Objectives: Learn

- How to prepare for a negotiation
- The importance of articulating your goals, interests and expectations
- Effective strategies for engaging the other party
- The value of defining the issues to be negotiated
- Strategies for opening and closing the deal
Prepare the Negotiation Plan

► Create Your Best-Case Scenario
  ► Ideal outcome, but realistic
► Create Your Fall Back Position
  ► Ok deal; would make you happy
► Create a BATNA
  ► Best Alternative to a Negotiated Agreement
► Decide on Your Walk Away Point
  ► Prevents you from making a bad deal
Preparing for a Compensation Negotiation

- **Best Case Scenario**
  - $60,000 salary, 4 weeks vacation, 6 month review, work from home 2 days/wk

- **Fall Back Position**
  - $55,000 salary, 3 weeks vacation, annual review, work from home 1 day/week

- **BATNA** - current job, other job, school

- **Walk away Point**
  - $50,000 salary, 2 weeks vacation, no planned review, in office 5 days a week
Goals, Interests and Expectations

- What do you really want? Why?

- Set an optimistic, justifiable target
  - “The worst they can do is say no” - not true.

- Be specific - write this in your negotiation plan

- Commit to your goals/interests - if you are not sure, it won’t work.

- Carry your goals with you into the negotiation
Engaging the Other Party

- Look for common ground
  - How might it serve the other party to help you achieve your goals?
- What are the other party’s interests
- Why might the other person say no?
  - Budget, policy, equity/fairness
- Provide a rationale/story for why you deserve what you are asking for
Decide the Issues to Negotiate

- Salary
- Vacation/Personal Leave
- Relocation Costs
- Retirement
- Educational/Training Benefits
- Working from home
- Hours
Opening the Deal Part One

- **Tactical Bargaining Questions**
  - Good tactics depend upon your situation
  - With a competitive negotiator, you may have to become competitive

- **Should I make the first offer?**
  - Depends on how much information you have
  - No - if you don’t have very much information
  - Yes - if you are well informed about bargaining range [It lets you set the range and anchors it]
Bargaining Range

- **Seller:** must have at least $9,000 but wants $14,000
- **Buyer:** Can’t pay more than $10,000 but want to pay less

- $9,000 $10,000
Opening the Deal Part 2

- **Should I open optimistically or realistically**
  - In a relationship negotiation, a fair or accommodating opening is best
  - In a transaction relationship, open optimistically if you have some leverage
    - But optimistic offer needs to be based on standards or arguments

- **Optimistic openings work in transactional relationships because they incur:**
  - Contrast Principle
  - Reciprocity Principle
Making Concessions

- People feel better when they receive concessions
  - Language of cooperation
  - Example - Horse Farm

- What sort of Concession Strategy Works Best
  - When relationship matters more than the issue, accommodation is best.
  - In transactions - when only the stakes matter - a firm concession strategy is best.
What is a Firm Concession Strategy?

- Open optimistically & hold for a bit
- Show willingness to bargain
- Concede slowly
- Do not make big concessions too early - suggests you really want the deal and what you conceded was not important to you
Closing the Deal

- **Closing Factor 1 - Injecting Urgency by Using Scarcity**
  - Increasing sense of scarcity increases pressure to make a deal
  - Competition: scarcity due to many people wanting the same thing
  - Deadline - scarcity due to time running out
  - Ultimatums - walking away from the table

- **Closing Factor 2 -- Over-commitment to the Bargaining Process**
  - Leveraging loss aversion
    - Trying to win back money; holding on to falling stocks