تفاوض

Syrian Arab Republic

Damascus University

Open Learning Center

Small Business Management Program

Subject: Negotiation Management **Final Exam** Date: 22/03/2021 Time: 9-11 A.M

Student Name:.................................. Student No: ....

The Answer Sheet

Answer only **Four Questions**: Each question has (25) mark

1) There are two primary kinds of negotiation, define them and give examples.

A) Distributive: a negotiation in which the parties compete over the distribution of a fixed sum of value. The key question in a distributed negotiation is "who will claim the most value?" In distributive negotiation, a gain by one side is made at the expense of the other.

Example: the sale of a carpet, where the buyer and the seller do not know one another. There is no relationship; all that matters is the price, and each side haggles for the best deal. Every gain by one party represents a loss to the other.

Wage negotiations between business owners and their union employees. The owners know that any amount conceded to the union will come out of their own pockets-and vice versa.

Acme manufacturing and a supplier, Best Parts Company, are negotiating an agreement under which Best Parts will make and deliver 10000 specified widgets over a period of six months. Acme's purchasing manger has been instructed to get the lowest possible price, so she's pushing for $1.75 per widget. Best Parts's sales manager, on the other hand, is trying to maximize the price his employer receives; he's asking for $2.00 per widget. Neither is willing to discuss anything but price. In the end, Acme Manufacturing gets its price. With several potential sellers to turn to, its purchasing manager holds out until the other side, which lacks other sales outlets, caves in and take $1.75 per widgets.

B) Integrative: a negotiation in which the parties cooperate to achieve maximum benefits by integrating their interests into an agreement. These deals are about creating value and claiming it.

Example: Gomez Electronics and one of its primary suppliers, Kraft Components Company, are negotiating an agreement under which Kraft will build and deliver 10000 switches over a period of six months. Gomez is interested in getting the lowest possible price, but is likewise interested in maintaining a long-term relationship with Kraft, which has been an innovative and reliable supplier over the years. Kraft's sales manager would like to maximize the price his company receives under the contract, but must be mindful of the relationship. He'd hate to lose this long-term customer. As long-term partner, each side is willing to disclose some of its interests to the other. That way, if one party must give ground on price, the other party might be able to offer value on some other front. Together, the two negotiators settle on an agreement that gives Kraft what it wants: $2 per switch. But in return, Kraft agrees to give Gomez Electronics sixty days to pay instead of the usual thirty-day arrangement. The extra thirty-day float helps Gomes reduce its working capital requirements over the term of the agreement. Further, the two firms agree to collaborate in designing a new set of switches for a Gomez product currently on the drawing boards.

2) What is BATNA stands for? And how do you improve your Position when you have a Weak BATNA, especially in commercial & Business deals?

BATNA, a concept developed by Roger Fisher and William Ury, is the acronym for Best Alternative to a Negotiated Agreement.

A weak BATNA is not the end of the world. Whatever hand you've been dealt, here are three potential approaches to strengthening your position:

A) Improve your BATNA.

B) Identify the other side's BATNA.

C) Weaken the other party's BATNA.

3) Define Reservation Price (the walk-away price), and give an example.

The reservation price is the least favorable point at which one will accept a deal. Your reservation price should be derived from your BATNA, but it is not usually the same thing. If the deal is only about money, however, and a credible dollar offer is your BATNA, then your reservation price would be approximately equal to your BATNA.
Example: you are currently paying $20 per square foot for suburban office space. The location is satisfactory and you believe that the price is fair, but you wouldn't mind paying more to be closer to your downtown customers. While preparing to negotiate with a commercial landlord for an office lease in a downtown high-rise, you decided that you would not pay more than $30 per square foot. That's your reservation price. If the landlord insists on more, you can walk away and attempt to lease space in a different building. Or you can stay where you are at $20 per square foot (Your BATNA). At the end of a lengthy negotiation session, the landlord declares that he will not accept less than $35 per square foot - and he won't budge. You graciously terminate the negotiation and walk away from the deal.

4) Another fundamental concept of negotiation is value creation, discuss this concept supporting your answer with an example.

Another fundamental concept of negotiation is value creation through trades. This concept tells us that negotiating parties can improve their positions by trading the values at their disposal. Value creation through trades occurs in the context of integrated negotiations. It usually takes the form of each party getting something it wants in return for something it values much less.
Example: Helen and John are collectors of rare books and view their holdings as sources of artistic satisfaction and investment gain. "With rare books I can achieve a higher financial return than I can in the stock market," says Helen confidently, "and I experience the exquisite of having these wonderful first editions in my home." Helen's pride and joy is her set of Hemingway novels. She has every one in a first printing, with the exception of For Whom the Bell Tolls. She is negotiating with John, who has a copy for sale. John is pleased to have his original Hemingway, but as negotiations over the phone reveal, his primary interest is in building a collection of the works of the nineteenth-century American historian William Prescott. He currently has first printings of Prescott's multivolume History of the Reign of Ferdinand and Isabella and is aggressively looking for Volume 2 of that same author's The Conquest of Mexico. As Luck would have it, Helen has a first printing of Volume 2, and is agreeable to paring with it since it is not part of any collection she is building. It is merely something she had purchased at an estate sale. In the end,

John sells Helen the Hemingway book, completing her set, for $100 plus her copy of Prescott's Volume 2, which completing his set. Both are extremely happy with the deal.

This is a case in which two individuals were able to create value, not simply claim it. Both emerged with substantial satisfaction from the deal. This was possible because the goods exchanged had only modest value to their original holders, but exceptional value to their new owners.

Think for a moment about your own negotiations-with customers, suppliers, and fellow employees. Are you pulling and tugging with each other in a win-lose framework? Now think of ways that you might be able to satisfy the other side with something that would cost you very little.

- For a supplier: that greater value might take the form of an extended delivery period. For the customer, having deliveries spread out during the month might be of no great consequence, but for a supplier with strained production facilities, it may be very important.
- For a customer, greater value at low cost might take the form of three months of free repair services if needed. For a vendor who has great confidence that its products will need no repairs during that period, free service is nothing of consequence. In providing it to the customer the vendor incurs little cost, even though the customer values the repair service highly.
- For another department in your company, greater value might be found in your offer of two high-powered workstations that your people rarely if ever use. That department may be able to offer something in exchange that you value more than it does.
- For an employee, the opportunity to work from a home office two days each week may produce greater satisfaction while costing the employer nothing.

Few of the things that other value highly will have little value to you, and vice versa. But they are sometimes there, and a little thinking and probing can identify them. That's value creation. Just be sure that if you give something of value, then you ask for something in trade.

5) To become an effective negotiator, there are nine steps you have to prepare yourself for, count them.

1. Step 1: consider what a good outcome would be for you and the other side.
2. Step 2: identify potential value creation opportunities.
3. Step 3: identify your BATNA and Reservation Price, and do the Same for the other side.
4. Step 4: Shore Up Your BATNA.
5. Step 5: Anticipate the Authority Issue.

6. Step 6: Learn all you can about the other side's people and culture, their goals, and how they've framed the issue.
7. Step 7: prepare for flexibility in the process- don't lock yourself into a rigid sequence.
8. Step 8: gather external standards and criteria relevant to fairness.
9. Step 9: alter the process in your favor.

6) Several tactics are particularly useful in distributive negotiation (Win-Lose) deals, discuss them briefly.

- Anchoring: anchoring is an attempt to establish a reference point around which negotiations will make adjustments. In some cases, you can gain an advantage by putting the first offer on the table. That first offer can become a strong psychological anchor: it becomes the reference point of subsequent pulling and pushing by the participants. As described by Max Bazerman and Margaret Neale, initial positions "affect each side's perception of what outcomes are possible.
- Counter-anchoring: if an initial anchor is unacceptable to you, steer the conversation away from numbers and proposals. Focus instead on interests, concerns, and generalities. Then, after some time has passed and more information has surfaced, put your number or proposal on the table and support it with sound reasoning.
- Be prepared for concessionary moves: make concessionary moves if you must. But remember, many interpret a large concessionary move as an indicator that you're capable of conceding still more. A small concession, on the other hand, is generally seen as an indication that the bidding is approaching the reservation price and that any succeeding concessions will be smaller and smaller.

End of Questions
Best Luck

Dr. Homam KHWANDA