



## **MODULE OF LECTURE**

# **Business English**

## **Negotiation**

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### **Abstract**

The subject matter is about strategy, distributive, and agreement of negotiations

### **Competence**

Students are able to understand and explain about strategy, distributive, and agreement of negotiations

# Discussion

## Negotiation

Negotiation is a dialogue between two or more people or parties, intended to reach an understanding, resolve point of difference, or gain advantage in outcome of dialogue, to produce an agreement upon courses of action, to bargain for individual or collective advantage, to craft outcomes to satisfy various interests of two people/parties involved in negotiation process. Negotiation is a process where each party involved in negotiating tries to gain an advantage for themselves by the end of the process. Negotiation is intended to aim at compromise.



Signing the Treaty of Trianon on 4 June 1920. Albert Apponyi standing in the middle.

Negotiation occurs in business, non-profit organizations, government branches, legal proceedings, among nations and in personal situations such as marriage, divorce, parenting, and everyday life. The study of the subject is called negotiation theory. Professional negotiators are often specialized, such as union negotiators, leverage buyout negotiators, peace negotiators, hostage negotiators, or may work under other titles, such as diplomats, legislators or brokers.

## Negotiation strategies

Negotiation can take a wide variety of forms, from a trained negotiator acting on behalf of a particular organization or position in a formal setting, to an informal negotiation between friends. Negotiation can be contrasted with mediation, where a neutral third-party listens to each side's arguments and attempts to help craft an agreement between the parties. It can also be compared with arbitration, which resembles a legal proceeding. In arbitration, both sides make an argument as to the merits of their case and the arbitrator decides the outcome.

Negotiation theorists generally distinguish between two types of negotiation. Different theorists use different labels for the two general types and distinguish them in different ways.

## Distributive negotiation

Distributive negotiation is also sometimes called positional or hard-bargaining negotiation. It tends to approach negotiation on the model of haggling in a market. In a distributive negotiation, each side often adopts an extreme position, knowing that it will not be accepted, and then employs a combination of guile, bluffing, and brinksmanship in order to cede as little as possible before reaching a deal. Distributive bargainers conceive of negotiation as a process of distributing a fixed amount of value.

The term distributive implies that there is a finite amount of the thing being distributed or divided among the people involved. Sometimes this type of negotiation is referred to as the distribution of a “fixed pie.” There is only so much to go around, but the proportion to be distributed is variable. Distributive negotiation is also sometimes called win-lose because of the assumption that one person's gain results in another person's loss. A distributive negotiation often involves people who have never had a previous interactive relationship, nor are they likely to do so again in the near future. Simple everyday examples would be buying a car or a house.

### **Integrative negotiation**

Integrative negotiation is also sometimes called interest-based or principled negotiation. It is a set of techniques that attempts to improve the quality and likelihood of negotiated agreement by providing an alternative to traditional distributive negotiation techniques. While distributive negotiation assumes there is a fixed amount of value (a “fixed pie”) to be divided between the parties, integrative negotiation often attempts to create value in the course of the negotiation (“expand the pie”). It focuses on the underlying interests of the parties rather than their arbitrary starting positions, approaches negotiation as a shared problem rather than a personalized battle, and insists upon adherence to objective, principled criteria as the basis for agreement.

The word integrative implies some cooperation. Integrative negotiation often involves a higher degree of trust and the forming of a relationship. It can also involve creative problem-solving that aims to achieve mutual gains. It is also sometimes called win-win negotiation. (See Win-win game.)

### **Adversary or partner?**

The two basically different approaches to negotiating will require different tactics. In the distributive approach each negotiator is battling for the largest possible piece of the pie, so it may be quite appropriate - within certain limits - to regard the other side more as an adversary than a partner and to take a somewhat harder line. This would however be less appropriate if the idea were to hammer out an arrangement that is in the best interest of both sides. A good agreement is not one with maximum gain, but optimum gain. This does not by any means suggest that we should give up our own advantage for nothing. But a cooperative attitude will regularly pay dividends. What is gained is not at the expense of the other, but with him.

### **Employing an advocate**

A skilled negotiator may serve as an advocate for one party to the negotiation. The advocate attempts to obtain the most favorable outcomes possible for that party. In this process the negotiator attempts to determine the minimum outcome(s) the other party is (or parties are) willing to accept, then adjusts their demands accordingly. A "successful" negotiation in the advocacy approach is when the negotiator is able to obtain all or most of the outcomes their party desires, but without driving the other party to permanently break off negotiations, unless the best alternative to a negotiated agreement (BATNA) is acceptable.

Skilled negotiators may use a variety of tactics ranging from negotiation hypnosis, to a straightforward presentation of demands or setting of preconditions, to more deceptive approaches such as cherry picking. Intimidation and salami tactics may also play a part in swaying the outcome of negotiations. Another negotiation tactic is bad guy/good guy. Bad guy/good guy is when one negotiator acts as a bad guy by using anger and threats. The other negotiator acts as a good guy by being considerate and understanding. The good guy blames the bad guy for all the difficulties while trying to get concessions and agreement from the opponent.

### **The Getting to YES approach**

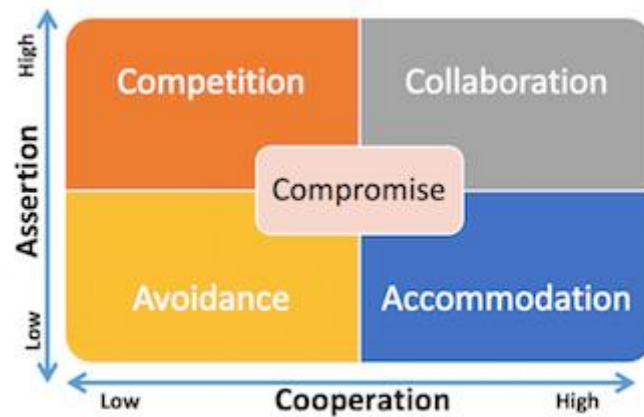
Getting to YES: Negotiating Agreement Without Giving In is a best-selling 1981 non-fiction book by Roger Fisher and William L. Ury. Reissued in 1991 with additional authorship credit to Bruce Patton, the book made appearances for years on Business Weeks "Best Seller" list. The book suggests a method called "principled negotiation or negotiation of merits." This method consists of four main steps: separating the people from the problem; focusing on interests, not positions; generating a variety of possibilities before deciding what to do; and insisting that the result be based on some objective standard.

### **Negotiation styles**

R.G. Shell identified five styles/responses to negotiation. Individuals can often have strong dispositions towards numerous styles; the style used during a negotiation depends on the context and the interests of the other party, among other factors. In addition, styles can change over time.

1. **Accommodating:** Individuals who enjoy solving the other party's problems and preserving personal relationships. Accommodators are sensitive to the emotional states, body language, and verbal signals of the other parties. They can, however, feel taken advantage of in situations when the other party places little emphasis on the relationship.
2. **Avoiding:** Individuals who do not like to negotiate and don't do it unless warranted. When negotiating, avoiders tend to defer and dodge the confrontational aspects of negotiating; however, they may be perceived as tactful and diplomatic.
3. **Collaborating:** Individuals who enjoy negotiations that involve solving tough problems in creative ways. Collaborators are good at using negotiations to understand the concerns and interests of the other parties. They can, however, create problems by transforming simple situations into more complex ones.
4. **Competing:** Individuals who enjoy negotiations because they present an opportunity to win something. Competitive negotiators have strong instincts for all aspects of negotiating and are often strategic. Because their style can dominate the bargaining process, competitive negotiators often neglect the importance of relationships.
5. **Compromising:** Individuals who are eager to close the deal by doing what is fair and equal for all parties involved in the negotiation. Compromisers can be useful when there is limited time to complete the deal; however, compromisers often unnecessarily rush the negotiation process and make concessions too quickly.

6.



### **Bad faith negotiation**

When a party pretends to negotiate, but secretly has no intention of compromising, the party is considered to be negotiating in bad faith. Bad faith is a concept in negotiation theory whereby parties pretend to reason to reach settlement, but have no intention to do so, for example, one political party may pretend to negotiate, with no intention to compromise, for political effect.

### **Inherent bad faith model in international relations and political psychology**

Bad faith in political science and political psychology refers to negotiating strategies in which there is no real intention to reach compromise, or a model of information processing. The "inherent bad faith model" of information processing is a theory in political psychology that was first put forth by Ole Holsti to explain the relationship between John Foster Dulles' beliefs and his model of information processing. It is the most widely studied model of one's opponent. A state is presumed to be implacably hostile, and contra-indicators of this are ignored. They are dismissed as propaganda ploys or signs of weakness. Examples are John Foster Dulles' position regarding the Soviet Union, or Hamas's position on the state of Israel.

### **Emotion in negotiation**

Emotions play an important part in the negotiation process, although it is only in recent years that their effect is being studied. Emotions have the potential to play either a positive or negative role in negotiation. During negotiations, the decision as to whether or not to settle rests in part on emotional factors. Negative emotions can cause intense and even irrational behavior, and can cause conflicts to escalate and negotiations to break down, but may be instrumental in attaining concessions. On the other hand, positive emotions often facilitate reaching an agreement and help to

maximize joint gains, but can also be instrumental in attaining concessions. Positive and negative discrete emotions can be strategically displayed to influence task and relational outcomes and may play out differently across cultural boundaries.



### **Affect effect**

Dispositional affects affect the various stages of the negotiation process: which strategies are planned to be used, which strategies are actually chosen, the way the other party and his or her intentions are perceived, their willingness to reach an agreement and the final negotiated outcomes. Positive affectivity (PA) and negative affectivity (NA) of one or more of the negotiating sides can lead to very different outcomes.

### **Positive affect in negotiation**

Even before the negotiation process starts, people in a positive mood have more confidence, and higher tendencies to plan to use a cooperative strategy. During the negotiation, negotiators who are in a positive mood tend to enjoy the interaction more, show less contentious behavior, use less aggressive tactics and more cooperative strategies. This in turn increases the likelihood that parties will reach their instrumental goals, and enhance the ability to find integrative gains. Indeed, compared with negotiators with negative or natural affectivity, negotiators with positive affectivity reached more agreements and tended to honor those agreements more. Those favorable outcomes are due to better decision-making processes, such as flexible thinking, creative problem solving, respect for others' perspectives, willingness to take risks and higher confidence. Post negotiation positive affect has beneficial consequences as well. It increases satisfaction with achieved outcome and influences one's desire for future interactions.

The PA aroused by reaching an agreement facilitates the dyadic relationship, which result in affective commitment that sets the stage for subsequent interactions. PA also has its drawbacks: it distorts perception of self-performance, such that performance is judged to be relatively better than it actually is. Thus, studies involving self-reports on achieved outcomes might be biased.

## **Negative affect in negotiation**

Negative affect has detrimental effects on various stages in the negotiation process. Although various negative emotions affect negotiation outcomes, by far the most researched is anger. Angry negotiators plan to use more competitive strategies and to cooperate less, even before the negotiation starts. These competitive strategies are related to reduced joint outcomes. During negotiations, anger disrupts the process by reducing the level of trust, clouding parties' judgment, narrowing parties' focus of attention and changing their central goal from reaching agreement to retaliating against the other side.

Angry negotiators pay less attention to opponent's interests and are less accurate in judging their interests, thus achieve lower joint gains. Moreover, because anger makes negotiators more self-centered in their preferences, it increases the likelihood that they will reject profitable offers. Opponents who really get angry (or cry, or otherwise lose control) are more likely to make errors: make sure they are in your favor. Anger does not help in achieving negotiation goals either: it reduces joint gains and does not help to boost personal gains, as angry negotiators do not succeed in claiming more for themselves. Moreover, negative emotions lead to acceptance of settlements that are not in the positive utility function but rather have a negative utility. However, expression of negative emotions during negotiation can sometimes be beneficial: legitimately expressed anger can be an effective way to show one's commitment, sincerity, and needs. Moreover, although NA reduces gains in integrative tasks, it is a better strategy than PA in distributive tasks (such as zero-sum). In his work on negative affect arousal and white noise, Seidner found support for the existence of a negative affect arousal mechanism through observations regarding the devaluation of speakers from other ethnic origins." Negotiation may be negatively affected, in turn, by submerged hostility toward an ethnic or gender group.

## **Conditions for emotion affect in negotiation**

Research indicates that negotiator's emotions do not necessarily affect the negotiation process. Albarracín et al. (2003) suggested that there are two conditions for emotional affect, both related to the ability (presence of environmental or cognitive disturbances) and the motivation:

1. Identification of the affect: requires high motivation, high ability or both.
2. Determination that the affect is relevant and important for the judgment: requires that either the motivation, the ability or both are low.

According to this model, emotions are expected to affect negotiations only when one is high and the other is low. When both ability and motivation are low the affect will not be identified, and when both are high the affect will be identified but discounted as irrelevant for judgment. A possible implication of this model is, for example, that the positive effects PA has on negotiations (as described above) will be seen only when either motivation or ability are low.

## **The effect of the partner's emotions**

Most studies on emotion in negotiations focus on the effect of the negotiator's own emotions on the process. However, what the other party feels might be just as important, as group emotions are known to affect processes both at the group and the personal levels. When it comes to negotiations, trust in the other party is a necessary condition for its emotion to affect, and visibility enhances the effect.

Emotions contribute to negotiation processes by signaling what one feels and thinks and can thus prevent the other party from engaging in destructive behaviors and to indicate what steps should be taken next: PA signals to keep in the same way, while NA points that mental or behavioral adjustments are needed.

Partner's emotions can have two basic effects on negotiator's emotions and behavior: mimetic/ reciprocal or complementary. For example, disappointment or sadness might lead to compassion and more cooperation.[20] In a study by Butt et al. (2005) which simulated real multi-phase negotiation, most people reacted to the partner's emotions in reciprocal, rather than complementary, manner. Specific emotions were found to have different effects on the opponent's feelings and strategies chosen:

- **Anger** caused the opponents to place lower demands and to concede more in a zero-sum negotiation, but also to evaluate the negotiation less favorably. It provoked both dominating and yielding behaviors of the opponent.
- **Pride** led to more integrative and compromise strategies by the partner.
- **Guilt** or **regret** expressed by the negotiator led to better impression of him by the opponent, however it also led the opponent to place higher demands. On the other hand, personal guilt was related to more satisfaction with what one achieved.
- **Worry** or **disappointment** left bad impression on the opponent, but led to relatively lower demands by the opponent.

### Problems with lab negotiation studies

Negotiation is a rather complex interaction. Capturing all its complexity is a very difficult task, let alone isolating and controlling only certain aspects of it. For this reason, most negotiation studies are done under laboratory conditions, and focus only on some aspects. Although lab studies have their advantages, they do have major drawbacks when studying emotions:

- Emotions in lab studies are usually manipulated and are therefore relatively 'cold' (not intense). Although those 'cold' emotions might be enough to show effects, they are qualitatively different from the 'hot' emotions often experienced during negotiations.
- In real life there is self-selection to which negotiation one gets into, which effects the emotional commitment, motivation and interests. However, this is not the case in lab studies.
- Lab studies tend to focus on relatively few well defined emotions. Real life scenarios provoke a much wider scale of emotions.
- Coding the emotions has a double catch: if done by a third side, some emotions might not be detected as the negotiator sublimates them for strategic reasons. Self-report measures might overcome this, but they are usually filled only before or after the process, and if filled during the process might interfere with it.

### Team negotiations



Due to globalization and growing business trends, negotiation in the form of teams is becoming widely adopted. Teams can effectively collaborate to break down a complex negotiation. There is more



knowledge and wisdom dispersed in a team than in a single mind. Writing, listening, and talking, are specific roles team members must satisfy. The capacity base of a team reduces the amount of blunder, and increases familiarity in a negotiation.

### **Etymology**

The word "negotiation" originated from the Latin expression, "negotiatum", past participle of negotiare which means "to carry on business". "Negotium" (from "Nec Otium") means literally "not leisure"

### **Barriers to negotiations**

- Die-hard bargainers.
- Lack of trust.
- Informational vacuums and negotiator's dilemma.
- Structural impediments.
- Spoilers.
- Cultural and gender differences.
- Communication problems.
- The power of dialogue.

### **Negotiation tactics**

There are many different ways to categorize the essential elements of negotiation.

One view of negotiation involves three basic elements: process, behavior and substance. The process refers to how the parties negotiate: the context of the negotiations, the parties to the negotiations, the tactics used by the parties, and the sequence and stages in which all of these plays out. Behavior refers to the relationships among these parties, the communication between them and the styles they adopt. The substance refers to what the parties negotiate over: the agenda, the issues (positions and - more helpfully - interests), the options, and the agreement(s) reached at the end.

Another view of negotiation comprises four elements: strategy, process, tools, and tactics. Strategy comprises the top-level goals - typically including relationship and the final outcome. Processes and tools include the steps that will be followed and the roles taken in both preparing for and negotiating with the other parties. Tactics include more detailed statements and actions and responses to others' statements and actions. Some add to this persuasion and influence, asserting that these have become integral to modern day negotiation success, and so should not be omitted.



Tactics are always an important part of the negotiating process. But tactics don't often jump up and down shouting "Here I am, look at me." If they did, the other side would see right through them and they would not be effective. More often than not they are subtle, difficult to identify and used for multiple purposes. Tactics are more frequently used in distributive negotiations and when the focus is on taking as much value off the table as possible. Many negotiation tactics exist. Below are a few commonly used tactics.

- **Auction:** The bidding process is designed to create competition. When multiple parties want the same thing, pit them against one another. When people know that they may lose out on something, they will want it even more. Not only do they want the thing that is being bid on, they also want to win, just to win. Taking advantage of someone's competitive nature can drive up the price.
- **Brinkmanship:** One party aggressively pursues a set of terms to the point at which the other negotiating party must either agree or walk away. Brinkmanship is a type of "hard nut" approach to bargaining in which one party pushes the other party to the "brink" or edge of what that party is willing to accommodate. Successful brinkmanship convinces the other party they have no choice but to accept the offer and there is no acceptable alternative to the proposed agreement.
- **Bogey:** Negotiators use the bogey tactic to pretend that an issue of little or no importance to him or her is very important. Then, later in the negotiation, the issue can be traded for a major concession of actual importance.
- **Chicken:** Negotiators propose extreme measures, often bluffs, to force the other party to chicken out and give them what they want. This tactic can be dangerous when parties are unwilling to back down and go through with the extreme measure.
- **Defence in Depth:** Several layers of decision-making authority are used to allow further concessions each time the agreement goes through a different level of authority. In other words, each time the offer goes to a decision maker, that decision maker asks to add another concession in order to close the deal.
- **Deadlines:** Give the other party a deadline forcing them to make a decision. This method uses time to apply pressure to the other party. Deadlines given can be actual or artificial.
- **Flinch:** Flinching is showing a strong negative physical reaction to a proposal. Common examples of flinching are gasping for air, or a visible expression of surprise or shock. The flinch can be done consciously or unconsciously. The flinch signals to the opposite party that you think the offer or proposal is absurd in hopes the other party will lower their aspirations. Seeing a physical reaction is more believable than hearing someone saying, "I'm shocked."

- **Good Guy/Bad Guy:** The good guy/bad guy approach is typically used in team negotiations where one member of the team makes extreme or unreasonable demands, and the other offers a more rational approach. This tactic is named after a police interrogation technique often portrayed in the media. The “good guy” will appear more reasonable and understanding, and therefore, easier to work with. In essence, it is using the law of relativity to attract cooperation. The good guy will appear more agreeable relative to the “bad guy.” This tactic is easy to spot because of its frequent use.
- **Highball/Lowball:** Depending on whether selling or buying, sellers or buyers use a ridiculously high, or ridiculously low opening offer that will never be achieved. The theory is that the extreme offer will cause the other party to reevaluate his or her own opening offer and move close to the resistance point (as far as you are willing to go to reach an agreement). Another advantage is that the person giving the extreme demand appears more flexible he or she makes concessions toward a more reasonable outcome. A danger of this tactic is that the opposite party may think negotiating is a waste of time.
- **The Nibble:** Nibbling is asking for proportionally small concessions that haven't been discussed previously just before closing the deal. This method takes advantage of the other party's desire to close by adding “just one more thing.”
- **Snow Job:** Negotiators overwhelm the other party with so much information that he or she has difficulty determining which facts are important, and which facts are diversions. Negotiators may also use technical language or jargon to mask a simple answer to a question asked by a non-expert.

### Nonverbal communication in negotiation

Communication is a key element of negotiation. Effective negotiation requires that participants effectively convey and interpret information. Participants in a negotiation will communicate information not only verbally but non-verbally through body language and gestures. By understanding how nonverbal communication works, a negotiator is better equipped to interpret the information other participants are leaking non-verbally while keeping secret those things that would inhibit his/her ability to negotiate.

## Body Language How people stand could say a lot about what they're thinking and feeling

**Arms Akimbo**  
Putting your hands on your hips with elbows out could say that you are displaying dominance, authority, or self-confidence.

**Feet Facing Directly Towards Someone**  
Facing someone with feet forward could say that you are interested in what someone is saying.

**Mirroring**  
Mirroring someone or imitating someone else's body language could say that you are interested in that person and also comfortable with their presence.

**Shaking your Legs**  
Moving your legs a lot could say that you are nervous, impatient or anxious.

**Lowering your Head**  
Lowering your head could say that you're ashamed of something, or that you're shy, or maybe hiding something, like the truth.



**Arched Eyebrows**  
Raised eyebrows could say that you are intrigued with what the person is saying.

**Direct Eye Contact**  
Looking into a person's eyes could say that you are interested in what they are saying.

**Blinking too much**  
Blinking your eyes too much could say that you are nervous or anxious.

**Squinting**  
Squinting your eyes could say that you feel threatened or unhappy.

**Arms Crossed**  
Crossing your arms in front of you could say that you are uncomfortable or defensive.

Even how you sit could communicate a particular behavior. You could come across as being extremely confident and relaxed, or unsure and timid.



### Examples of non-verbal communication in negotiation

**Non-verbal "anchoring"** In a negotiation, a person can gain the advantage by verbally expressing his/or her position first. By "anchoring" your position, you establish the position from which the negotiation will proceed. In a like manner, one can "anchor" and gain advantage with non-verbal (body language) cues.

- **Personal Space:** The person at the head of the table is the apparent symbol of power. Negotiators can repel this strategic advantage by positioning allies in the room to surround that individual.
- **First Impression:** Begin the negotiation with positive gestures and enthusiasm. Look the person in the eye with sincerity. If you cannot maintain eye contact, the other person might think you are hiding something or that you are insincere. Give a solid handshake.

**Reading non-verbal communication** Being able to read the non-verbal communication of another person can significantly aid in the communication process. By being aware of inconsistencies between a person's verbal and non-verbal communication and reconciling them, negotiators will be able to come to better resolutions. Examples of incongruity in body language include:

- **Nervous Laugh:** A laugh not matching the situation. This could be a sign of nervousness or discomfort. When this happens, it may be good to probe with questions to discover the person's true feelings.
- **Positive words but negative body language:** If someone asks their negotiation partner if they are annoyed and the person pounds their fist and responds sharply, "what makes you think anything is bothering me?"
- **Hands raised in a clenched position:** The person raising his/her hands in this position reveals frustration even when he/she is smiling. This is a signal that the person doing it may be holding back a negative attitude.
- If possible, it may be helpful for negotiation partners to spend time together in a comfortable setting outside of the negotiation room. Knowing how each partner non-verbally communicates outside of the negotiation setting will help

negotiation partners to sense incongruity between verbal and non-verbal communication within the negotiation setting.

**Conveying receptivity** They way negotiation partners position their bodies relative to each other may influence how receptive each is to the other person's message and ideas.

- Face and eyes: Receptive negotiators smile, make plenty of eye contact. This conveys the idea that there is more interest in the person than in what is being said. On the other hand, non-receptive negotiators make little to no eye contact. Their eyes may be squinted, jaw muscles clenched and head turned slightly away from the speaker
- Arms and hands: To show receptivity, negotiators should spread arms and open hands on table or relaxed on their lap. Negotiators show poor receptivity when their hands are clenched, crossed, positioned in front of their mouth, or rubbing the back of their neck.
- Legs and Feet: Receptive negotiators sit with legs together or one leg slightly in front of the other. When standing, they distribute weight evenly and place hands on their hips with their body tilted toward the speaker. Non-receptive negotiators stand with legs crossed, pointing away from the speaker.
- Torso: Receptive negotiators sit on the edge of their chair, unbutton their suit coat with their body tilted toward the speaker. Non-receptive negotiators may lean back in their chair and keep their suit coat buttoned.

Receptive negotiators tend to appear relaxed with their hands open and palms visibly displayed.

## **Attitudes**

All negotiation is strongly influenced by underlying attitudes to the process itself, for example attitudes to the issues and personalities involved in the particular case or attitudes linked to personal needs for recognition.

Always be aware that:

- Negotiation is **not** an arena for the realization of individual achievements.
- There can be resentment of the need to negotiate by those in authority.
- Certain features of negotiation may influence a person's behavior, for example some people may become defensive.

## **Knowledge**

The more knowledge you possess of the issues in question, the greater your participation in the process of negotiation. In other words, good preparation is essential.

Do your homework and gather as much information about the issues as you can. Furthermore, the way issues are negotiated must be understood as negotiating will require different methods in different situations.

## **Interpersonal Skills**

Good interpersonal skills are essential for effective negotiations, both in formal situations and in less formal or one-to-one negotiations.

These skills include:

- **Effective verbal communication.**  
*See our pages: [Verbal Communication](#) and [Effective Speaking](#).*
- **Listening.**  
*We provide a lot of advice to help you improve your listening skills, see our page [Active Listening](#).*
- **Reducing misunderstandings** is a key part of effective negotiation.  
*See our pages: [Reflection](#), [Clarification](#) and [The Ladder of Inference](#) for more information.*
- **Rapport Building.**  
*Build stronger working relationships based on mutual respect. See our pages: [Building Rapport](#) and [How to be Polite](#).*
- **Problem Solving.**  
*See our section on effective [Problem Solving](#).*
- **Decision Making.**  
*Learn some simple techniques to help you make better decisions, see our section: [Decision Making](#).*
- **Assertiveness.**  
*Assertiveness is an essential skill for successful negotiation. See our page: [Assertiveness Techniques](#) for more information.*
- **Dealing with Difficult Situations.**  
*See our page: [Communicating in Difficult Situations](#) for some tips and advice to make difficult communications, easier.*

## **Stages of Negotiation**

In order to achieve a desirable outcome, it may be useful to follow a structured approach to negotiation. For example, in a work situation a meeting may need to be arranged in which all parties involved can come together. The process of negotiation includes the following stages:

1. Preparation
2. Discussion
3. Clarification of goals
4. Negotiate towards a Win-Win outcome
5. Agreement
6. Implementation of a course of action

### **1. Preparation**

Before any negotiation takes place, a decision needs to be taken as to when and where a meeting will take place to discuss the problem and who will attend. Setting a limited time-scale can also be helpful to prevent the disagreement continuing.

This stage involves ensuring all the pertinent facts of the situation are known in order to clarify your own position. In the work example above, this would include knowing the 'rules' of your organisation, to whom help is given, when help is not

felt appropriate and the grounds for such refusals. Your organisation may well have policies to which you can refer in preparation for the negotiation. Undertaking preparation before discussing the disagreement will help to avoid further conflict and unnecessarily wasting time during the meeting.

## **2. Discussion**

During this stage, individuals or members of each side put forward the case as they see it, i.e. their understanding of the situation.

Key skills during this stage include questioning, listening and clarifying.

Sometimes it is helpful to take notes during the discussion stage to record all points put forward in case there is need for further clarification. It is extremely important to listen, as when disagreement takes place it is easy to make the mistake of saying too much and listening too little. Each side should have an equal opportunity to present their case.

## **3. Clarifying Goals**

From the discussion, the goals, interests and viewpoints of both sides of the disagreement need to be clarified.

It is helpful to list these factors in order of priority. Through this clarification it is often possible to identify or establish some common ground. Clarification is an essential part of the negotiation process, without it misunderstandings are likely to occur which may cause problems and barriers to reaching a beneficial outcome.

## **4. Negotiate Towards a Win-Win Outcome**

This stage focuses on what is termed a 'win-win' outcome where both sides feel they have gained something positive through the process of negotiation and both sides feel their point of view has been taken into consideration.

A win-win outcome is usually the best result. Although this may not always be possible, through negotiation, it should be the ultimate goal.

Suggestions of alternative strategies and compromises need to be considered at this point. Compromises are often positive alternatives which can often achieve greater benefit for all concerned compared to holding to the original positions.

## **5. Agreement**

Agreement can be achieved once understanding of both sides' viewpoints and interests have been considered.

It is essential to for everybody involved to keep an open mind in order to achieve an acceptable solution. Any agreement needs to be made perfectly clear so that both sides know what has been decided.

## **6. Implementing a Course of Action**

From the agreement, a course of action has to be implemented to carry through the decision.

## **Failure to Agree**

If the process of negotiation breaks down and agreement cannot be reached, then re-scheduling a further meeting is called for. This avoids all parties becoming embroiled in heated discussion or argument, which not only wastes time but can also damage future relationships.

At the subsequent meeting, the stages of negotiation should be repeated. Any new ideas or interests should be taken into account and the situation looked at afresh. At this stage it may also be helpful to look at other alternative solutions and/or bring in another person to mediate.

### **Informal Negotiation**

There are times when there is a need to negotiate more informally. At such times, when a difference of opinion arises, it might not be possible or appropriate to go through the stages set out above in a formal manner.

Nevertheless, remembering the key points in the stages of formal negotiation may be very helpful in a variety of informal situations.

### **How It Works (Example):**

Negotiations occur all the time in the business world, and they are often strategic in nature. In many cases, they require a good legal education and a good financial education so that the parties can understand each other, make sound decisions, and understand the potential consequences of those decisions.

Negotiation often takes place in these business situations:

1. Company A and Company B want to merge but must agree on price, financing, and management changes.
2. John Doe wants a job with Company XYZ but must negotiate his salary and benefits.
3. Company A wants to purchase supplies from Company B on certain payment terms.
4. Company A wants Company B to become a customer.
5. John Doe is suing Jane Smith, and Jane Smith offers to settle out of court for a certain amount of money.
6. Union ABC wants higher wages and pension contributions from Company XYZ.
7. Jane Smith wants to buy a house from John Doe.

### **Why It Matters:**

The list is endless. The important thing to remember is that negotiation is not necessarily adversarial; it often is a strategic process. The objective is to come up with an agreement that benefits all parties. Sometimes parties must give up some things, but this is indeed part of the negotiation, and giving something up frequently allows for gains in other areas of the negotiation.

The best negotiators prepare themselves by studying the situation extensively before entering the negotiating room. They also consider deadlines, timing, cultural expectations, personalities, and the distribution of information in their negotiating strategies.

## **CASE STUDY**



## Disney's Purchase of Lucasfilm



On October 30, 2013 the Walt Disney Company made a surprise announcement that it was acquiring Lucasfilm, home of the immensely successful Star Wars brand, from its founder, George Lucas, for \$4.05 billion, split evenly between stock and cash. Lucas was the sole shareholder in his company.

The acquisition bolstered Disney's status as a leader in animation and superhero films and gave it the opportunity to reap huge earnings from the already lucrative Star Wars media and merchandising empire. Disney promised to begin producing and releasing new films in the Star Wars franchise every two or three years. The acquisition even included a detailed script treatment for the next three Star Wars films.

The 68-year old Lucas decided to sell his company after beginning to plan his retirement several years ago. According to Walt Disney Chairman Robert Iger, a famous negotiator in Hollywood, he and Lucas conducted the negotiations personally, beginning in early 2011. Speaking of Lucas' decision to hand over his creative legacy to Disney, Iger told the *New York Times*, "There was a lot of trust there."

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