

Plan for Brexit day, Bord Bia, September 26th , 2017

6 Common negotiation mistakes

Presented by James Thomas, Seren Partnership Ltd, UK.

james@serenpartnership.co.uk

Negotiation is one of the few business skills that has a direct impact on your bottom line. Whether you're doing business with a customer for the first time, or renegotiating an existing contract, you will need to ensure that you are fully prepared both financially and mentally.

Here are some common mistakes of inexperienced negotiators, highlighted during the presentation.

1. Trying to WIN - the role of satisfaction in negotiations

If the other party feels they have lost or they feel hard done by, there is a good chance that the agreement won't be made. Conversely, if the other party agrees to a deal too easily, you may also feel dissatisfied. It is important that both parties experience a certain threshold of satisfaction before agreeing to a deal. Curiously, this satisfaction has nothing to do with the outcome or result. This may sound strange but consider an example of the purchase of a property worth €300,000. You offer the owners € 270,000 and they agree immediately. Despite negotiating a €30,000 reduction, you feel that you should have gone in lower. You're also wondering what's wrong with the property for the sellers to be agreeing so readily. Your level of satisfaction is very low despite the significant reduction in price. People value things they are made to work for, hence this ritual of delivering satisfaction.

2. Soft language

This is language that reveals the subconscious mind. Words are softened to make the proposal supposedly more palatable for the recipient. Of course, an experienced negotiator detects this immediately and exploits the situation.

For example:

What you say is: "I would *ideally like* £2500 for this boat"

What the other party interprets from your soft language is: "I'd be willing to take a lot less"

When making an offer, keep your words firm and to a minimum e.g. The price is

Then be quiet!

3. Allowing fairness to cloud judgement

How often do you hear people say that negotiation is about a fair deal? Fairness is in the eye of the beholder. One person's idea of fairness may be completely different from someone else's, so don't allow it into your negotiations. You run the risk of being overly generous and encouraging greed from the other party. Far better is to gauge whether the other party is satisfied with the deal rather than make a subjective decision as to whether it's fair. Assume that the other party is quite capable of looking after their own best interests without you being charitable as well.

4. Not understanding the bargaining zone

The bargaining zone is where the deal takes place. It represents the range between the walkaway positions of the buyer and the seller.



The job of an experienced negotiator is to maximise their share of this bargaining zone, not by focusing on their own walkaway but on the other party's. Of course, your counterpart is unlikely to reveal their walkaway in the heat of a negotiation, so it's your job to estimate this to the best of your ability. The size of the bargaining zone can be affected by many factors e.g. who has the greater pressure to achieve the deal?

5. Giving the other party too much power

Power is perceived rather than real. Consider the factors below that affect your power to negotiate.

- a) Time pressure
- b) Knowledge or information
- c) Circumstances e.g. in the market or in the business – Brexit.
- d) Options
- e) The brand
- f) Dependency

How proactively do you prepare for negotiations with these factors in mind?

6. Assuming it's all about PRICE

In competitive negotiation scenarios such as bidding, tendering or hard bargaining, price may very well be the dominant issue on the table. These are distributive or zero-sum game situations where both parties split the pie. However, when there are a multitude of trading terms on the table, price becomes less important as there is more value to be gained elsewhere. The focus therefore is to build value with your counterpart by increasing the size of the pie, rather than sharing a smaller one.



In the example above, 5 terms of trade are negotiable. However, you will notice that both parties value the variables differently. The seller is focused on maximising volumes for as long a contract term as possible. However, the buyer is more focused on delivery reliability than price.

The experienced negotiator therefore needs to truly understand all the potential tradeable variables on the table and what each is worth to respective parties.

Summary

These are just half a dozen negotiation mistakes that you should try and avoid. Remain consciously competent in any negotiation scenario by being aware of your verbal and non-verbal communication. But, most of all – remember that negotiation is about preparation, preparation, preparation.

Happy negotiating

A handwritten signature in black ink, appearing to read 'JR Thomas'.

James Thomas

Managing Director, Seren Partnership Ltd

james@serenpartnership.co.uk