CHAPTER 38

Preparing a Negotiation Strategy: A Step-by-Step Approach

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ABSTRACT

Organisational outcomes often rely on negotiated agreements and these negotiated agreements can have significant consequences that are felt beyond the point of negotiation and/or alter responsibility. Managers negotiate over remuneration, collaborations, objectives, disagreements and shared undertakings. But when there is no structure and insights are based on instinct, understanding is weakened. Experience and research show that poor preparation has a negative impact on results and doesn't get results to stick. The usual mistake is to get in, and decide how to proceed as a negotiation proceeds. This article contends that groundwork is the most important and outlines a series of seven steps which are interrelated but not identical, namely: clarify objectives, identify the underlying interests of the stakeholders, collect and analyse the information, jointly assess the best alternative to a negotiated agreement (BATNA), design the groundwork strategy and approach, plan the communication and management of the groundwork relationship, and review the negotiation following to learn from it. The steps build on each other and have their own goals. Systematically implemented, the method refines decisions, maintains balance, creates long-lasting agreements and sustains work relationships in stressful situations. The article is written for those who are studying management and for practising managers in environments with fast-changing conditions.

Keywords: Negotiation strategy; Preparation; BATNA; Stakeholder analysis; Managerial negotiation.

1.0 Introduction

Negotiation influences the process of work in organisations, although it is rarely explicitly referenced. Managers talk with suppliers about price every day, as well as other issues such as quality and delivery.

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Services and payments are covered in agreements with clients. Performance-based objectives, compensation considerations, and future career prospects come into consideration when talking to employers and employees. There are ongoing discussions between those who are leading team projects and with other external organisations, for longer-term projects.

When assigning tasks, tweaking deadlines, resolving the small bickering in a team, or deciding who gets what resource, there are implicit trade-offs that are made. These activities are not often viewed as negotiation, yet they are continually influencing the outcome. The pattern is unnamed so that many managers go through the motions of decisions that they might not otherwise make, and the opportunity to create a pattern through a structured process is lost in the regularity of routine.

Negotiation is evolving as organisations are working more internationally. When organisations are connected across the world, conversations occur between people from different countries and have different experiences. In these exchanges, the variations in the ways in which speech is regulated, in customs, and in ethics are not usually harmonized. There are more changes wrought by technology: information flows quickly, confidentiality is difficult to maintain and the advantage of the information might change suddenly. With increased flow of information, competition increases, and pressure mounts from investors and workers demanding more clarity. Organisations want to transform, mitigate costs and bring in new concepts without the relationships with various partners changing. If conversations are not well planned and have no clear direction, then resources are used inefficiently, trust dissipates, processes become chaotic and important opportunities are lost.

The first step in preparation is to collect the necessary data early to make decisions more clear as work goes forward. Negotiating successfully doesn't require loud or articulate speech. The most effective preparation is done long before a discussion begins: by looking at the situation, outlining goals and clarifying what each person really needs. Each course of action is weighed for the time being until a strategy can be found to direct the next course of action. In the case of a solid foundation, emotions are less likely to "get the better of" them, the unexpected is less likely to "throw them a curve ball," and reactions are more likely to be thoughtful and outcomes are more likely to be "win-win" (Lewicki et al., 2020).

This article focuses on the preparations phase and not the actual negotiation. It will explore how the aim of a complete strategy can be built up in stages, using some elements from the largely published literature on negotiation, and also from managerial practice. Both play a role in determining an individual's position carefully, in managing the change in the relative advantage and in achieving results that are valid. The approach may be useful for those who enter into managerial careers, or for students of management: it is derived from research and is practical.

2.0 Concept Explanation: Negotiation and Strategic Preparation

Negotiation occurs when there is some interdependence, but conflict. The advantage might lie mainly with one, but the progress is made where both move. Despite the fact that both sides need each other, it is hard to achieve common goals when there are conflicting views. Outcomes are built up in a collaborative manner with parties who are not able to influence the outcomes themselves: exchange creates agreement. The process cannot be unilateral and if one partner is unwilling to move, it fails. Consent is still needed in a relationship that is unequal, albeit large (Fisher et al., 2011).

The way the discussion will go from the start depends on decisions made beforehand. The essentials are decided and where there is flexibility, it is decided, before anyone has spoken, and this framing forges the course of the exchange, and is flexible when needed. The movements are not improvised, but are performed in a set order.

Often negotiations are described as distributive, with a fixed amount of value available to be divided, or integrative, where the parties try to get the two sides to share in an arrangement that increases the value available to both. (Shell, 2006). When there is scarcity, people get territorial, and they question every concession. Open enquiry, on the other hand, often yields unexpected possibilities. Most real-life exchanges mix both elements and preparation is about finding the space for manoeuvre that lies within the seemingly restrictive parameters.

Early decisions have consequences for future relationships. Poorly drawn agreements can lead to long-term contracts with terms that are not beneficial, and trust can be lost as working together becomes more difficult. With clear foresight, these risks are minimised as evidence is properly weighed, and both parties are treated fairly, and what happens is aligned with what was intended.

3.0 A Seven-Step Approach to Preparing a Negotiation Strategy

3.1 Step one: Clarifying objectives

Defining a negotiation's goal establishes the pathway for the rest of the negotiation. The next decision is influenced by the preceding one. If there are no goals to be achieved, attention becomes distracted, little things are more significant and concessions are made too early. Outcomes may then not have any real need.

There are three levels that can be distinguished. Ideal outcome is the best that someone could hope for, even if it's a lofty goal. Realistic targets are those that are possible under the circumstances. The reservation point is the worst outcome possible once the deal becomes unfeasible. These are the ones that keep the mind open to reasoning if things heat up; at each level there is a space and emotion has a smaller influence on the long-term results. In addition to measurable issues like price, time, volume, and length of time, intangible factors should also be taken into account, like mutual respect, honesty, standing in an industry and future opportunities for collaboration. When negotiations are in line with the overall goals of the organisation, outcomes are more sustainable, rather than providing short-term benefits and solutions. With the exact focus of what's important, proposals can be fairly evaluated during the discussion.

3.2 Step two: Identifying stakeholders and understanding interests

The person at the table does not usually make a decision by himself. Other voices speak, sometimes without their own voice, and shape results in and out of the room. Implementation relies on people not involved in the negotiations once agreements are made. So, the question of who has influence, is early rather than late.

In an organisation, stakeholders can range from senior management, finance, legal advisors, even from the operational staffs and employees in general. Externally they could be suppliers, customers, regulators, funders and partners. Objectives vary and so do constraints and the pressures experienced by each. Outcomes shift accordingly. Those involved follow different ideologies and a list of names reveals little. People's requests often say more about their needs than their wishes; sometimes a bit more. A supplier's desire to offer the lowest price might be out of a fear of some unspoken cost pressures. When root causes become visible, paths forward become visible too and tension is released, not by repetition of positions, but by realising what is at stake and how it affects us.

3.3 Step three: Gathering and analysing information

When negotiating, information is power. Preparation, therefore, involves grouping together accurate, up-to-date material that illuminates the situation and, thus, reduces the frequency of surprises and allows decisions to be made based on facts and not assumptions.

It might also encompass any changes in the price of the market in question, industry standards, cost factors, budget constraints, any applicable legislation or regulation, practices of each organisation and their history of interactions with one another, which often form implicit expectations. When negotiations span across national lines, culture influences the parties' arguments, listening and staying quiet (Brett, 2014).

Having access to such material can give a negotiator an idea of what an agreement really needs. A proposal might only be acceptable to one party under certain circumstances. In cases where demands seem significant, the rationale for such demands is usually worth exploring. Predicting resistance can be easier if one knows how the other party is going to react. When considering the situation carefully, a negotiator can see patterns and what potential barriers and opportunities may be there to achieving an agreement. The use of partial data or reporting or on skewed reporting generates strategies that fall short.

Obtaining information through legitimate means also establishes over time respect and mutual confidence. Evidence supports and informs a position and offers potential for shared benefit.

3.4 Step four: Assessing BATNA and the reservation point

BATNA (Best Alternative to a Negotiated Agreement) is the most desirable alternative option if negotiations break down (Fisher et al., 2011). It helps to know how easily the other party can give up, as it will let you know if it is a risk or easy for the other party to walk away. Often, the natural leveling at the table is relative to what each side has to look forward to if they are unable to reach agreement.

The first step in preparation is to develop one's own alternative in a proper manner by a negotiator. A buyer could reach out to other suppliers and an employee may look for other job opportunities if an offer doesn't work out. The alternatives available to the other party also are important to estimate, as they will impact the extent of their willingness to budge. The reservation point comes immediately after, and is the worst possible scenario that you'll settle for. If negotiations stall, this is a good way to avoid accepting anything less than nothing. It serves as a benchmark for decision-making—one that helps to keep it on track instead of veering off course because of fatigue or pressure. Once both are set, it is much simpler to get out of an unappealing deal.

3.5 Step five: Designing the strategy and approach

The foundation is built with Objectives, Stakeholders, Information and Alternatives. Out of these an approach emerges, based on priorities, boundaries and the relationship of the parties. People's relationships are as important as what they want, and they make their choices based on balance, not force. The matter of shared value creation, sticking to specific issues and any mixture of the two will set the tone for the remainder of the meeting. The order in which topics are dealt with also has an influence on the way the discussion progresses: the order that one member considers negotiable, may be fixed by the other member. Starting with less contentious issues often smooths the way with more challenging issues later on and establishes a working relationship that is needed when more challenging issues do arise. The key is to be both solid and cooperative. Be sure to protect what is important, but press too hard and the relationship can suffer and the value it has for both parties will be diminished. Keeping a bit of openness helps, as things change as the discussion goes on. Planning is what gives clarity, and there's enough room for adaption to make the responses useful as new information becomes available.

3.6 Step six: Planning communication and relationship management

The facts that are not part of an agreement is much of what is in the agreement.

Vague language is a stumbling block for logic, and when language is ambiguous, a good strategy is unraveling. Although a listener may not hear exactly what the speaker intended, the response will be based on what the listener did hear. The tone shapes reception, which pauses implies a change in consequence, and the first speaker sets the tone for what follows. To listen = to not talk. The genuine curiosity leads to a discussion that turns onto more productive lines, and connections follow, after some thought, that don't follow on their own without this. If sentences are timed, there will be reduced tension. Evidence is not enough to shape outcomes - emotion is. When anger comes out of the blue, clarity is lost, clarity of thought is reduced, and responses happen before thinking. One rude remark follows another. One rude remark follows another. This is an aspect of planning and not an add-on, and the preparation for it is an essential part of planning.

Where assertion is lacking, conduct is important. Little things add up, and it's what you do that counts most when it really counts. When a party's conduct is straight, it is communicating effectively without the need for any claim, and fair dealing is still influencing the relationship after negotiation has ended.

3.7 Step seven: Evaluation and post-negotiation learning

To close an agreement successfully takes more than looking at the finish line. Looking back on the conversation to remind future practice of how it went. In many cases, the parties focus on winning or losing and do not take the time to reflect on his or her own behavior in the negotiating session. When discussion has ended it is important to determine if goals were achieved, how the process went and the nature of the relationship between the parties. Reflecting on outcomes and challenges will help make better choices next time. Learning is better retained if teams go back to their practice post-agreements. By viewing negotiations as opportunities for development, managers can predict with greater accuracy, and not only does capability improve continually, it does so at a greater rate where reflection doesn't end at the negotiation table.

4.0 Managerial Implications

The steps outlined in this document offer a framework for negotiating, rather than a formula to follow, so that participants can negotiate more deliberately than instinctively or reactively. It involves logical thinking and social skills, as well as moral judgment. Systematic preparation leads to increased consistency, increased confidence and better results for managers and provides a basis for further development in negotiation theory. Preparation in complex and changing business environments helps minimize risk in negotiating, and helps maximize value creation and stakeholder relationship building. Managers who take the time to plan are better equipped to manage relative advantage differences, to be able to jointly manage and resolve conflict, and to find workable agreements that may be beneficial for the organisation's objectives.

5.0 Conclusion

The outcome of a negotiation, as well as the results itself, depend on preparation. There will be some level of fluency during discussion, but much more important will be the work that has been done in advance. The seven steps explored in this article offer that structure: clarifying objectives, mapping out who has the power and what they really need, assembling credible information, determining alternatives and boundaries, designing an approach, planning communication and relationship process, and reviewing the negotiation after it's over. Careful planning enables managers to negotiate carefully and build in arrangements that will resist short-term agreements and ensure fairness and link to longer-term goals. The way in which trade-offs are managed is as important as the outcome of the trade-offs themselves. Judicious judgment can be mistaken where there is lack of clarity in an approach. It is intentional, not concession, that drives progress.

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