

Day 46

Vocab Review

Fill in the blanks.

1. They were forced to y__ _d their land to the occupying forces.
2. I'm__ _e that we adopt the resolution.
3. Shareholders were asked to approve a r__ _ _ _tion to create a special voting share.
4. Income was up compared to the c__ _ _ _ _ _nding period last year.

5 Negotiations

 **Module 5.1 Preparing to negotiate**



LEAD-IN Look at the picture. What are they doing?

- What is the difference between negotiation and haggling?

 **Listening**

Listen and fill in the blanks.

Haggling and negotiations every day, from fish markets to board rooms. In the modern definition, one of the ways haggling itself from negotiating is its nature. Haggling generally itself to a price discussion, with one party selling an item and another continuously haggling over the price. Generally, the buyer tries to haggle a price to its lowest, while the seller tries to get the most by acting as if he's already close to cost. The "winner" is essentially the one who can the process the longest. By contrast, negotiation seems to relate more to, but not always directly opposed, goals. By its very definition, negotiations are seeking an outcome between two parties. A contract negotiation, for example, may use many different goals---salaries, days off, fringe benefits---to reach the goal of signing a contract. That contract will ultimately include factors that make the contractor and contractee pleased.

 Reading➤ **Read the following.**

We negotiate almost every day; when we want to buy a new car, when we want a salary increase, for example. There are three types of negotiation.

● **Win-win negotiations**

It is the aim of win-win negotiations to find a desirable solution that is acceptable to both parties. The name comes from the fact that the solution leaves both parties feeling that they've won after the negotiation.

● **Win-lose negotiations**

This type refers to a distributive negotiation whereby one party's gain is another party's loss. While one side wins, the other loses and this outcome may well damage future relationships between the parties. Here, each party regards the other as an opponent and seeks to win the argument, without much regard for the outcome of the other party. In a win-lose scenario, one party falls within their target range (or better) and the other party falls outside their target range. This is also called the 'fixed-pie' scenario in that there is only a limited amount to be distributed.

● **Lose-lose negotiations**

In a lose-lose negotiation, both parties end up with results that fall below their minimum bargaining positions.

➤ **Read the following two situations.**

1. Sarah would like to sell her car. She recently moved into the downtown area of the city and realized that she could commute using public transportation, which is cheaper than the collective cost of the insurance, maintenance, and gas for her car. She looked her car up the blue book* and found that its value is around \$4,900. However, she would be satisfied if she could sell it for about \$4,500. Since she needs to pay for her car insurance next month, she'd much rather sell her car before then to avoid paying it. Sarah's best case scenario is selling her car for any amount over \$4,700. Her walk away point is \$4,200.

*The blue book is a guidebook that lists prices for new and used automobiles and of various makes and models.

2. Jack wants to buy his first car and has saved up \$3,900 for this purpose. In addition, he recently made a big sale at work and expects to receive a bonus check of about \$1,000 later this month. He can also use this money to purchase a car. He has started looking at the local used car market because some of his friends plan to go on a road trip next weekend. He wants to join them and also wants to avoid paying to rent a car. His father suggested he offer an initial price of \$3,400 so that he has room to negotiate. Jack's best case scenario is spending \$3,400. His walk away point is \$4,400.

- Read the following three scenarios and decide which negotiation outcome (win-win, win-lose, or lose-lose) each scenario represents.

Scenario A

J: I'll give you \$3,400 for your car.

S: It's worth \$4,900. But I can accept \$4,500.

J: I only have \$3,900 total. Take it or leave it.

S: That's \$1,000 less than it's worth, I really can't accept that amount.

After the negotiation, Jack thinks "Damn, I probably should've bought the car. Now I will have to rent a car for the road trip!" Sarah thinks "Why didn't I accept Jack's offer? Now I'll need to pay my car insurance next month."

Scenario B

J: I'll give you \$3,400.

S: My car's worth \$4,900. But I'll accept \$4,500.

J: I'll give you \$3,700 in cash right now.

S: (It would be good if I didn't have to pay that insurance premium next month . . .) OK.

J: (Great! I have \$200 left over plus I still have my bonus to come.)

S: (Actually, I shouldn't have accepted that amount, I should've demanded more.)

Scenario C

J: I'll give you \$3,900 for the car.

S: It's worth \$4,900. But I'll take \$4,500.

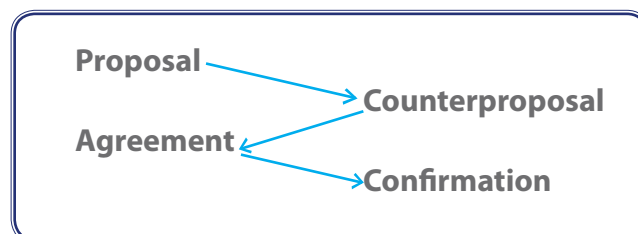
J: I can't pay that much, but I could go higher if I can give you some of the money now and the remainder when I receive my bonus.

S: How about \$4,300 in total?

J: That's ok. I can pay \$3,900 now and \$400 in two weeks.

S + J: Deal!

- Here is a representation of the typical structure of a business negotiation.



Suggest a short business conversation with the above structure. Start with "I'm sure you can allow us a 10% discount?"
 A proposal is an offer made by one party to the other. A successful proposal is one that results in an agreement.
 A counterproposal offers an alternative proposal that may suit both parties. This can happen when one party refuses or does not agree with the original proposal.

Preparation for a negotiation

Thorough preparation is the most important prerequisite to effective negotiation. Neither experience, bargaining skill, nor persuasion on the part of the negotiator can compensate for the absence of preparation.

➤ Match each of the following aspects of good preparation (a – h) with why they are important (i – viii).

- a) Knowing what you want from a negotiation, what's your purpose, your aims and objectives
- b) Knowing what's the minimum deal. Decide what is the least (the lowest offer) you can accept for a deal
- c) Knowing where you can give way or make concessions
- d) Knowing your own strengths and weaknesses, taking the marketing SWOT* analysis
- e) Preparing all support information; figures, numbers, pictures, and so on.
- f) Preparing an opening statement. Begin in general terms what you hope to achieve
- g) Knowing the other side, what they want, their strengths and weaknesses
- h) Organizing and planning an agenda
 - i) helps you to know the market, to see the negotiation in its proper context
 - ii) helps you to reach an agreement
 - iii) helps you to make your negotiation effective
 - iv) helps clear thinking and purpose
 - v) helps you to create the right atmosphere, helping things to be clear between the two sides
 - vi) helps you to find a compromise
 - vii) helps you to support your argument
 - viii) helps you to identify your own issues, priorities, and goals, as well as your opponent's issues, priorities, and goals

*SWOT is a system that companies use to examine how well they are working, in order to help them improve and make plans for the future. SWOT is an abbreviation for 'strengths, weaknesses, opportunities and threats.' (See Day 49)

Match each definition (A – E) with today's vocabulary word (1 – 5)

DEFINITIONS

- A. an agreement in an argument in which the people involved reduce their demands or change their opinion in order to agree
- B. a person who disagrees with something or a person you are competing against
- C. involving two people or groups that agree to help each other in a similar way
- D. the amount of money you have available to spend
- E. to accept or be able to deal with something that causes you difficulty

1. reciprocal
2. stomach (v)
3. compromise (n)
4. opponent
5. budget

Fill in the blanks.

1. It is hoped that a c_____ise will be reached in today's talks.
2. The firm has drawn up a b_____t for the coming financial year.
3. He can't s_____h the idea that Jack might be the next chairman.
4. We have agreed to exchange information about our two companies, but strictly on a r_____al basis.

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