



Graduate School of Economics  
Kyoto University


*Management Communication B*

***BUSINESS NEGOTIATION***

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# Today's Topics

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1. Course Objectives and Guidelines
  2. The Nature of Negotiation
  3. Exercises

# Objectives

You will learn how to:

- Prepare effectively, to maximize your advantage.
- Make the best possible opening, one that is both tough and credible.
- Become expert in the use of bargaining tactics and concession trading.
- Deal effectively with any negotiation tactics and close the deal.
- Avoid common mistakes made by negotiators;
- Work with people whose backgrounds, expectations, and values differ from your own.

# UNIT ONE

## The Nature of Negotiation



# Defining Negotiation

- Negotiation is a discussion intended to produce an agreement, to satisfy each other's needs (which might be less than perfect but still desirable).
- Negotiation is an interactive process, rich in strategies and tactics, designed to achieve a desired objectives through communication.
- Negotiation is the process by which two parties who want something from each other attempt to identify, arrange and agree a mutually beneficial deal

It is NOT about

going into battle

getting your own way

giving a list of your needs

# **We are always negotiating everyday**

- Resolving a conflict with a roommate, parent, or friend;
- Negotiating a new job assignment, salary or working conditions with an employer;
- Deciding with friends which movie to see;
- Discussing price and delivery conditions with sellers

**But still most people fear negotiation or do not know how to maximize their goals**

# Why Learning Business Negotiation?

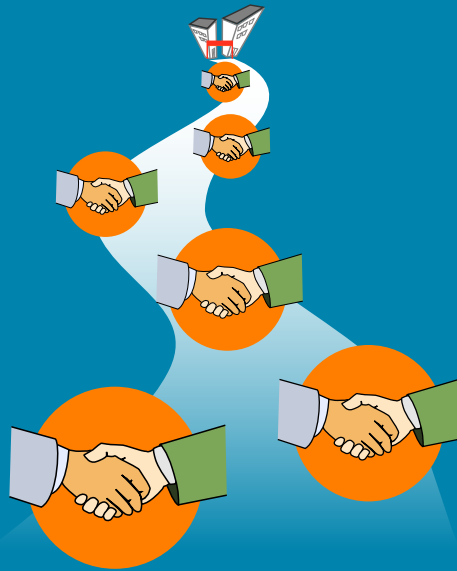
Managerial success requires agreement and collaboration with other people.

- **Examples of managerial negotiations:**

1. Executives have to manage transactions between suppliers and customers, and between investors and start-up companies.
2. Top Management has to settle lawsuits, resolve labor problems, forge joint ventures, and craft strategic alliances.
3. The marketing, purchase and sales manager has to bargain in a lot of outside transactions.
4. The research and development scientist or engineer has to negotiate the details of research proposals with his corporate managers and long term contracts with sponsors/client companies.




# Why Learning Business Negotiation? (cont.)



**Improving your negotiation skills is important because it enables you to realize your goals and ambitions sooner, be more effective in your work, and generally to get the most out of life!**



# Characteristics Common to All Negotiation Situations

- 
- There are two or more parties
  - There is a conflict of interest between them
  - Parties negotiate because they think they can get a better deal than by taking what the other side will give them.
  - Parties prefer to search for agreement rather than:
    - Fight openly
    - Capitulate
    - Permanently break off contact
    - Take their dispute to a third party

# Characteristics Common to All Negotiation Situations (cont.)

- Parties expect “give and take”. They expect both sides will modify or give in somewhat on their opening statements, requests, or demands



# Interdependence

- In negotiation, both parties need each other
- This mutual dependency is called **interdependence**
  - Interdependent goals are an important aspect of negotiation
    - Win-lose: I win, you lose
    - Win-win: Opportunities for both parties to gain

# Value Creation

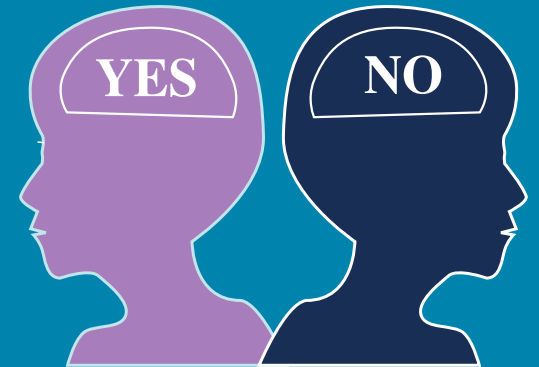
**Synergy:** the notion the "the whole is greater than the sum of its parts".

- Negotiators should be aware that potential differences can be used to reach agreement
- It is also possible to create value through shared interests and through scale (task too big for one party to accomplish alone)

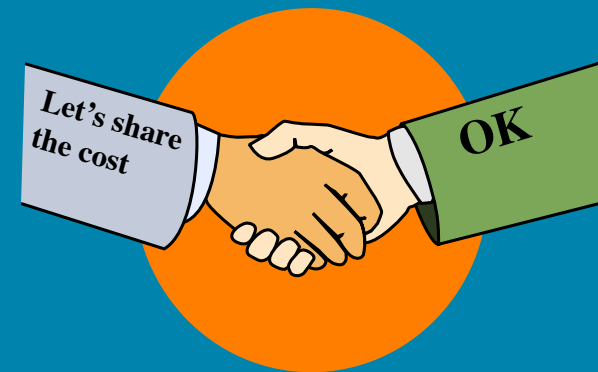
# Conflict

May be defined as a:

"sharp disagreement" and includes "the perceived divergence of interest, or a belief that the parties' current aspirations cannot be achieved simultaneously"




Negotiation is a strategy for productively managing conflict.



# Levels of Conflict

- **Intrapersonal or Intrapsychic Conflict**
  - Conflict that occurs within an individual
    - We want an ice cream cone badly, but we know that ice cream is very fattening
- **Interpersonal Conflict**
  - Conflict is between individual people
    - Conflict between bosses and subordinates, spouses, siblings, roommates etc.

# Dysfunctions of Conflict

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- **Competitive processes**
    - Parties compete because they believe that their goals are in opposition and that they cannot both achieve their objectives
  - **Emotionality**
    - Parties may become increasingly emotional and irrational as the conflict escalates
  - **Decreased communication**
    - Parties communicate less with those who disagree with them, more with those who agree



# Five Major Strategies for Conflict Management:

## 1 Contending

- Actors pursue own outcomes strongly, show little concern for other party obtaining their desired outcomes

## 2 Yielding

- Actors show little interest in whether they attain own outcomes, are quite interested in whether the other party attains their outcomes

## 3 Inaction

- Actors show little interest in whether they attain own outcomes, little concern about whether the other party obtains their outcomes

# Five Major Strategies for Conflict Management:

## 4 Problem solving

- Actors show high concern in obtaining own outcomes, as well as high concern for the other party obtaining their outcomes

## 5 Compromising

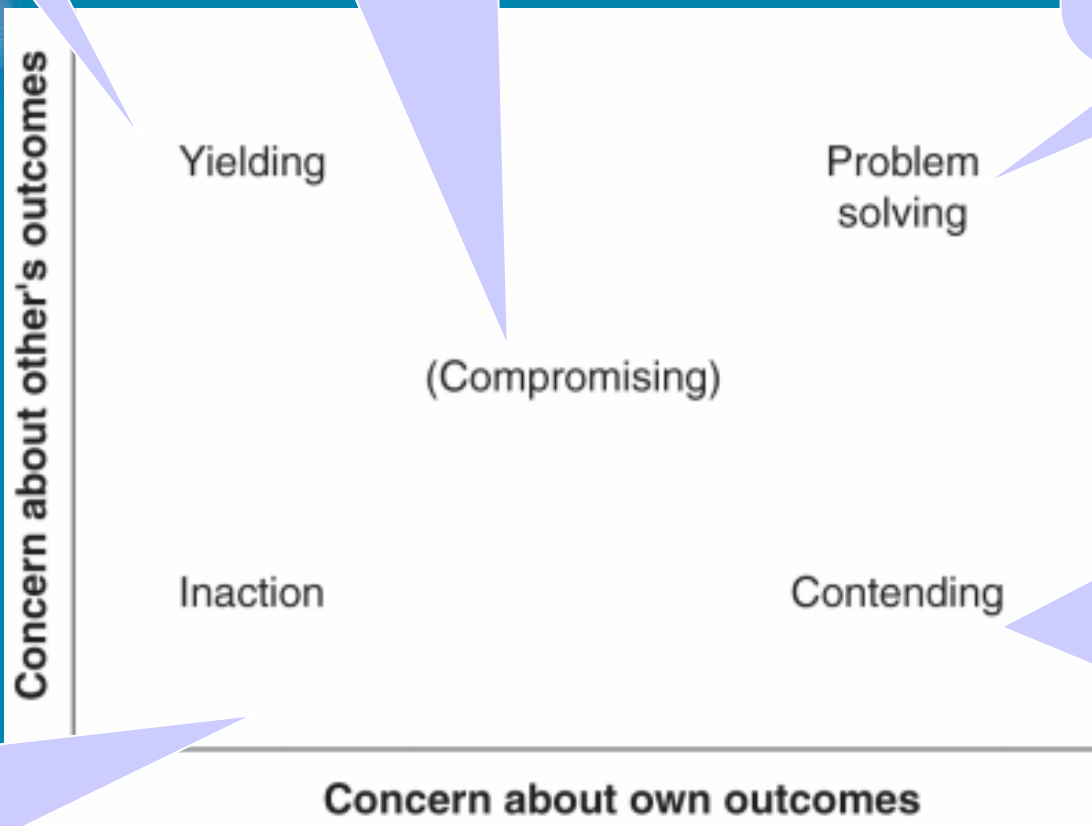
- Actors show moderate concern in obtaining own outcomes, as well as moderate concern for the other party obtaining their outcomes

# The Dual Concerns Model

Actors show little interest in whether they attain own outcomes, are quite interested in whether the other party attains their outcomes

Actors show moderate concern in obtaining own outcomes, as well as moderate concern for the other party obtaining their outcomes

Actors show high concern in obtaining own outcomes, as well as high concern for the other party obtaining their outcomes



Actors show little interest in whether they attain own outcomes, little concern about whether the other party obtains their outcomes

Actors pursue own outcomes strongly, show little concern for other party obtaining their desired outcomes

# Unilateral Negotiation Strategies

*See your handout 2(Exhibit 3, P. 29-30)*

•Before selecting a negotiation strategy, a manager should consider his/her interests and interests of the company. Is the substantive outcome important? Is the relationship outcome important?

•**Four unilateral strategies emerge from the answers:**

- 1. Trusting Collaboration (C1):** Both substance and relationship are important to the manager
- 2. Open Subordination (S1):** Substance is not important to the manager but relationship is
- 3. Firm Competition (P1):** Substance is important to the manager but not relationship
- 4. Active Avoidance (A1):** Neither substance outcome nor relationship is important to the manager.

# Interactive Negotiation Strategies

*See your handout (Exhibit 3, p. 30)*

•A manager should take into account both his/her own interests and the other company's substantive and relationship priorities. The manager should anticipate the other company's potential or apparent priorities

•**5 interactive strategies emerge :**

- 1. Principled Collaboration (C2):**
- 2. Focused Subordination (S2).**
- 3. Soft Competition (P2).**
- 4. Passive Avoidance (A2).**
- 5. Responsive Avoidance (A3).**