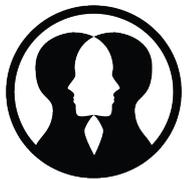


Art of negotiation and presentation techniques

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BME FTT

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Negotiation types
struggle for positions, tug of war,
bargain/exchange.

Salary negotiation.

Position bargaining

- When we start a negotiation, we need to take positions.
- Experience on the other hand tells us that one of the most common mistakes one can make during a negotiation is that we do not or cannot distinguish between our real interests and the positions we took.

Position bargaining cont'd

- We usually identify the other party's interest and her/his position.
- However, the real set of goals and system of interests interests hide **behind the position**. The real problems, system of interests are much more structured than the positions in general.
- The position is narrow, rigid lacks information, therefore it does not provide enough room for manoeuvre. It is the interest and goals behind the position that need to be explored in order to be able to be flexible during a negotiation. This flexibility is inevitable if we want to reach an agreement between the originally conflicting parties.

Position bargaining cont'd

- **Our own position** usually is an answer to our own problems, needs, interests. Therefore, in most cases it completely neglects the other party's interests that hide behind their position, and the original problem of the other party.
→ it follows that the positions get stuck and do not move, in some cases there is no way to conciliate them.
- **Our position** may be a solution, an answer to our problems, it is the essence of all this in a way. But: in many cases it does not contain information about the real, the basic problem.
- For successful negotiation, we need RAMB (Realistic Agreement of Mutual Benefits), and for the RAMB we need to deconstruct:
 - **our own position:** find our original system of interests and original problems behind,
 - **the partner's position:** find her/his original system of interests and original problems behind,

Tug of war

- Typical to single transaction negotiations, where the relationship between the parties is of minor importance.
- The tug of war is in the range that lies between the ask price of the seller and the offer or bid price of the buyer.
- Agreement is reached if the limit price of the seller is below the limit of the buyer. The transaction price is usually close to the average of the two initial prices.

- **Gain of the buyer:** the difference of the transaction price and the ask price. his/her loss: the difference between his/her offer and the transaction.
- **Gain of the seller:** the difference between the offer and the transaction, his/her loss: difference between the transaction and the ask price.

Tug of war cont'd

- **Toolkit:** fight for the position: protecting our own position, challenging the position of the partner. Sometimes the fight is really bad. We belittle the product of the seller in order to bring the price down. Sometimes the target of the attack is the seller himself, bullying may also be part of the fight.
- Because of the kind of bargaining, we are tempted to consider it a lose-lose process.
 - None of the parties is happy with the agreement: as a buyer we think we paid too much, as a seller, we feel that we got less than should have.
 - Instead of improving the relationship, the tug of war destroys it.
- If the stake is not too high, and the transaction is not too big, it may be the right choice..



When should we give discount?

Whatever we do, it is a communication act!

- **What will the other party think?** Giving discount means losing? We need to be careful with the discounts!
- **When should we offer the discount?** Definitely not in the opening position!
 - We may risk that the discount will be "priced in", built in the opening position
 - Wait until the other party gives her/his offer. Let's see if he finds our position unreasonable or not
- **How much discount should we give?**
 - If the discount is too big, the message may be that the original price was not realistic.
 - It is important to show that the discount is a result of a serious consideration.
- **What do I get in exchange?** „If..., then..." type schema should be used
- **The discount may also be a kind of present, sign of goodwill** but even in this case we need to stress that there is a discount.

Exercise: what do you offer in exchange?

Put HUF 2.500-2.500 on the table.

- One of the parties has to take it all, 5000.
- Goal: search for alternative „payments” that can make the party that is left without cash agree. Both parties should be happy with the deal.



Bargain/exchange

- **Alternative to the tug of war:** trade of packages.
- **Goal:** to acquire the packages that suits us the But: in order to achieve this, we need to offer the other party a good package.
- One of the most important tool is the QUESTION.
- In order to make this strategy work, we have to know exactly what we are able to offer. Preferences must be established.
- We must see the difference between the other party telling his needs, and us figuring out what we can offer.
→ Our interest is that we take the lead.

Bargain/Exchange cont'd

The basis of every bargain is the preferences of the two parties

- What is it that you consider the most important in this deal?
- What is the second most important?
- Clearly defined preferences lead to successful bargain.

Toolkit:

- **Offer:**
 - I offer something in exchange of something else. If you give me this, i give you that.... I offer something for a price. Give the other party what he wants basd on your conditions..
- **Questions leading to exploring the other party's preferences:**
 - What is important for you in this deal?
 - What is the preference order among these?
 - What can the other party offer in exchange:
 - What can you offer, so that i can give you what you ask for?

Bargain/Exchange cont'd

- Basic exchange vehicle is cash.
- But: there are a series of alternatives to money.
- These „currencies” help us find an agreement.
- Negotiation helps us define the agreement.
- **Appropriate currency:** ato whom it pays with it, keeps the costs low, to the person who receives it, it is of great value.



Bargain/Exchange cont'd

- **Financial factors:**
 - Discount, long-term contract, extended payment deadline, paid holidays, billing, fleet, incentives.
- **Human resources:**
 - Labour borrowing, consulting, maintenance, technical assistance.
- **Building/equipment sharing:**
 - Peak time assistance, limited availability of tools, office sharing, leasing.
- **Information sharing:**
 - Practice-, getting experience, usage of data
- **Incentives:**
 - important client
- **Minimizing risk:**
 - Warranty

Bargain/Exchange cont'd

- Érdemes elképzelni, hogy a vevőnek milyen további feladatai vannak az üzletkötést követően, és ebben milyen valutákkal tudna segíteni az eladó
- Más tárgyalási helyzetnél is érdemes a megegyezést követő folyamatot átgondolni

Ennek fényében könnyebb értékes valutákat ajánlani:

- Mi tehetné könnyebbé a másik fél helyzetét?
 - Pl. fizetés módja
- Hogyan jut el a másik félhez az áru?
 - Pl. szállítás
- Mit tesz az áruval, ha megérkezik?
 - Pl. raktározási lehetőségek
- Hogyan osztja szét a terméket?
 - Pl. csomagolás, marketing

Job negotiation

- A job negotiation, especially if it is with an incoming employee, on top of the salary, covers a series of issues, e.g. scope, trainings, benefits, etc..
- Such a negotiation is extremely complex different negotiation technique methods, tricks are to be considered and used. A job negotiation is kind of a *Christmas tree* for someone studying negotiation techniques

Job negotiation cont'd

- We should only accept a job offer, if our overall, general position gets improved as a result of the new position. In order to make a decision we need to develop the BATNA and make the comparison.
- The negotiation may partially be a bargain/exchange type, e.g. if the employer offers us a company car in exchange of lower salary or early working hours.
- Position bargaining can also be an issue on both sides.

Job negotiation cont'd

- It is never a tug of war, because we need to agree on a lot of parameters, not just one:
 - working hours
 - remuneration
 - paid holidays
 - trainings
 - company car, housing assistance
 - cafeteria
 - expenses
 - location of the office
 -

A job negotiation – case study

- The physicist Steven Weinberg won the Nobel prize in 1979 for the standard model of particle physics. (together with Abdus Salam and Sheldon Glashow)
- Born in New Yorkban City in 1933.
- He attended the famous Bronx High School of Science, afterwards studied and worked at different universities, MIT, Harvard, Cornell, Princeton, Berkeley.



A job negotiation – case study

- In 1982 Weinberg took a position at the University of Texas at Austin, that enjoyed much less prestige at that time.
- His decision surprised the community not only because it did not fit into Weinberg's career path but also because it was kind of uncommon for East Coast intellectuals to move to Texas.

A job negotiation – case study

- Weinberg before reaching a decision probably considered all aspects of the situation.
- Being a Nobel Laureate, it was not important for him to have a prestigious institution behind him for career considerations.
- Most probably the offer contained all the possible benefits a university professor can get in the US (paid holidays, sabbatical, etc.
- On the other hand he had to get accustomed to living in Texas. .
- According to the anecdote widely publicized in physicist circles, Weinberg noticed that his future employee is willing to yield to him in all employment condition issues. All that remained is to decide about the salary.

A job negotiation – case study

- Rumors say that he agreed to take the job with the condition that he becomes the best paid employee on campus. According to the anecdote the Austin people immediately agreed with this condition without thinking twice. They had no idea though who made the most money in Austin.
- It turned out later that it was the football coach who made the most money on campus.

A job negotiation – case study

- American universities have excellent football teams. Excellent football teams need professional coaches.
- The salary of a university professor at that time was in the range of 50-150 thousand dollars p.a., a football coach earned much more than that.
- This might have been the trick.
- His success was rooted in his being well informed.

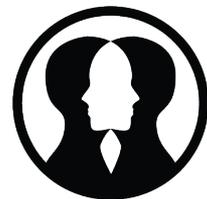


Thank you for the attention

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