
UNIT 7 NEGOTIATION SKILLS

Objectives

After studying this unit, you should be able to :-

- Define negotiation
- Understand and explain different steps of negotiation
- Describe the various skills required for each step
- Make the use of negotiation skills in selling process

Structure

- 7.1 Introduction
- 7.2 What is Negotiation
- 7.3 Difference Between Selling and Negotiating
- 7.4 The Negotiating Continuum
- 7.5 Steps of Negotiation
 - 7.5.1 Prepare
 - 7.5.2 Discussion
 - 7.5.3 Signaling Behavior
 - 7.5.4 Proposing
 - 7.5.5 Packaging the Offer
 - 7.5.6 Bargaining
 - 7.5.7 Closing and Agreeing
 - 7.5.8 Deadlock
- 7.6 Negotiation Strategies
 - 7.6.1 Strike Back
 - 7.6.2 Give In
 - 7.6.3 Break Off
- 7.7 Principles of Sales Negotiations
- 7.8 Summary
- 7.9 Key Words
- 7.10 Self-Assessment Questions
- 7.11 Further Readings

7.1 INTRODUCTION

Negotiation is a fact of life. It is the basic means of getting what you want from others. It is a two-way communication process designed to reach an agreement when the two sides have some interests' that are shared and others that are opposed. When we look around ourselves we find that almost everything needs to be negotiated - whether in business, industry or family.

Negotiation is a demanding activity and the best way to learn it is to practice it with seasoned negotiators and get a personal feedback. It is essentially a practitioners art. The primary objective of every negotiation is goal achievement. Both the sides involved in negotiation will have their own goals. But the desirable goal is a "win-win" situation - with a win-win situation both the parties get a feeling of satisfaction with the outcome.

7.2 WHAT IS A NEGOTIATION

Negotiation can be defined as a process for resolving conflict between two or more parties where both or all modify their demands to achieve a mutually acceptable solution. You may note from this definition some of the following important points.

- Negotiation is a process of resolving conflicts and if there are no conflicts, there is no need to negotiate.
- There is a need to resolve conflicts, more so with our customers. If we don't resolve conflicts we may even lose them.
- Negotiation does not mean persuading the others to accept our offer. Rather we should listen to others, and their propositions. If possible modify one stand or suggest/guide the others to modify their demand.
- Through negotiations we try to reach at a mutually acceptable compromise to solve a problem.



7.3 DIFFERENCE BETWEEN ‘SELLING ‘ AND ‘NEGOTIATING’

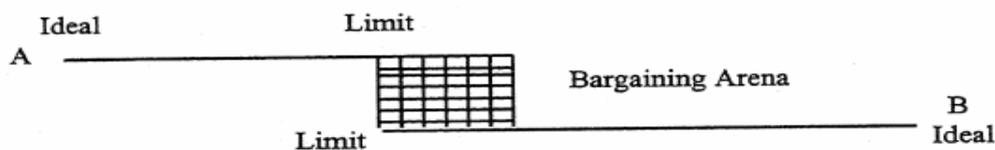
SELLING: Can be described as the Process of identifying customers, then getting through to them and persuading them to act, or accept our propositions.

Whereas **NEGOTIATING** is a : Process of getting the best terms, once the other side starts to act on their interest.

One important point to keep in mind is that negotiation is not just stating a grievance or point of conflict. As you must have experienced complaints at best can produce apologies and at worst, they lead to arguments. In negotiation what we really want is to suggest, or encourage a proposal which will put things right, and take the parties concerned to an acceptable solution. In the selling situations, whenever the buyer and the seller differ on terms on sale, be it price, discounts, terms or place of delivery, a negotiation opportunity arises.

7.4 THE NEGOTIATING CONTINUUM

Negotiation involves movement of both the parties. Thus in a negotiation we must have somewhere to move from and somewhere to move to. We move from our ideal position to a settlement point that is acceptable to both parties. Our opponent also does exactly the same. It is the relative bargaining strength and skill of the negotiators that decides the position of this settlement point.



This sample diagram is static. Negotiation in reality however is a dynamic process. Both the sides often, as the negotiation proceeds have to review and modify their limits. If you look at the above continuum in the context of sales process as a sales person your ideal position is to sell your product at maximum benefit while from the customers angle the ideal position may be to get all the benefits at a much lower price. As the sales process moves both of you are likely to move from ideal positions and reach a mutually agreeable state if the transaction has to take place.

Activity 1

Analyse the past sale agreements on some of your senior sales persons or those of any other organisation, that you are familiar with, Discuss with the concerned sales persons to find out.

- a) What is the kind of movement along the negotiating continuum did they make in those sales agreement.
- b) What are the type of movement they were able to get their customers to agree to.

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7.5 STEPS OF NEGOTIATION

The negotiating process, for understanding purposes is broken down into following steps through which negotiations will go, if agreement is to be reached. However, please keep in mind that this is not a rigid order, and the time and attention devoted to different steps varies.

However, it is essential for you to appreciate the importance of each stage, irrespective of their sequence in which they may take place. Table 1 summaries each of these studies.

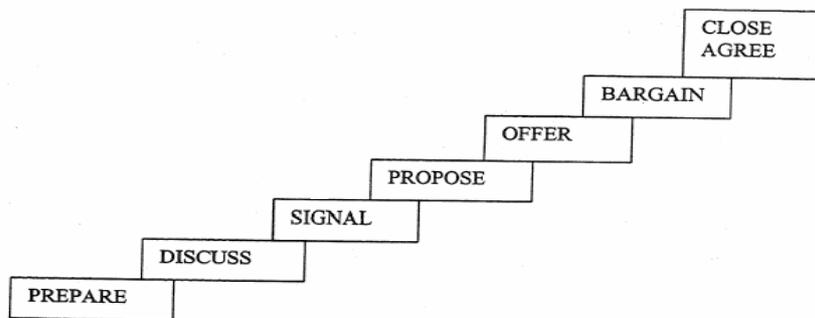


Table 1: Different Steps Of Negotiation

Steps	What you should do
i) Preparing	<ul style="list-style-type: none"> - Have you decided your objectives ? - Have you prioritized them? - Are they realistic - What are your opponent's objectives - Do you have any information regarding buyer attitudes, personalities, assumptions etc. - Is your strategy simple and flexible - In a group negotiation, have each members tasks been clearly defined.
ii) Discussion	<ul style="list-style-type: none"> - Always try to avoid interrupting, talking too much, using sarcasm and threats. - Practice listening, and summarizing.
iii) Signaling	<ul style="list-style-type: none"> - Is your signal generating some movement. - What signals save you made? If your signals have been ignored, have you tried rewording them. - Are you listening attentively for your opponents' signals.
iv) Proposing	<ul style="list-style-type: none"> - What is the language you are using to convey your proposal. - Have you itemized your proposal - While receiving a proposal ensure that you do not interrupt it.
v) Offer	<ul style="list-style-type: none"> - Before making an offer review your opponents and your own objectives. - How can your offer meet all/some of your opponents inhibitions/objectives - Have you considered all the possible variables in your offer.
vi) Bargaining	<ul style="list-style-type: none"> - Everything must be conditional - Decide what you require in exchange for your concessions - Keep all unsettled issues linked
vii) Closing and agreeing	<ul style="list-style-type: none"> - Decide where you intend to stop trading - What type of close are you going to use - Always list the agreement in detail - If the agreement is oral, always send a written note to your opponent, as soon as possible after the meeting.

Source: Gavin Kennedy, John Benson and John McMillan, *Managing Negotiations*, (London: Hutchonson Business, 1990)



Activity 2

Discuss with 2-3 senior negotiators in your organisation or any other organisation that you are familiar with. Let some of them be from the sales field and others from administrative (e.g. HRD) or policy fields. Try to find out what has in general been the sequence of the steps in the negotiating exercise in their case. Does the sequence vary across situations?

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Look at the family situations requiring negotiation. Do the negotiation steps remain the same? If not, how do they vary?

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7.5.1 Prepare

What you do, or don't do, before you arrive at the negotiating table will become evident when you get to negotiations. If you are not fully prepared you can only react to events, you cannot lead them. In the preparation phase you define what needs to be achieved and also decide how it will be achieved, As a negotiator you must know what you want in the short term and in the long term. You must be clear why you want them. You must be aware of your opponents expectations and environment. For easy understanding we can sub-divide preparation under a number of key headings: - objectives, information, concessions, strategy and tasks.

Objectives

The first priority in preparation is to decide your objectives as everything else will follow this. Once you decide your objectives, you must assign relative priorities and question how realistic they are. If your objective is clearly unattainable you are not likely to gain anything from negotiation. Once you decide your objectives, these also become your criteria for measuring whether the negotiation has been a "success" or a "failure". The first step in deciding objectives is to make a list of all your objectives. The objectives set in any negotiation are only fixed at a given moment of time. Circumstances, people, information and so many other factors can alter the objectives and their ranking. After you have listed down all the objectives you can classify them into three categories: -

- Like to get
- Intend to get
- Must get .

Relating this step to the sales process as a salesperson it is very important that you decide your call objectives before you meet the customer and categorize them, E.g. from a particular customer you may Like to get : order for 20 machines at 25% profit margin.

- Intend to get: order for 20 machines at 20% profit margin.
- Must get: order for 15 machines at 17% profit margin.

Information

To establish and prioritize your objectives realistically, considerable amount of information is required. The person with the best information in a negotiation carries a lot of power. After you collect all the information you have to then decide which information to use and which not to use. After deciding your sales objective the more information you can gather about your customer in terms of his personality, likes and dislikes, past usage pattern etc. the easier it will be for you to plan a strategy to deal with him.



Strategy

Strategy as a separate step will be discussed in detail later in this unit. However you must keep in mind that in preparation phase your strategy will need to be mapped out. Thus the framework of game plan you need to follow to achieve your objectives must be clear. Always ensure that your strategy is not too inflexible. It should be able to respond to developments within the negotiation. Thus, at any stage of negotiation, if you feel that the strategy is not working you must be able to modify it.

Tasks

In the day-to-day minor negotiations where we are involved, we act as an individual rather than as a member of a team. However in more important negotiations both the groups involved are likely to have more than one member. In such situations where the group has more than one member it becomes very essential that each member's role and the tasks he has to do are clearly defined and explained. Many times when you are calling a major customer, you may visit him as a team from your company. At such meetings it is important that everyone in your team knows what exactly his role is and what he is going to say during negotiations.

7.5.2 Discussion or Arguing

The second step in the process of negotiation is the discussion. This step is also called arguing. Within the second step of discussion we will also look at another important aspect of negotiations i.e. signaling.

When the parties involved in negotiation first meet each other, they are aware of the conflict of issues between them. In the instance where the parties have not met each other before this they are most wary of each other. Thus, during the opening phase of the negotiations the atmosphere tends to be very tense.

The discussion step is a major opportunity as you can gain all kind of information regarding the other party's behaviour, his intentions, his objectives from him only. To gather more and more useful information about your opponent, however you must avoid the habit of interrupting your opponent when he is speaking.

As is normally seen when emotions are charged up, most of us make certain threats, not necessarily intending to carry them out. The most natural reaction to a threat from either side is a counter threat from the other party. In such a situation during a negotiation both the parties may end up with mutual exchange of sanctions. Thus it becomes very critical, that as a party involved in negotiation you depict constructive behaviour. But the problem is, how to show constructive behaviour ?

The most important thing is to listen more than you talk. Your positive listening must be supported and followed by positive talking behavior. The technique for doing this is to ask open questions which will encourage your opponent to explain and elaborate his views and ideas.

When the discussions are in progress, one of the factors that will determine the outcome is how well you can send signals. We learnt at the beginning of the unit that the essence of negotiation is movement along the continuum. Both the parties involved need to move from their ideal state to mutually acceptable state. The parties involved in the negotiations use sanctions and incentives to ensure movement towards their ideal state.

7.5.3 Signaling Behaviour

When you are involved in negotiations the way to handle concessions with confidence is to develop skills in signaling behavior. A good negotiator always tests how strong is his opponent's apparent stonewall position. This is the same situation which any salesman recognizes when he is facing objections from his customers. The first thing that a good salesman does in such a situation is to test whether the objection is real or false. So he will



ask his customer, "If I was able to overcome this problem, would you be prepared to buy?" For a real objection the customer's answer to the above question is yes. With the help of signals, the parties involved in negotiations indicate their willingness to negotiate.

What is a Signal?

The dictionary defines signal as a message. For any message to convey the meaning it has to be interpreted correctly by the receiver. Signals are qualifications placed on a statement of a position. Thus, instead of saying 'I will never agree to your demands' you may say, "In the *present* from your demands are unacceptable to me". A signal is expected to lead to movement.

How to signal: For signals to convey message effectively it is essential that the parties involved in negotiations are listening to each other. What normally happens is that as both the parties are focusing on their issues, many times they will miss the signals and prolong the argument. If you are not listening to what your opponent is saying and how he is saying it, you will inevitably miss his signals. However there are many situations during negotiation when you may want to consciously miss a signal. Consciously missing a signal requires a different skill.

During a deadlock, if you are willing to negotiate a solution, you can try to break the argument by signaling or responding positively to signals sent by your opponent. Remember, the method to signal is by adding qualifications to your statements. For e.g. 'It is not a *normal* practice over here to give credit', '*Everything* you are suggesting cannot be accepted etc.

What to do when your opponent ignores the signal: If there is no response to your signals from your opponent you must analyze first whether he has missed the signal or is intentionally ignoring the signal. If your opponent has missed the signal you can either repeat it verbatim or in modified form. 'Everything you are suggesting cannot be accepted in its current form' can be repeated as 'you cannot expect us to accept everything you are suggesting in its current form'.

After having tried a signal, repeated it in different forms, and positively responded to any signals from your opponent, you must decide whether you want to move out of discussion or more importantly whether negotiations are possible in current circumstances.

Activity 3

If possible observe some negotiating processes in your organisation. Study and list the type of signals you observed during the process, from the side of both the parties. Study the list: are fully after the negotiations are over. Does the sequence of the signals give any indication of the type of 'movement' in the negotiating process. Comment.

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7.5.4 Proposing

Discussions, opinions and prejudices cannot be negotiated, only proposals can. When an argument is prolonged, the way out is by a signal which leads to a proposal. In the context of negotiation a proposal is an offer which establishes a realistic opening position.

When you are presenting an initial proposal you would most likely state your ideal position, and your language will effect the firmness of your position, 'I had expected much better service'.

When you present a secondary proposal you are trying to initiate a move forward to common ground. Thus the language used for secondary proposals in most cases is tentative. 'I may look into the possibility of considering this'.

How to Present a Proposal: The best way to present a proposal is to keep it separate from reasoning and justification. The reasoning must be reserved for only those cases where it is



absolutely necessary. The party that puts the proposal first usually gains an upper position in the negotiation as after having put the proposal, it can always seek a response, "Is my proposal acceptable?"

How to receive a proposal: To effectively receive a proposal, *you* must curb two common behavior patterns : interrupting and instant rejection. When you interrupt a proposal you are likely to miss something which was yet to be proposed as very often experienced negotiator will tag a concession at the end of a proposal.

The other important behavior to control is instant rejection. Even when the opponent's proposal is absolutely unacceptable to you, treat the proposal and the preparer with some respect. Listen carefully to the complete proposal and then ask questions to clarify the point that may not be clear to you. If you are well prepared then reply to the proposal and in case you need some time to finalize ask for an adjournment. The most useful skill in handling proposals and counter-proposals is the summarizing skill. Regular summarizing of issues keeps both the parties concentrated to issues.

Adjournments

The main purpose of an adjournment is to review and assess progress against the set objectives. The actual number and frequency of adjournments depends upon the practice of negotiators involved

Activity 4

Selling Consumer durable, especially through personal selling, represents a situation when the consumer may present corresponding objections and need corresponding rounds of proposals before he/she agrees to buy. Talk to some salesmen of such products, like, Vacuum cleaners, water filters, home appliances, and delivery services, and collect information on their first proposal and second proposal formulation.

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7.5.5 Packaging the Offer

Offer moves the negotiations into the bargaining arena. But before the bargaining begins, one should package the offer, suitably.

What is an offer: In the context of negotiations, an offer is a considered activity in response to the opening moves of the negotiation. When you present an offer, you present the variables in a form which more clearly matches the other party's interests and inhibitions.

Before presenting the offer you must think carefully and creatively about all the possible variables.

7.5.6 Bargaining

Bargaining is about exchange - you give up something and gain something. This is the most intense phase of negotiation.

The single most important rule of bargaining is to make all propositions and concessions, conditional. Thus while bargaining you give away nothing absolutely nothing free. You always use the big IF.

"If you agree to X, I will agree to Y"

Another point to keep in mind is put your bargaining proposals as statements and not as questions 'If you inform the discounts, and promise to deliver in seven days, then I will process the order'.



While during the proposal step you make tentative offers. 'I will consider', 'I will look into' etc. in the bargaining step you firm up your proposals and become more positive 'If you do X, I will do Y'.

Very often in negotiation, a party will present a list of demands, objections, requirements etc. followed by the 'logical' suggestion that each item is dealt with one at a time. If other party presents such an idea, don't agree to such a demand. Always try to ensure that you keep all the issues in dispute linked. If you agree to negotiate item by item the other party has good chances of squeezing you.

7.5.7 closing and Agreeing

The purpose of closing is to lead both the parties to final agreement. Thus closing must be credible. Your closing package must meet enough of your opponents needs to be acceptable. Two common types of closes used during negotiations are concession close and summary close.

Concession Close: When you use a concession close you terminate the bargaining step by offering a concession to secure agreement.

Summary Close: Summary close terminates the bargaining step by summarizing everything that has been agreed upto then, highlighting the concessions that the customers have secured from your side, and emphasizing the benefits of agreeing to what is on the table.

Agreeing is the last step towards which both the parties have been working. The purpose of closing is to secure agreement to what is on offer. It is of utmost importance that both or all the parties involved are absolutely clear on what they have agreed to before they leave the table.

7.5.8 Deadlock

We have seen all the steps of negotiation process. During any of the steps negotiations could enter deadlock. A deadlock stops the negotiation process deadlock has a price. Its most obvious price is the fact that the time spent in trying to negotiate a deal becomes a dead loss to the organisation, if the deadlock is irresolvable.

Deadlocks occur in many negotiations despite the best efforts of the negotiators. Some deadlocks are temporary, others can be permanent.

The way to handle deadlock is to keep your emotions, prejudices out of the issue and work towards finding some common objectives. Your basic intention should be to get negotiation process moving again, so as to enable a solution, acceptable to both parties.

7.6 NEGOTIATION STRATEGIES

During the negotiation process, as the discussion happen you would be reacting to the other party's continents in various ways. However three natural reactions that are commonly observed in most people are:

7.6.1 Strike Back

In this strategy you respond to your customer in the same tone and language as he is doing to you. Occasionally striking back will show your prospective that you can also play the same game and will make him stop. But more often this strategy will land you in a futile and costly confrontation.

7.6.2 Give in

Many times your customer may succeed in making you feel so uncomfortable with the negotiations that you give in just to be done with it. Giving in results in an unsatisfactory

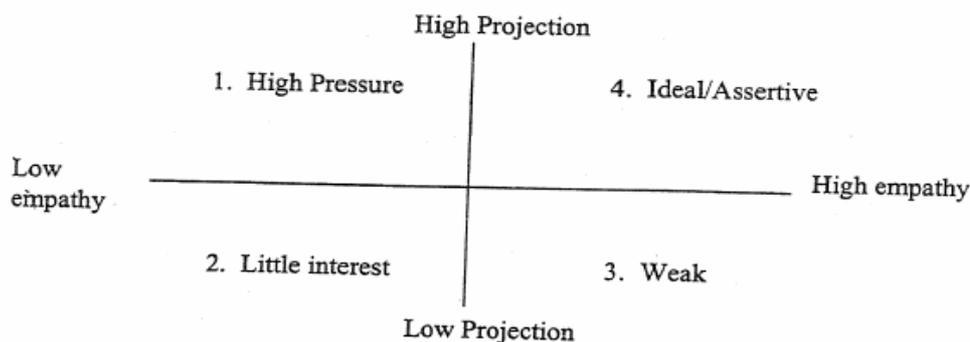


outcome specially for you. Giving in also gives you a reputation for weakness that your opponent and others may try to exploit in the future.

7.6.3 Break Off

At times, the negotiation process can come to such a stage, that avoidance is a perfectly appropriate strategy. Sometimes it is better to end a business relationship if continuing wear being taken advantage of or getting into fights again and again. But the costs of a break off are high. Breaking off is frequently a hasty reaction that you come to regret later.

This negotiating requires you to be a very good communicator. As we stated earlier the objective of negotiation should be a 'win-win' solution for both the parties. This requires that you show empathy with the other person. If we consider empathy and overall projection (i.e. how you come over to others by your tone, language etc.), we can have four kinds of communications:



Type 1 High Pressure Communicator: He is the kind of person who is over aggressive and insensitive to other person's feelings. He feels, due to sheer pressure, he can win over the argument. In fact, mostly what happens is that as he has very low empathy, it becomes self-defeating and switches off the other people who are taking part in negotiation.

Type 2 Little Interest Communicator: He is the kind of person, who has little interest in either person, or surprisingly his own ideas. His general attitude in the process is take it or leave it kind. It often appears that mentally he has no interest in the process of negotiation. Thus a lack of commitment to the whole process tends to just run the process.

Type 3 Weak Communicator: He is the kind of person, who is over sensitive to the other person's needs and comes over as essentially nice. He can take the side of the other person so much on occasion that there is no persuasion and thus no commitment is achieved.

Type 4 The Ideal/Assertive Communicator: He is the kind of person who has understanding of the other person's ideas but is also firm about his ideas. He produces agreement and commitment to the satisfaction of both the sides.

7.7 PRINCIPLES OF NEGOTIATIONS

To end this unit on negotiation, let's summarize the principles of negotiation: -

- 1) Negotiation is about bargaining to reach a mutually agreeable outcome. Thus your endeavor should be a win-win outcome for both the parties.
- 2) Never neglect your preparation and you must have a clear plan. It is also advisable that you select the right starting point.
- 3) All the participants of the negotiation must regard each other as equals as mutual respect is essential to both the conduct and the outcome of negotiation.
- 4) always keep in mind that negotiation is not a debate but a discussion. Therefore each person must 'fight his corner' without trying to overdominate or show one-upmanship.



- 5) Patience is a key characteristic of a good negotiator, thus take your time and do not rush into decision making. Delay is much better than a poor outcome.
- 6) Empathy is another vital characteristic, therefore see things from other's point of view objectively.
- 7) State clearly your objectives and take a feedback as to whether the other person has clearly understood your objectives or not.
- 8) Avoid confrontation and avoid getting into a corner you cannot get out of. When you have to disagree, do it carefully. When you have to make concessions, make them one at a time, unwillingly.
- 9) Aim high, and settle as high as possible. Know when to drop the whole thing rather than agree to a totally inappropriate deal.
- 10) Maintain your stamina.
- 11) Never underestimate people.
- 12) End positively. Neither party will get exactly what they want, but the deal should be agreeable.

7.8 SUMMARY

Negotiation is about bargaining to reach a mutually agreeable outcome. As a party to negotiation your endeavor should be a win-win outcome for both the sides. All the participants of negotiation must regard each other as equals. If you want to be a good negotiator patience should be your key characteristic. Always end positively. Remember neither party will get what they want, but the final deal should be agreeable to both the sides.

7.9 KEYWORDS

- Negotiation** : Process for resolving conflict between two or more parties when both or all modify their demands to achieve a mutually acceptable compromise
- Preparation** : The activities you carry out before you arrive at negotiation table.
- Signals** : Qualifications placed on a statement of a position to convey a message.
- Offer** : Considered activity in response. to the opening moves of the negotiation.
- Bargaining** : Process of exchange : going up something to gain something.

7.10 SELF-ASSESSMENT QUESTIONS

1. Discuss how negotiations and conflicts go hand in hand with each other?
2. Do you think you need to prepare yourself in advance for negotiations? What specific preparations you would do to meet a prospect for sales negotiations.
3. Differentiate between deadlock, stonewallings and non-conclusive negotiations.



7.11 FURTHER READINGS

1. Gavin Kennedy, John Benson and John McMillan, *Managing Negotiations*, (London: Hutchonson Business, 1990)
2. John Lidstone, *Mammal of Sales Negotiations*, (England: Govers, 1991).