

MANAGEMENT BASICS – NEGOTIATION SKILLS

Business Negotiation Success

Negotiation is usually dreaded because of lack of understanding.

Negotiation Overview

Negotiation is a part of everyday life, but in today's complex business environment, it is critical to organizational success. Effective negotiation is a skill often mastered by a few and misunderstood by most employees in any organization. However, whether or not they realize it, employees at all levels of an organization enter into negotiations on a frequent basis. Reconciling differences, influencing others, managing conflicts, closing deals, and reaching business agreements are positive ways of structuring the communication process and all fall under the negotiation umbrella.

Negotiation is one aspect of business that employees, from Executives to front level staff, dread due to the fear of the unknown and lack of understanding. Therefore, the proper skills, understanding, and set of tools are necessary for any leader or employee to engage in effective negotiation. Preparation, including a detailed strategy, is critical for success and often determines the outcome of the negotiation before it even begins.

Effective Negotiation

There are countless different techniques and strategies adopted by organizations and effective negotiators depending on the environment or situation. However, they all share common attributes that help achieve desired results more often than not. It is these attributes combined with the negotiators experience and people skills that determine their success and the number of productive negotiations one will achieve throughout their career.

One of the biggest misconceptions when it comes to effective negotiation is that there is always a winner and a loser. Effective negotiators understand and strive for a mutually beneficial agreement so that both sides feel like they reached a good deal.

Another important characteristic of successful negotiation is considering all possible options. More often than not, most negotiations begin with the central focus on pricing. Through proper preparation, effective negotiators are able to develop alternative possibilities that are beneficial to their organization such as extended credit terms, service agreements, on-site

support, or volume discounts. Price is only one part of the equation but frequently becomes the one point of contention the negotiators cannot agree upon.

Critical Components for a Successful Negotiation

There are several guiding principles that should be utilized during any negotiation. If followed correctly, they can ensure the negotiation remains on track, only the items to be agreed upon are discussed, and the conversation remains positive and mutually beneficial for both parties.

Prepare, Prepare, Prepare

- Set a realistic target price or goal prior to the negotiation. The price must be realistic and based on the constraints that will surface during the negotiation.
- Research and understand the party with which you are about to enter into negotiations. Understanding capabilities and limitations can be a powerful tool throughout the negotiation process.

Develop a Strategy

- Develop a strategy and define what options, other than price, you are willing to accept.
- Define the opening strategy, opening prices, and characteristics you are looking to obtain. Setting the opening anchor is important as it becomes the benchmark for which the negotiation continues. The opening offer should encompass a buffer for which you are willing to move but should be realistic to ensure the other party is not insulted and ceases negotiations.

Establish Leverage

- Focus on your strengths and the value that your organization brings to the negotiation. Factors such as economic conditions, industry, and number of suppliers are just a few examples of leverage that can be utilized to gain an advantage early on in any negotiation.

Final Offer, Agreement, and Closing The Deal

- The offer should encompass all aspects of the final agreement to ensure both sides of the negotiation understand the complexities of the deal before the final contract is signed.
- To ensure all areas and aspects of the deal are covered and agreed upon, the final agreement should be written and reviewed in detail.

Knowledge Base Article

Negotiations often involve parties with existing relationships and the ability for each side to separate the people from the substance of the deal plays an integral role in reaching a mutually beneficial agreement. Additionally, it is important to focus on shared interests to ensure a win-win deal structure is reached and both parties exit the negotiation with a mutually beneficial agreement.

Conclusion

Effective negotiation is a skill that needs to be learned, practiced, and developed before a person can become truly proficient. In many consulting project settings, Trident finds that it is an important skill in any supervisor or manager's toolkit. Utilizing the critical components for successful negotiations and combining them with previous learning's will help any employee refine their skills and become an effective negotiator. ✨