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NEGOTIATION STRATEGY

Negotiating Dilemmas

In negotiating we do not know what the other side will accept, and in some cases we are not absolutely clear about our own limits or negotiation strategy. This creates three common negotiating dilemmas:

1. When and how to open.
2. How far to move and when.
3. How long to hang on.

All negotiators suffer the stress associated with making decisions where some of the facts are unknown. Experience and research can help to reduce these; however they will never be enough to completely eliminate the stress associated with negotiating. Decision making in gray areas is a notoriously difficult task and this is why careful preparation is often the key to success. Preparation may not equip you with all the answers ahead of opening a negotiation but it should help you to take appropriate action if and when events take an unexpected turn.

Doing Your Research

Preparation involves information gathering - knowing the state of the market, being aware of the supply and demand status, being aware of any current or imminent discounts and special offers. This applies both with respect to your organization and your competitors. Knowing the true market value of the deal is important. People often make assumptions about value which are based on little more than anecdotal evidence about the state of the market. Conversely you may have developed a significant market intelligence and then fail to capitalize on this hard won information - by assuming that the other side has the same knowledge, when this may not be the case. As with so many areas in modern business life - information is the key to success. Therefore, you should ensure that your information is at least as good, if not better than the other sides.

Commercial Intelligence

You should ensure that you have access to your competitor's sales literature, price options and be aware of their strengths and weaknesses as an organization. There are many ways of keeping an eye on the competition; you can use industry contacts, the media and the internet to help your research. An organization may have dealt with one of your competitors before and have found their products and or services to be unsatisfactory. In this case they may try to present them as legitimate competition simply to weaken your negotiating position. In this scenario your knowledge of the relationship between one of your competitors and your customer may undermine their use of this tactic. Research can turn up information that can fundamentally change a negotiating position, consider the following example: A software salesman working for a company supplying medical administration systems to doctors has been using the internet to gather information about a major competitor.

In doing so, he has discovered a web site run by an independent user group, which highlights some major deficiencies in his competitor's products and support. He will be able to use this information to his advantage in future sales presentations and will be able to focus on the advantages of his products, knowing that the competitor has recognized weaknesses in these areas.

Organizational and Personal Factors

Where possible you should also research both the organization and the individual that you'll be negotiating with. If your organization has had dealings with them in the past then seek

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details of these earlier transactions. Alternatively you may need to use similar research tactics as you would use to assess the competition - industry contacts, the media and the internet.

Consider the following organizational factors:

1. Why is the organization negotiating?
2. What does it hope to gain?
3. What is it afraid of losing?
4. How strong is it now, in terms of market position, managerial knowledge and human resources?
5. What are the trends in its recent industry or region?
6. What is the history of its negotiating style - cooperative or confrontational?

Consider the following personal factors:

1. Are they an experienced negotiator?
2. What is their personal style: aggressive, persuasive, amiable or other?
3. What is their background: do you have similar experiences; will they understand your arguments?
4. What is their reputation - honest and open or secretive and selfish?
5. Are you likely to be dealing with this person again in the future - will the relationship be ongoing?

The Power Dimension

The more sources from which you can obtain what you want, the stronger your position; and the fewer such options you have the weaker your position. However it can be dangerous to assume that what you think, regarding this power dimension, actually applies in practice. You should be aware that the other side may be using a tactical ploy to convince you to change your position.

It doesn't really matter that much whether you are buying or selling if you get the power dimension to work for you rather than against you. Many of the moves and tactics in a negotiation are attempts to alter the other side's perception of the power dimension.

Most sellers are overly concerned with the power of the buyers and the extent of the competition. It is quite common for salespeople to psyche themselves into a weak position by focusing on their misconceptions of these two critical issues. Firstly, sellers may pre-empt the negotiation by deciding that the competition has already beaten a path to the buyers door, they may also believe remarks made by the other side regarding the strength of the competition.

Altering the Balance of Power

The more skillfully you can maneuver the other side's subjective views of the power relationship in your favor the less relevant the objective power balance of the marketplace is to the outcome of the negotiation.

Put another way - it is not an article of faith that the buyer holds the strong position. If you enter a negotiation believing that the other side has the power then this will be the case. The critical question is not who is the buyer? and who the seller - but who can get the power dimension to work for them. An example of this is the international oil crisis of 1973 which was precipitated by a simple change in the relationship between the Arab oil states and the Western oil companies.

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Up until that time the Arab oil states had been convinced that they as the sellers were in the weak position. In a classic manoeuvre the seller adopted the strong position. The Arab states decided that they held the power and organized themselves accordingly. The power dimension in the negotiations was reversed, the world's oil prices skyrocketed and the Arab states became extremely wealthy.

Negotiating from a Weak Position

Whilst negotiating from a genuinely weak position is difficult, you can help yourself beforehand by recognizing any weaknesses and trying to think of a positive spin on them. For example:

"I'll have to concede that we're more expensive but our components are far more reliable than any of our competitors."

"There are newer products on the market, admittedly, but our track record is unrivaled."

"I know you can buy cheaper, but if you go with us you can rest assured that 20% of the price goes directly to the producers in the developing world."

"If you're willing to pay the slight premium attached to our ingredients you will be able to use the 'organically grown' logo on your packaging."

In all of the above examples an undeniable weakness is being conceded, but then countered with some positive information.

Addressing the Details

It is important that the major areas of the deal are considered in the preparation phase. If possible the details of the deal should also be addressed, ensuring that you are clear about your objectives.

Both sides should be clear about just what the whole deal will entail. One of the best ways to remember to address all of the important details is to think in terms of 'What if?' questions.

Consider the major "what if" clauses that should be discussed when you are considering the long term hire of a vehicle.

1. What if I have an accident.
2. What if another person wants to drive.
3. What if the vehicle breaks down.
4. What if the vehicle is stolen or vandalized.
5. What if we dispute the condition of the vehicle on its return.
6. What if I am late in returning the vehicle.

This list is by no means comprehensive, but it illustrates the main issues that need to be considered in addition to the main item – the cost of the hire.

This tutorial is an excerpt from the GetAhead in Business Negotiations course.

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