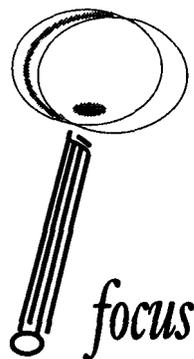


1

Planning for Negotiations



Learning Objectives

By the end of this chapter, you should be able to:

- Identify the true issues of a negotiation.
- Clearly define the primary objective of a negotiation.
- Assess the strengths and weaknesses of your opponent and yourself.

We define negotiation as the process by which opposing sides resolve their differences by bargaining with one another to reach a mutually acceptable agreement. Such differences are the issues to be dealt with, so the first step in the negotiation process is to identify the issues.

IDENTIFYING THE ISSUES

There is no trick to identifying issues in most of our managerial and personal activities. However, in the give-and-take of the marketplace and in our relations with those above, below, and equal to us in our company's organizational structure, the identification of issues takes on a new dimension. Specifically, if we are preparing for negotiations, both sides must see the issue in the same light if a mutually acceptable agreement is to be reached.

Example 1

The experience of a broker of expensive, one-of-a-kind household furnishings serves as a case in point. The furnishings with which he deals are generally heirlooms, and the selling price is determined by the owner. When an article is sold, the broker receives a fixed commission. If a sale is not made, he receives no compensation.

At first, the broker declined to deal with customers who sought to reduce the selling price below the initial asking figure. He saw such haggling as an open and defiant challenge to his ability to set a fair market price. These customers, of course, saw the issue as nothing more nor less than standard business practice.

After losing some customers who wanted to bargain, the broker opened his eyes and was able to see the issue for what it actually was—a simple difference in commercial practice. In short order, he learned to increase the asking price by 45 percent. Both parties now bargain until they reach a mutually acceptable agreement on price, and the broker frequently obtains a higher figure (and more commission) than he originally expected.

Example 2

A participant in a recent seminar for mid-level managers raised a hypothetical situation for group discussion. The situation, which involved an interpersonal conflict, is outlined below.

Facts

A computer programming firm had for many years relied almost exclusively on contracts with various federal agencies. "Sam Jones," manager of the company's federal systems branch, was personally responsible for securing the bulk of government contracts. "Dorothy Brown," head of the company's public relations office, worked in a position with limited managerial status. She and Sam had worked closely with one another in the Dallas home office and each held the other's abilities in high regard.

The president of the company decided it was time to concentrate more heavily on the private sector and announced a plan to open an office in Boston. At issue was the question of who would head the new operation. Both Sam and Dorothy were candidates for the job.

Problem

Sam believed that he was the most qualified person for the job. He also felt that he was ready for the promotion. Sam decided that if he was passed over he would resign.

When it was rumored that Dorothy was the president's favorite for the new position, Sam was furious. He prepared his letter of resignation. He saw the issue as one of gender discrimination in reverse. However, he was advised by a friend to tear up his letter to the president and try to get the Boston appointment by negotiating with the front office. "After all," the friend said, "PR is Dorothy's field. She's good at it. But as a regional office manager, she is likely to bomb."

Sam framed his arguments carefully and negotiated with the president for additional consideration on the basis of his perception of the issue—reverse gender discrimination.

The Result

Sam failed in his negotiation. Dorothy went to Boston and Sam resigned to go to work for another company.

Reason

Dorothy's selection had nothing to do with her gender. She was good at her job, and the company president saw the importance of a sound public relations effort in launching a new office structured to attract a new market. Also, Dorothy was born and brought up in Boston, so she had the added advantage of a thorough knowledge of the territory.

In each of these examples, there are inaccuracies in the way the issue was identified. Both the dealer in household furnishings and Sam, the manager of the federal systems branch, misread the elements of the situation with which they were dealing. Each saw the issue through his own eyes. Neither was able, at least initially, to step back and analyze the problem with an adequate degree of objectivity.

Analyzing the Situation

In the planning stages of negotiation, issue identification must be based on a series of assumptions. To achieve some degree of accuracy in the face of the sparse data generally available at this point, one must deconstruct the situation. This means breaking down an entity (the situational difference) into logical elements (issues), studying each facet objectively, and reassembling the results. There are several helpful guidelines for conducting such analysis:

1. Determine specific differences that could prevent agreement. Generally, these differences are relatively easy to distinguish.
2. Determine the extent of each difference by asking: "What am I willing to do to reach agreement and what can I realistically expect from my opponent?"
3. Determine what you would do if your role and your opponent's were reversed. If you can muster sufficient objectivity to make a sound case for your opponent, you can outline a realistic course of countermoves.

ESTABLISHING THE PRELIMINARY OBJECTIVE

Once the issues have been identified, the objective of the proposed negotiations will begin to emerge. Only the very inexperienced will feel that the objective of the negotiation is clearly defined at this early stage. In its broadest definition, the objective of any negotiation is to improve one's present position by dealing with resistance from an opponent's counter efforts to prevent such improvement.

As indicated, during the early stages of the negotiation process, little hard data are available to either of the opposing parties, and initial issue identification is based on a series of assumptions. This being the case, initial objectives must be sufficiently flexible to allow for major alteration, if indicated, as new data are developed.

As a general rule, the farther we try to project today's information into the future, the more variables we are likely to encounter. Thus, our decision-making becomes more vague (or our objectives less well defined) in direct

proportion to the time spread and the availability of applicable data. So we have an even more persuasive argument in favor of negotiation flexibility, that is, avoiding too firm positions very early in the game. The experienced negotiator will form open-ended positions that will serve as a base for planning until more refined data have been collected, collated, and examined.

In general it should be remembered that:

1. There are a few issues that are nonnegotiable and objectives based on these issues will not be achieved. These nonnegotiable issues are often difficult to identify during the planning stage.
2. Some issues are negotiable but at a higher price (or personal sacrifice) than others. Objectives based on such issues can probably be achieved if the negotiator's motivation is strong.
3. There are readily negotiable issues, too. In some cases, these are genuine areas of easy agreement. In others, however, they may exist only to conceal issues of a more serious sort. Here, there is a risk of inadvertently paying a higher price than necessary.

ASSESSING STRENGTHS AND WEAKNESSES

An essential ingredient of effective planning for negotiation is an assessment of the assumed strengths and weaknesses of both parties. It is interesting to note that, for each strength, there usually is a corresponding weakness to be considered.

Assessing the Opponent

The following simple checklist will provide a useful indicator of relative bargaining strengths and weaknesses:

1. How much competition is present?
2. How important to each party is the resolution of various differences?
3. How likely is it that your objective will be achieved?
4. How likely is it that your opponent's objective will be achieved?
5. How serious are the consequences to either side if agreement is not reached?
6. How much time is available to reach an agreement?

When answering the first question, it is wise to note that there is a difference between apparent competition and actual competition, as anyone who has engaged in comparative shopping will readily see. Time is a major factor in this area. If the transmission has dropped out of your car, you don't have time to engage in shopping around. Many times you have to take the service that the closest automobile garage is willing to give.

It should also be stressed that wise negotiators, whether they guide their companies in transactions with other companies, work through knotty

personnel problems, or develop the best deal in personal matters, take particular care to ensure that they do not overestimate their strengths or their opponents' weaknesses. Aesop's fables contain a number of stories that teach us that people who reach for more than they can grasp often end up with less than they can hold. There are numerous examples in contemporary experience too.

Sometimes opponents in a negotiation submit demands that are astronomical, because negotiations must start somewhere. However, each side should consider the motivation of the opponent, the presence or absence of competition, and the possibility of alternative solutions before shutting the door.

Assessing the Negotiator

As the analysis proceeds, negotiators should not forget to take their own strengths and weaknesses into consideration. They should think about whether their own attitudes or patterns of behavior are likely to influence the objective of their opponents. They will be well advised to ask themselves if they normally:

1. Perform a thorough analysis of the existing facts and the negotiation environment and consider the alternatives available to the other side.
2. Take an objective stance in conducting the analysis.
3. Give more than they get.
4. Exhibit a pattern of behavior that may affect the negotiations. For example, do they tend to stall before conceding a point when faced with a threat to end negotiations?
5. Change positions abruptly, indicating uncertainty.
6. In the case of team negotiations, have a permanent bargaining team. Or do members of the team change frequently? A permanent bargaining team indicates that management recognizes value of negotiation as a management tool. Team members may range all the way from professional colleagues (as in the case of negotiating changes in company procedure), through advisors from other disciplines (as in contract negotiations), to a spouse (as in the case of a home purchase). Team members may also be persons who remain in the background and do not appear at actual negotiation sessions.

These questions should be a part of every negotiator's analysis of the opponent. These points will be discussed in more detail, but, regardless of whether he or she is the one initiating or resolving the challenge to the status quo, the negotiator should include adequate background information in the preliminary evaluation of strengths and weaknesses. In a sense, the successful negotiator is like a successful handicapper of horse races—a professional who does his or her homework and leaves as little as possible to chance.



During the planning phase of negotiation, each side concerns itself with analyzing the other's position. Often this consists of open questioning. In the marketplace, for example, the seller may come to the buyer with questions regarding aspects of the prospective sale that are not clear; the buyer frequently uses the planning period to deal with any obviously

questionable areas of the seller's offer or proposal.

Each side reviews the apparent strengths and weaknesses of its own position and the opponent's. Each begins to develop a program of attack that may be dismantled easily if necessary. The planning period is the time to gather information, to assess it, and to make preliminary outlines of issues to be negotiated. Generally, only tentative plans are formulated during this period, because there are not enough hard data available to determine accurately the true objectives from the other side.



Review Questions

INSTRUCTIONS: Here is the first set of review questions in this course. Answering the questions following each chapter will give you a chance to check your comprehension of the concepts as they are presented and will reinforce your understanding of them.

As you can see below, the answer to each numbered question is printed to the side of the question. Before beginning, you should conceal the answers.

1. What is the first step in negotiation? 1. (c)
 - (a) Set the time
 - (b) Select the location
 - (c) Identify the issues
 - (d) Recruit a team

2. Both sides should see the issues of a negotiation in the same light to get a successful result. 2. (a)
 - (a) True
 - (b) False

3. Deconstructive analysis is best described as: 3. (b)
 - (a) a method for destroying opposition.
 - (b) a tool to obtain additional information.
 - (c) analysis used only with a strong bargaining position.
 - (d) improper for consumer protection.

4. The basic objective of negotiation is to: 4. (c)
 - (a) manage resistance.
 - (b) counter an opponent's efforts.
 - (c) improve your position.
 - (d) never concede an issue.

5. Initial objectives must be: 5. (a)
 - (a) flexible.
 - (b) fixed.
 - (c) ambiguous.
 - (d) limited.

6. A cardinal rule of negotiation is to _____ your own weaknesses. 6. (b)
- (a) underestimate
 - (b) assess objectively
 - (c) ignore
 - (d) overestimate
7. What is the purpose of planning negotiations in advance? 7. (d)
- (a) Identify the issues
 - (b) Establish the preliminary objective
 - (c) Assess the strengths and weaknesses of both parties
 - (d) All the above