Negotiating successfully

Negotiation is a process where two or more parties with different needs and goals discuss an issue to find a mutually acceptable solution. In business, negotiation skills are important in both informal day-to-day interactions and formal transactions such as negotiating conditions of sale, lease, service delivery, and other legal contracts.

Good negotiations contribute significantly to business success, as they:

- help you build better relationships
- deliver lasting, quality solutions - rather than poor short-term solutions that do not satisfy the needs of either party
- help you avoid future problems and conflicts.

Negotiating requires give and take. You should aim to create a courteous and constructive interaction that is a win-win for both parties. Ideally a successful negotiation is where you can make concessions that mean little to you, while giving something to the other party that means a lot to them. Your approach should foster goodwill, regardless of the differences in party interests.

A good negotiation leaves each party satisfied and ready to do business with each other again.

This guide explains why negotiation is important, and outlines strategies and tactics for negotiating well.

Negotiation skills

Strong negotiators master written, verbal and non-verbal communication. They adopt a conscious, assertive approach to their communication.

Good negotiators are:

- flexible
- creative
- aware of themselves and others
- good planners
- honest
• win-win oriented
• good communicators.

**Assertive communication**

During a negotiation, you may choose to use a passive, aggressive or assertive communication style. Using an assertive style will help increase your chances of negotiating successful outcomes for your business.

Passive communicators are inclined to use ambiguous language, adopt under-confident body language, and give in to demands too easily.

Aggressive communicators take a confrontational approach that tends to alienate other parties and destroy negotiations.

Assertive communicators, however, are both confident and considerate. These communicators are more likely to keep discussion going and facilitate mutually beneficial outcomes. They adopt a strong, steady tone of voice. They are factual, rather than emotional or critical. They describe their views, starting sentences with 'I', rather than direct criticisms starting with 'you'.


**Tips for effective negotiation**

**Don't:**

• confuse negotiation with confrontation - you should remain calm, professional and patient
• become emotional - remember to stick to the issue, don't make it personal, and avoid becoming angry, hostile or frustrated
• blame the other party if you can’t achieve your desired outcome.

**Do:**

• be clear about what you are offering and what you need from the other party
• be prepared - think about what the other party needs from the deal, and take a comprehensive view of the situation
• be consistent with how you present your goals, expectations and objectives
• set guidelines for the discussion and ensure that you and the other party stick to them throughout the entire process
• use effective communication skills including positive body language
• prepare for compromise
• strive for mutually beneficial solutions
• consider whether you should seek legal advice
• ask plenty of questions
• pay attention to detail
• put things in writing.

**Related links**

Strategies for negotiating

Understanding the other party's interests and tactics is integral to good negotiating. Choosing a strategy that best responds to their interests and tactics will help you achieve the best outcome.

Matching the strategy to the situation

Some of the different strategies for negotiation include:

- **problem solving** - both parties committing to examining and discussing issues closely when entering into long-term agreements that warrant careful scrutiny
- **contending** - persuading your negotiating party to concede to your outcome if you're bargaining in one-off negotiations or over major 'wins'
- **yielding** - conceding a point that is not vital to you but is important to the other party; valuable in ongoing negotiations
- **compromising** - both parties forgoing their ideal outcomes, settling for an outcome that is moderately satisfactory to each participant
- **inaction** - buying time to think about the proposal, gather more information or decide your next tactics.

Your chosen strategy will depend on who you are negotiating with and the type of relationship you have with them. For example, what level of cooperation and common interest exists between you, and how will each party behave during the negotiation? It will also depend on what you are negotiating, and the time frame and setting you are negotiating in.

How to approach a negotiation

As well as choosing a strategy, you may wish to consider your approach to the issue being negotiated. There are 3 key approaches to negotiations: hard, soft and principled negotiation. Many experts consider the third option - principled negotiation - to be best practice:

- The hard approach involves contending by using extremely competitive bargaining.
- The soft approach involves yielding, where one party tries hard to meet the interests of the other party and foregoes their own interests.
- Principled negotiation focuses on achieving a lasting, win-win outcome by:
  - separating the people from the problem
  - focusing on interests not positions
  - generating a variety of options before settling on an agreement
  - basing the agreement on objective criteria.

Related links
• Learn about communicating effectively for business.

The negotiation process

Every time you negotiate, you have to make choices that affect whether you achieve a successful outcome for your business. To get the best outcomes, you need to understand the steps involved in the negotiation process.

While many negotiations are straightforward, some will be among the hardest challenges you face. Your success will depend on planning and preparation. Always approach negotiations with a clear set of strategies, messages and tactics that can guide you from planning to closing.

Planning your negotiation

No amount of preparation is too much in approaching complex or high-stakes negotiations. Plan both your approach to the subject under negotiation, and your tone and communication style.

In approaching the subject of your negotiations:

• set your objectives clearly in your own mind (including your minimum acceptable outcome, your anticipated outcome and your ideal outcome)
• determine what you'll do if the negotiation, or a particular outcome, fails
• determine your needs, the needs of the other party and the reasons behind them
• list, rank and value your issues (and then consider concessions you might make)
• analyse the other party (including their objectives and the information they need)
• research the market and consult with colleagues and partners
• rehearse the negotiation
• write an agenda - discussion topics, participants, location and schedule.

In deciding your communication style, familiarise yourself with successful negotiating strategies. Arm yourself with a calm, confident tone and a set of considered responses and strategies to the tactics you anticipate.

Engaging with the other party during the negotiation

• Introduce yourself and articulate the agenda. Demonstrate calm confidence.
• Propose - make your first offer. The other party will also make proposals. You should rarely accept their first offer. Evidence suggests that people who take the first proposal are less satisfied and regret their haste.
• Check your understanding of the other party’s proposal.
• Remember your objectives.
• Discuss concepts and ideas.
• Consider concessions, then make and seek concessions.
• Suggest alternative proposals and listen to offered suggestions.
• Paraphrase others' suggestions to clarify and acknowledge proposals.
• Give and take.

Closing the negotiation
Take a moment to revisit your objectives for the negotiation. Once you feel you are approaching an outcome that is acceptable to you:

- look for closing signals; for example
  - fading counter-arguments
  - tired body language from the other party
  - negotiating positions converging
- articulate agreements and concessions already made
- make 'closing' statements; for example
  - 'That suggestion might work.'
  - 'Right. Where do I sign?'
- get agreements in writing as soon as you can
- follow up promptly on any commitments you have made.

### When negotiations fail

Even with the best preparation, you may not always be able to negotiate a successful outcome. You must plan for what to do in case negotiations to fail. If you allocate time and resources to planning alternative solutions, you can avoid unnecessary stress and poor business outcomes. Having an alternative plan will help you to:

- reduce your own internal pressures
- minimise your chances of accepting an offer that is not in your best business interests
- set realistic goals and expectations.

### Preparing an alternative plan

It's important to remember that, when it comes to negotiating, there's always more than one positive solution for your business. Ensure you have an alternative plan.

Consider your 'best alternative to a negotiated agreement' (also known as BATNA). Take pressure off yourself by identifying several other options or alternatives to the outcome you are seeking.

1. Brainstorm all available alternatives to the process you are negotiating.
2. Choose the most promising ideas and expand them into practicable alternatives.
3. Keep the best alternative in reserve as a fallback.

Take a firm and assertive stance when proposing ideas or drawing definite lines in your negotiation. Being willing to walk away is a powerful tool.

Clearly determine the worst possible outcome you are prepared to accept in the negotiation.

### Consider mediation

If negotiations are unsuccessful, be prepared to consider dispute resolution. Third-party mediation can establish a constructive environment for negotiation that requires both parties to discuss, propose and resolve issues fairly and objectively.
Related links

• Get guidance on resolving disputes with other businesses.