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Negotiation and management

Ademi, Nermin

European University, Skopje, Macedonia

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Author:*

Nermin Ademi, MA

Abstract

Negotiations are a means of how to solve conflicts and differences through direct communication. It is a structured process through which parties overcome their differences and conflicts trying to reach an agreement about which solution will be acceptable to all. The basic meaning of negotiations is to obtain what you want from others.

In this work the principal aspects of negotiations are being discussed, as one of the key business processes and an essential source of competitive advantage. The work attempts to show how one should behave in negotiations, the manner of acting of both opposing parties, in order to achieve the negotiation objectives. In addition, we shall see to get more closely acquainted with the negotiation skills, how to mutually negotiate and to help understand what happens when it comes to more complex situations than those with which every one of us is faced. In the beginning we shall demonstrate the very concept of negotiations and we shall point to how one ought to prepare oneself for them and how to set the objectives. The assessment of the expression of standpoints, their presentation as well as reconciling the divergent positions are the principal segments on which this work rests.

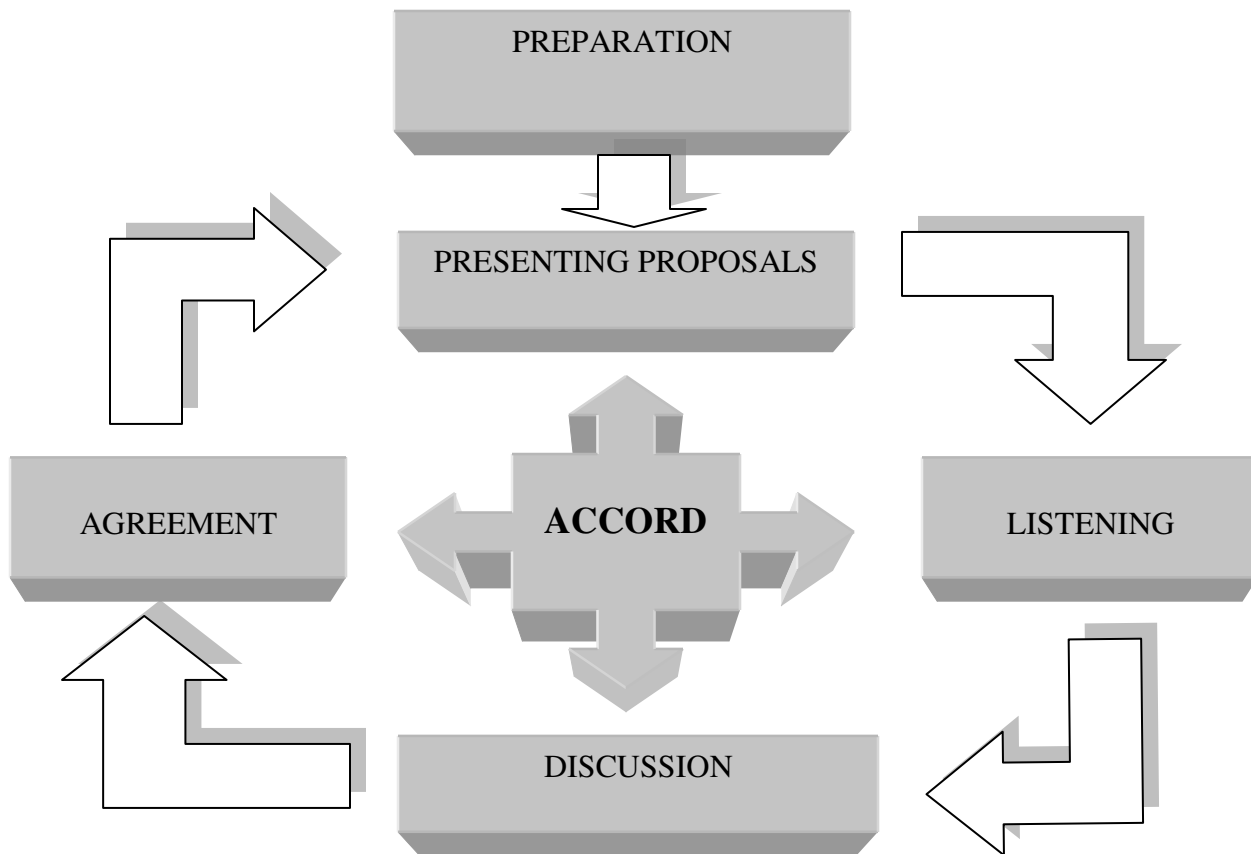
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* *Nermin Ademi, MA, f.Bogovine, Tetovo, Macedonia, Tel: +389 75 402 702, E-mail: anermin@freemail.com.mk*

1. Defining Negotiations

The process of negotiation and its universal presence, in the 1960's began to appear in numerous books and manuals, which were supposed to assist the "ordinary" person to master this important and useful skill. Negotiations are a highly sophisticated form of communication. It is a process whereby certain conditions are fulfilled in order to obtain from people what we seek from them and vice versa, what they seek from us. Negotiations can also be described as "a process of resolving conflicts between two parties, when two or more parties adjust their demands in order to reach an acceptable compromise solution". Negotiations are a synonym of a barter which means "give me something I want, and I shall give you something you want". According to R.Maddux negotiations are interpreted as a pleasure of the needs of both parties with a just division of what is obtained and what is not obtained. Whereas R. Fisher interprets negotiations as having a communication character with the following saying: "*Negotiations are a process of communication in the style of one step forward, one step back – with the sole objective of reaching a sole decision*". Owing to all of the aforementioned, negotiations can be defined as a transitional point in the mutual working relationships that lasted in the past, present and in future.

Picture 1. The process of negotiation



Source: Adjusted according to Baguley, P.: Negotiating, Hodder & Stoughton Ltd., London, 2003., p.82

Negotiations are a strategy for resolving conflicting situations based on interests. This strategy implies the procedures which balance or harmonize the needs and the concern of the parties involved and it is named Alternative Dispute Resolution-ADR.

2. Preparations and Setting of Objectives

One of the core points of successful negotiations is undoubtedly the preparatory stage of negotiations. An unprepared negotiator can be easily discerned in a given situation because he can only react but he cannot manage them. In the preparatory stage are defined the guidelines about what it is that is wanted to be achieved and which are the desired results of the negotiations.

Even though negotiations are approached bearing in mind one's own objectives, one certainly ought to take into consideration the objectives of the other party as well, as well as their approach to their achievement. Setting the objectives by the other party and the evaluation of their priorities may be difficult, especially if it is in their interest to hide their own priorities and they assure you that all of their demands are equally important.

In a principled negotiation between two negotiating parties, usually before the onset of the negotiations, the objectives are set, those being:

- *Quality agreement*
- *Rational spending of time, energy and means*
- *Contribution to good interpersonal relations*
- *As many possibilities for resolving as possible*
- *Unexpected joint solutions*
- *Optimum of functionality and a long-lasting solution*
- *Certain implementation.*

3. Assessment Regarding the Expression of Standpoints

3.1. Discussion as an introduction to assessing the standpoints

All negotiators in different situations are very similar to one another. Hence it is possible to talk about common parameters of negotiation situations. A structure of those parameters determines the beginning, the course, but also partly the very end of negotiations. The well-known rules of negotiation (the principles, tactics, rules) are placed in a real negotiating environment.

The preparation clarifies one's own standpoint regarding the subject points of the negotiations, and now one also ought to assess the standpoints of the other party as a negotiator. The negotiating party should be somewhat encouraged to reveal their own standpoints. They will present their starting position and all their "current" positions, as well as the final position which you are interested in.

The discussion actually provides a possibility for gathering information for their objective and their standpoints and thereby their dedication can be assessed, and to discover their interests and intentions. The discussion in a way enables you to check your assumptions about

the other negotiating party. The prediction of their plans, wishes or objectives also offers a clue of their sincerity in their negotiation intentions.

In negotiations what is also very important is the usage of time for discussion because time makes it possible to examine the obstacles of the parties to the negotiations. It is likely that the establishment of an open dialogue between the negotiating parties will have two consequences. That will be confirmed by the joint effort for reaching an agreement through negotiations or the opposite will be demonstrated, that there is either no possibility or no wish to reach an agreement.

If we are to concentrate on the task of discussing – regarding what the other party demands and to acquaint them with what you actually want from these negotiations, then you will be able to avoid the likelihood of deviating from the subject, and otherwise there can occur a break and destructive obstacles to the negotiations.

3.2. Reducing tension

In the beginning of negotiations, a certain amount of tension is often present. A reason for this may be very many previously known factors, such as: poor economic relations, unsuccessful realization of past and present agreements, conflicting parties, insufficient knowledge of the negotiating parties, etc. However, if tension exists, it is most important to avoid its growth and its turning into complete hostility.

Negotiations can start by establishing a relation with the other negotiators, that is to say that that relation is greatly influenced by the manner of behaviour. That behaviour gives the negotiations a tone in the first minutes. The tone of behaviour in this case can be turned against you if you leave an unfriendly impression because you are expressing your anger. One's own negotiating position can also be undermined by exaggerated complaisance, desperately trying to be well-meant and thereby to sacrifice your own objectives.

In an effort to reduce or avoid the certain tension among the negotiating party, it is necessary to:

-Determine a working schedule- then, to determine the agenda about how to organize the meeting. This can be formal, in a written form, or informal, in a form of an oral review of the discussion proposal.

-Avoid threats- no explicit threats in the introductory remarks, because threats may provoke resentment among the opposing party if there are prejudices from the onset regarding the failure of the negotiations.

-Listen to the other party- in order to discover what the other side demands in the negotiations you ought to listen to what you are being told while you are to show an appropriate behaviour as they are speaking.

3.3 Detecting the initial standpoints

At this stage of negotiations some parameters of the negotiating party regarding their standpoints have already been detected. Once we are acquainted with the demands of the other party and they are acquainted with our wishes, then one should be prepared to express one's proposals. In the preparatory stage the negotiating points ought to have already been determined, that is to say a possible disclosure of the priorities of the other party in the negotiations.

As the negotiating party is expressing their proposals they also reveal their initial position, which at one point offers very significant information concerning the further course of the negotiations. Comparing our own and their wishes you can recognize at first sight what is common (if it exists at all) and which are the contrasts in the course of the negotiations. Opposite wishes ever more frequently dominate the negotiations. For example, in trade one party asks for a high price, and the buyer wants a low price. The harmonized demands are those where there is an interest on both sides, and it enables a commonly acceptable agreement.

In the course of the discussion in the negotiations, there can also be raised other points which have not been envisaged or in which only one of the parties is interested. This can be relative and unimportant point for one party, but it can be essentially significant and invaluable to the other party, which provides an additional impetus to make use of a better position in the negotiations.

4. Presentation of Standpoints

4.1 Presentation of proposals

A proposal actually means a temporary answer to the question: which wishes of the other negotiator are to be fulfilled in order to obtain what we want. A proposal consists of two parts: conditions and an offer. The condition tells what is demanded from the other negotiator, whereas the offer means what you would trade for in return. With a temporary conditional proposal there

can be achieved an advantage which provides room for maneuvering in the later stages of the negotiation process. If one relents in the process of making proposals, then the agreed upon will be much more difficult to reach.

The proposed offer should always be for an indefinite time, because, as long as it is not clear which proposal will be accepted, it is necessary to have a certain flexibility. The indetermination of the offer provides – leaves more room for starting without relenting. The degree of flexibility is a measure to which we are prepared to shift from our starting position. If it is very small then it makes the impression that we are not prepared to negotiate, which leaves the possibility for the other party to abandon the negotiations. If there is a too large flexibility, then that signals that we do not adhere to our standpoints and it can signalize a not serious negotiator. The answer to all this is to keep to our position flexibly enough, to shift up and down if necessary.

The expression of the proposal has a certain advantage, enabling the other party to choose from the proposed, which gives a clue of their further positions. Notwithstanding whether the proposal is acceptable or not, it should be insisted that its shortened review be made, because nothing is agreed until you say it is.

The ever more frequent mistake being made is saying “No” to everything we do not agree with. This does not mean that we should always say “No” – there are circumstances when “No” is enough – but a direct negative answer can be counterproductive. The other party may find that we have viewed their proposal inattentively.

4.2 Considering an alternative proposal!

In the course of negotiations, particularly when it comes to contentious subjects, the negotiator should focus on one point and he should make it his objective and that is known as ***the lowest point of accepted compromise (LPAC)*** or the lower threshold. There is a limit beneath which one cannot go. The lowest point of accepted compromise is a reserved value which is reached by a series of concessions. At the moment when the whole embedded tactical reserve is spent, when essentially significant concessions have already been made, when there is nothing left to give, then one reaches the LPAC. Here already one should stop so as not to lose one’s own substance, that is to say one’s ultimate possibility of further concessions.

In the negotiations there is a kind of force which holds the negotiators in the process of negotiations even when it is not going well, and they agree to make compromises which mean very little. Therefore the lowest point of accepted minimum compromise ought to be defined, a means to protect from excessive negotiation. This point is particularly significant as one of the most important principles in negotiations.

Instead of reducing one's needs under the item of minimum compromise there is also a better solution, which is known as *better alternative solution - BAS*. In American literature it is called BATNA (Best Alternative To a Negotiated Agreement), as developed by Fisher and Urya in their book "Getting to Yes". BATNA. BATNA is a standard which can protect you against accepting conditions which are highly unfavourable for your interest. The good BATNA increases negotiating power. Therefore, it is important that BATNA is improved every time it is possible to do so, because it strengthens the negotiating position.

5. Reconciliation of Divergent Positions

5.1. Exchange of proposals

An exchange of proposals can lead to an agreement. The ease with which negotiators pass to an agreement very frequently leads to the closing stage of negotiations. Until the moment when negotiators are prepared to make an agreement they should approximately have an exact idea of what is acceptable and how much needs to be changed in order to obtain what is intended.

An ever more frequent mistake in negotiations is when one continues to argue about a proposal for which there is no reconciliation.

5.2. The importance of techniques for finalizing negotiations

In essence there exist two principal pressures with which every negotiator has to deal. The first one derives from the essential uncertainty of negotiations: earnestly you can never know whether you are close to the ultimate limit of the other negotiator. Therefore the decision-making can be delayed about what, at what moment to offer, thinking that there is still something that can be obtained. The other pressure makes you reach an agreement before the other negotiator gets the chance of "pushing" you even further more to your ultimate limit.

Inexperienced negotiators often think that it is difficult to find out, or to conclude the agreement, and that is why they negotiate far too long whereby they find themselves in such a

situation where they make concessions further from their *lowest point of accepted compromise (LPAC)*. This situation can be avoided if the following techniques for finalizing negotiations are applied.

-Striving to the objective. A better way to finalize negotiations is when it is thought that everything set as a striving is achieved. If in that case one intends to obtain even more, one risks the result which may destroy the entire work.

-To decide when to finalize negotiations. It is much easier to learn how to finalize negotiations rather than when to finalize them. The decision regarding when to finalize negotiations is subject to evaluation, because very rarely both parties can simultaneously reach their ultimate limit. The assurance with which negotiations end determines the reaction of the other negotiator, because he cannot know how close to its limit is the other party. The attempt to finalize negotiations too early may also be dangerous: when one's "final proposal" is once made, and if it happens to be rejected, there may occur such a situation where costly concessions will be made which can also have repercussions on the reputation of your position.

-Do not agree too quickly. It is not wise to be too impatient so as to make an agreement because the other party unintentionally offered, or it seems it offered something that fulfills your best expectations. The reaction may call the attention onto the fact that they have been overly generous, or it can lead them on to believe that what they are obtaining is not worth as much as they thought. In that case they may look for a way not to conclude the agreement or, if it has been made, impediments may arise to its implementation.

5.3. Reaching an agreement

The agreement about what is offered is the ultimate step in the negotiation process, it is the outcome towards which all negotiators strive.

In this stage, every party makes a proposal for a solution, considers the given ideas, lends meaning to new ideas and contributes to the creation of a creative spirit. In the end, the solution is jointly reached, which meets, as much as possible, the needs of all the parties involved. In this stage, you agree with the other party on the course of action and on signing the agreement which is to be abided by everyone.

The "birth" of the agreement text has the following stages:

1. stage-**Elements of the agreement**- this concerns the accession activities, everything is open, principles are being devised.

2. stage-**Outline of the agreement text** - completely freely inserted provisions, a lot of them being subject to change.

3. stage-**Draft agreement text**- half-prepared material, open for completion.

4. stage-**Proposal agreement text**- mainly finished material, the freedom of intervention is not large.

5. stage-**Final agreement text** – finished text of the agreement, without the right to changes and elaboration.

The abovementioned labels of an agreement have tactical and methodical meaning. It is an account of the necessary steps through which negotiations are to go. Such an approach to work sometimes is of key significance to the efficiency of negotiations. Such an approach is very significant, because in that way further confusions, disagreements and hostilities can be avoided. Every condition which can be differently interpreted should be defined because further reassurance of somebody about what later turns out to be unfavourable clause in the agreement, may provoke a feeling of insult in the other party and may have other negative repercussions.

6. Negotiation Styles

Many people underestimate the influence of styles in negotiations. Applying the same negotiation style does not always have the same results. To put it simply, an approach which is worth in one situation, may lead to a blockade of negotiations in another situation. Every person is different and as a result of that, they negotiate differently. Identifying your opponent's style and adjusting your style to his may help you build a successful relationship with him.

Endeavouring to find a scheme of human behaviour, psychologists have been trying to make models which may be recognizable in advance, all with the aim of helping the negotiation process. Negotiation styles may be: *listener, creator, activist, thinker*.

Listener- is characterized as negotiator who has difficulty establishing communication with others. They are persons who are people oriented and highly value those relations. They frequently start negotiations about common social subjects. They do not speak publicly. They can be very slow in the process of making decisions, but are highly reliable, optimistic, dedicated

to the result which will benefit both parties. They dislike taking risks and they like safe dealings. Listeners are most often in conflict with activists.

Creator- They easily establish communication with others, are flexible, creative and open to change. They think about big things until they focus on details. They are enthusiastic, like to talk in front of public although not always on the subject. They can be impulsive and make decisions unexpectedly. The real challenge for them is to find a genuine idea, then they lose interest. When they are under stress, they often change the subject. A creator is most frequently in conflict with thinkers.

Activist- Their style of negotiations is characterized by heavy communication with others. Activists are practical, self-assured, competitive, in the mood and competent. They solve problems excellently and take upon themselves the greatest risk and responsibility. They do not pay too much attention to the needs of other people; they are impatient and bad for the listeners. Their imperative is victory. When one negotiates with activists one ought to quickly get down to business, one should not waste a lot of their time, the focus should be on the result and to skip details. Activists are more frequently in conflict with listeners.

Thinker- Thinkers consider themselves to be very wise. They methodically examine every possibility so that they do not leave an inch “unexamined”. They have a strong need for facts and details and they do not move unless they analyze every single thing in details. They are generally characterized by easy communication with others and they are basically task oriented. In the negotiations they can be withdrawn and insensitive. They dislike taking risks. Their rules are “one by one”. Thinkers are rather more in conflict with creators.

Table 1. Negotiation styles

<i>TASK ORIENTED</i>			
<i>DIFFICULTIES IN ESTABLISHING COMMUNICATION WITH OTHERS</i>	Thinker	Activist	<i>EASILY ESTABLISHES COMMUNICATION WITH OTHERS</i>
	Listener	Creator	
<i>PERSON ORIENTED</i>			

Conclusion

Negotiations are an exceptionally old human and business activity which exists at least as long as commerce, but in the course of history, it has not been paid much attention to it with regard to scientific and specialized research. Nevertheless, notwithstanding the specific periods and changes in the business environment and the diverse approaches to negotiations, the majority of authors in their specialized works agree that negotiations are a process which consists of a determined number of stages. For each of the stages there can be identified and distinguished certain elements whose meaning and practice leads to a better final outcome. It is very important to recognize the possibility of negotiations. It is very dangerous to negotiate and not to be aware of it. The successful negotiation ability is no longer considered to be an inborn talent (although it is welcome) but it rather more depends on knowing the verified theories and the best practices in negotiations. Experienced negotiators should always be kind and professional in their behaviour. Rude behaviour is a proof of lack of negotiation skills and professional negotiators know how to use that to their own advantage. It is important to understand that the other party is not an enemy, but ordinary people without whom the negotiation process is impossible.

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