiator must possess the will to execute and fulfill his side of the agreement.

Final thoughts

A lot has been said about negotiation, and how you can negotiate your way out of difficult situations. As mentioned above, negotiation should end in a win-win situation for the parties involved. Anything short of that is not an ideal negotiation. If you end up with a lose-win situation, it could have been better not to attempt negotiating, because such a situation has defeated the purpose of negotiation. It means you have cheated yourself by believing you don't deserve a win. On the other hand, if you have a win-lose situation, it doesn't translate to victory for you, because you have made the other party feel bad, and they won't want to do business with you again. It means that you have lost a potential future business partner. Nobody will come back to do business with an organization, or someone who is manipulative.

In conclusion, understand that, if you can't arrive at a win-win situation for

both parties, a "no-deal" is better. You can then go ahead to consider your BATNA. The point here is that you should be comfortable with walking away if the deal is unfavorable to both ends.

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