



## Reading

### ➤ Read the following.

We use negotiation techniques almost every day. We negotiated when we were kids trading sports cards or toys. We still do it today when we negotiate with the boss for a salary raise.

There are three relatively distinct types of negotiation:

#### ● Win-win negotiations

A win-win negotiation is an agreement-based negotiation and is also referred to as 'The Integrative Negotiation'. The word integrative means to join several parts into a whole. This implies some cooperation, or a joining of forces to achieve something together, which usually involves a higher degree of trust and a forming of a relationship. Both parties want to walk away feeling they've achieved something. In a win-win scenario, both parties come together to jointly solve a problem. Together they dig to fully understand each other's underlying interests, invent options that will meet everyone's core interests, ending up at minimum within their target ranges after fully taking into account each other's interests. In some cases, a win-win can mean that a new solution is found that improves the position of both parties.

#### ● Win-lose negotiations

This type refers to a distributive negotiation whereby one party's gain is another party's loss. While one side wins, the other loses and this outcome may well damage future relationships between the parties. Here, each party regards the other as an opponent and seeks to win the argument, without much regard for the outcome of the other party. In a win-lose scenario, one party falls within their target range (or better) and the other party falls outside their target range. This is also called the 'fixed-pie' scenario in that there is only a limited amount to be distributed.

#### ● Lose-lose negotiations

This type means that all parties end up being worse off. An example of this would be a budget-cutting negotiation in which all parties lose money. Cuts are essential--the question is where they will be made and who will be hurt. In some lose-lose situations, all parties understand that losses are unavoidable and that they will be evenly distributed. In such situations, lose-lose outcomes can be preferable to win-lose outcomes because the distribution is at least considered to be fair.

### ➤ Read the following two situations.

1. Say Sheila wants to sell her car. She recently moved into the city and found that her commute using public transportation is less expensive than the insurance, maintenance, and gas costs for her car. She checked the blue book\* and found that the car is worth about \$4700 but would be happy to get close to \$4200. Her next year's insurance payment will be due at the beginning of next month, so ideally, she'd like to sell the car before then. Jane's best case scenario is anything over \$4500. Her walk away point is \$4000.

\*A guidebook that compiles and quotes prices for new and used automobiles and other vehicles of all makes, models and types.

2. John is looking to buy his first car. He's saved up about \$3700. He recently made a big sale at work and expects an extra bonus check of about \$1000 later in the month that he plans to apply to the purchase as well. In the meantime, he wanted to start looking at the local used car market since a group of his friends plan to go hiking next weekend, so he'd love to avoid the car rental fee. His father suggested he start at \$3200 so he has room to negotiate. John's best case scenario is \$3200. His walk away point is \$4200.

➤ Read the following three scenarios and decide which negotiation outcome (win-win, win-lose, or lose-lose) each scenario represents.

### Scenario A

J: I'll give you \$3,200.

S: It's worth \$4,700. But I'll take \$4,400.

J: I only have \$3,700 total. Take it or leave it.

S: That's \$1,000 less than it's worth. No way.

After the negotiation, John thinks "Why didn't I buy the car? Now I have to rent a car for the hiking trip!" and Sheila thinks "Why didn't I take the deal? Now I have to pay another insurance payment."

### Scenario B

J: I'll give you \$3,200.

S: It's worth \$4,700. But I'll take \$4,400.

J: I'll give you \$3,500 in cash right now.

S: (I really don't want to pay that insurance premium . . . ) OK.

J: (Good! I have \$200 plus my bonus left over.)

S: (I should have held out for more.)

### Scenario C

J: I'll give you \$3,500.

S: It's worth \$4,700. But I'll take \$4,400.

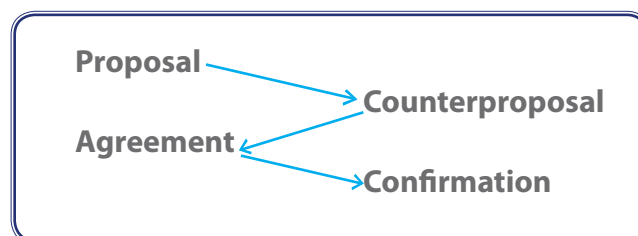
J: I could go a little higher if you're willing to take some now and the rest when get my bonus.

S: Can you do \$4,100 total?

J: I can pay \$3,700 now and \$400 in two weeks.

S + J: Deal!

➤ Here is a representation of the typical structure of a business negotiation.



Suggest a short business conversation with the above structure. Start with "I'm sure you can allow us a 10% discount?"

A proposal is an offer made by one party to the other. A successful proposal is one that results in an agreement. A counterproposal offers an alternative proposal that may suit both parties. This can happen when one party refuses or does not agree with the original proposal.

### Preparation for a negotiation

Thorough preparation is the most important prerequisite to effective negotiation. Neither experience, bargaining skill, nor persuasion on the part of the negotiator can compensate for the absence of preparation.

➤ Match each of the following aspects of good preparation (a – h) with why they are important (i – viii).

- a) Knowing what you want from a negotiation, what's your purpose, your aims and objectives
- b) Knowing what's the minimum deal. Decide what is the least (the lowest offer) you can accept for a deal
- c) Knowing where you can give way or make concessions
- d) Knowing your own strengths and weaknesses, taking the marketing SWOT\* analysis
- e) Preparing all support information; figures, numbers, pictures, and so on.
- f) Preparing an opening statement. Begin in general terms what you hope to achieve
- g) Knowing the other side, what they want, their strengths and weaknesses
- h) Organizing and planning an agenda
  - i) helps you to know the market, to see the negotiation in its proper context
  - ii) helps you to reach an agreement
  - iii) helps you to make your negotiation effective
  - iv) helps clear thinking and purpose
  - v) helps you to create the right atmosphere, helping things to be clear between the two sides
  - vi) helps you to find a compromise
  - vii) helps you to support your argument
  - viii) helps you to identify your own issues, priorities, and goals, as well as your opponent's issues, priorities, and goals

\*SWOT is a system that companies use to examine how well they are working, in order to help them improve and make plans for the future. SWOT is an abbreviation for 'strengths, weaknesses, opportunities and threats'. (See Day 49)

### Match each definition (A – E) with today's vocabulary word (1 – 5)

#### DEFINITIONS

- A. an agreement in an argument in which the people involved reduce their demands or change their opinion in order to agree
- B. a person who disagrees with something or a person you are competing against
- C. involving two people or groups that agree to help each other in a similar way
- D. the amount of money you have available to spend
- E. to accept or be able to deal with something that causes you difficulty

1. reciprocal
2. stomach (v)
3. compromise (n)
4. opponent
5. budget

### Fill in the blanks.

1. It is hoped that a c\_\_\_\_\_ise will be reached in today's talks.
2. The firm has drawn up a b\_\_\_\_\_t for the coming financial year.
3. He can't s\_\_\_\_\_h the idea that Jack might be the next chairman.
4. We have agreed to exchange information about our two companies, but strictly on a r\_\_\_\_\_al basis.