

**B.Sc. Civil
Engineering**



Project & Contract Management CE 206

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Negotiation

When to Negotiate ?

- When many factors bear not only on price, but also on quality and service
- When business risks cannot be accurately predetermined
- When a long period of time is required to produce the items purchased
- When production is interrupted frequently because of numerous change orders

*“Let us never negotiate out of fear,
but let us never fear to negotiate.”*



Negotiation

- It is a decision making process among interdependent parties who do not share identical preferences. It is through negotiation that the parties will decide what each will give & take in their relationship/s.
- **“It is a face-to-face decision making process between parties concerning a specific issues.”**

Features of Negotiation

- There are a minimum of two parties present.
- Both parties have predetermined goals.
- Some of the predetermined goals are not shared by both the parties.
- There is an expectation of outcome.
- Both parties believe that the outcome of negotiation may be satisfactory.
- Both the parties are willing to modify their positions.
- The parties' incompatible positions might make modification of position difficult.
- The parties understand the purpose of negotiation.

Objectives of Negotiation

- Understand what negotiations are all about.
- Select a strategy to negotiate effectively.
- Learn the range of negotiation approaches & their results based on your interaction/s.
- Plan for negotiation session.
- Use communication techniques to avert potential conflicts.
- Practice your general negotiation technique.

Types of Negotiation

- On the basis of stability aspect of negotiated settlement, the negotiation processes have been divided into two categories:
 1. Integrative Approach (Win-Win Strategy)
 2. Distributive Approach (Win-Lose Strategy/ Zero-Sum Strategy)

Principles to Integrative Approach

1. Separate people from problem
2. Focus on interest, not positions.
3. Invent options for mutual gains.
4. Insist on using objective criteria.

Principles to Distributive Approach

1. I want it all.
2. Time wrap
3. Good cop – bad cop
4. Ultimatum

The five elements of Negotiation

1. The parties & their interests.
2. Interdependency
3. Common Goals
4. Flexibility
5. Decision – making ability/authority

Need of developing Negotiating Skills

- Following are the key concern areas that are needed to be focused while one begins to build these negotiating skills –
 1. Negotiations are rarely pure win-lose or win-win propositions
 2. Negotiations takes place under conditions of ambiguity & uncertainty.
 3. Most negotiations involve existing or potential sources of conflict that impede reaching an agreement.
 4. Negotiations are chaotic & seldom pass sequentially through distinct phases such as pre-negotiation, deal structuring, detailed bargaining & agreement.
 5. Most negotiations are linked to other negotiations.
 6. Negotiation process comes in, stops & restarts.
 7. Most complex negotiations takes place between agents of groups & not the group themselves.
 8. Complex negotiations often involves a team approach.
 9. Negotiating skills can be learned.

34 Characteristics of an Effective Negotiator

1. Preparation and planning skill
2. Knowledge of the subject
3. Ability to think clearly and rapidly under pressure and uncertainty
4. Ability to express thoughts verbally
5. Listening skill
6. Judgement and general intelligence
7. Integrity
8. Ability to persuade others
9. Patience
10. Decisiveness
11. Ability to win respect and confidence of opponent
12. General problem-solving and analytical skills
13. Self-control, especially of emotions and their visibility

34 Characteristics of an Effective Negotiator

14. Insight into others' feelings
15. Persistence and determination
16. Ability to perceive and exploit available power to achieve objective
17. Insight into hidden needs and reactions of own and opponent's organization
18. Ability to lead and control members of own team or group
19. Previous negotiating experience
20. Personal sense of security
21. Open-mindedness (tolerance of other viewpoints)
22. Competitiveness (desire to compete and win)
23. Skill in communicating and co-ordinating various objectives within own organisation

34 Characteristics of an Effective Negotiator

24. Debating ability (skill in parrying questions and answers across the table)
25. Willingness to risk being disliked
26. Ability to act out skilfully a variety of negotiating roles or postures
27. Status or rank in organisation
28. Tolerance to ambiguity and uncertainty
29. Skill in communicating by signs, gestures and silence (non-verbal language)
30. Compromising temperament
31. Attractive personality and sense of humour (degree to which people enjoy being with the person)
32. Trusting temperament
33. Willingness to take somewhat above-average business or career risks
34. Willingness to employ force, threat or bluff

Negotiation Key Concepts

- BATNA
- Reservation Price
- ZOPA
- Value Creation through Trades

Know your BATNA!

BATNA

The **B**est **A**lternative **T**o a **N**egotiated **A**greement; the lowest acceptable value (outcome) to an individual for a negotiated agreement.

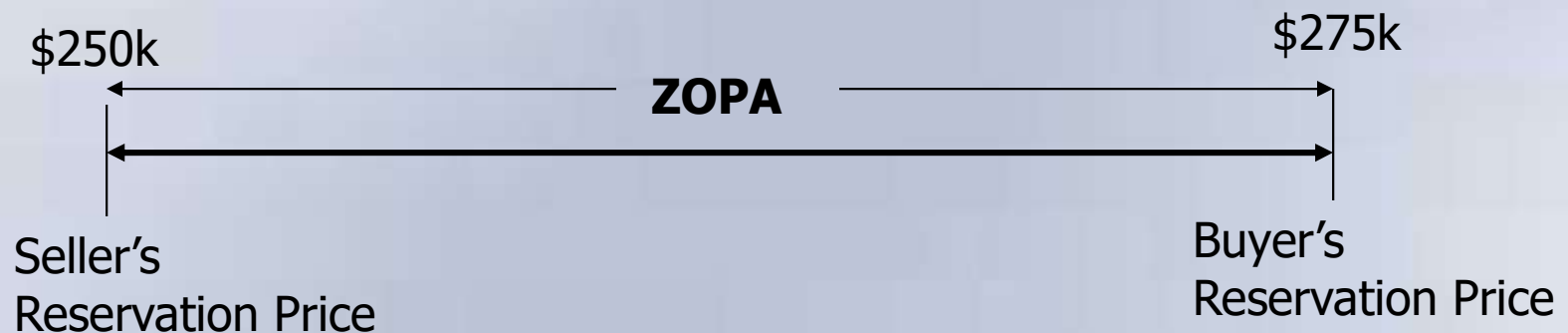
- Improve your BATNA
- Identify the other side's BATNA
- Weaken the other party's BATNA

Reservation Price

- The least favorable point at which one will accept a deal
- The “walk-away”

ZOPA

- Zone of Possible Agreement (ZOPA)
- The difference between the Seller's Reservation Price and the Buyer's Reservation Price
- What happens if positions below are reversed?



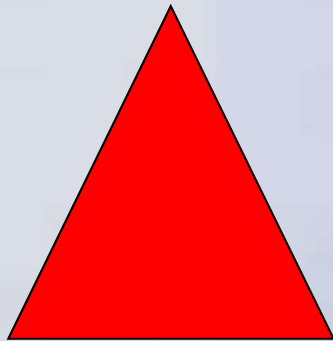
Value Creation through Trades

- Trade things you value less to the other party
- Examples:
 - For a supplier the greater value may be not price but an extended delivery time
 - For a customer, extended warranty versus price
 - For an employee, working at home versus salary

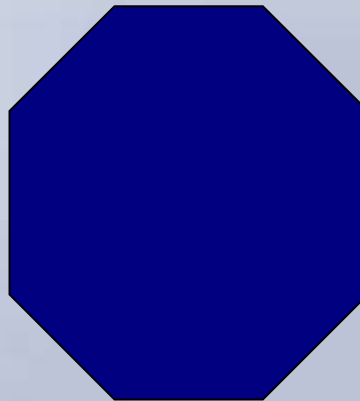
Negotiating Behaviour

Gavin Kennedy (The New Negotiating Edge) describes 3 types of behaviour that we can display and encounter when in a negotiating situation

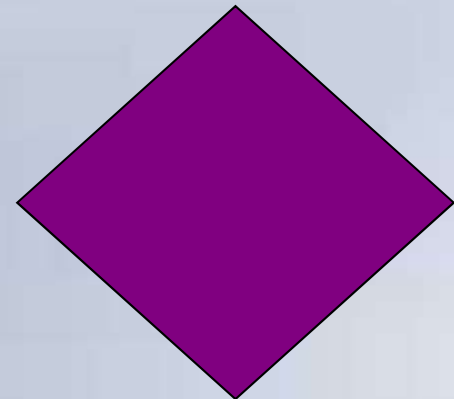
RED



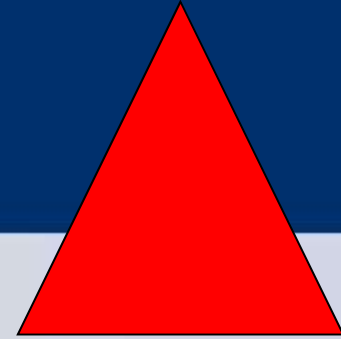
BLUE



PURPLE



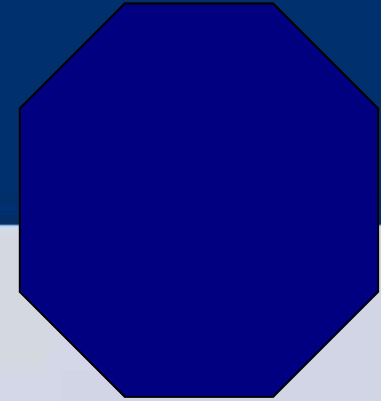
RED Behaviour



- Manipulation
- Aggressive
- Intimidation
- Exploitation
- Always seeking the best for you
- No concern for person you are negotiating with
- Taking

People behave in this manner when they fear exploitation by the other party, but by behaving this way to protect themselves, they provoke the behaviour they are trying to avoid.

BLUE Behaviour



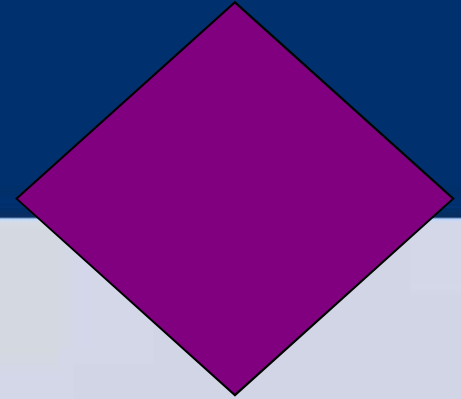
- Win win approach
- Cooperation
- Trusting
- Pacifying
- Relational
- Giving

Kennedy talks of a 'behavioural dilemma', do you cooperate (**blue**) or defect (**red**)?

Can you trust the other person? And to what extent? Trusting someone involves risk, on the one hand being too trusting is naïve and on the other, not trusting at all can create deceitful behaviour.

The answer is to merge **blue** and **red** behaviour into **purple**.

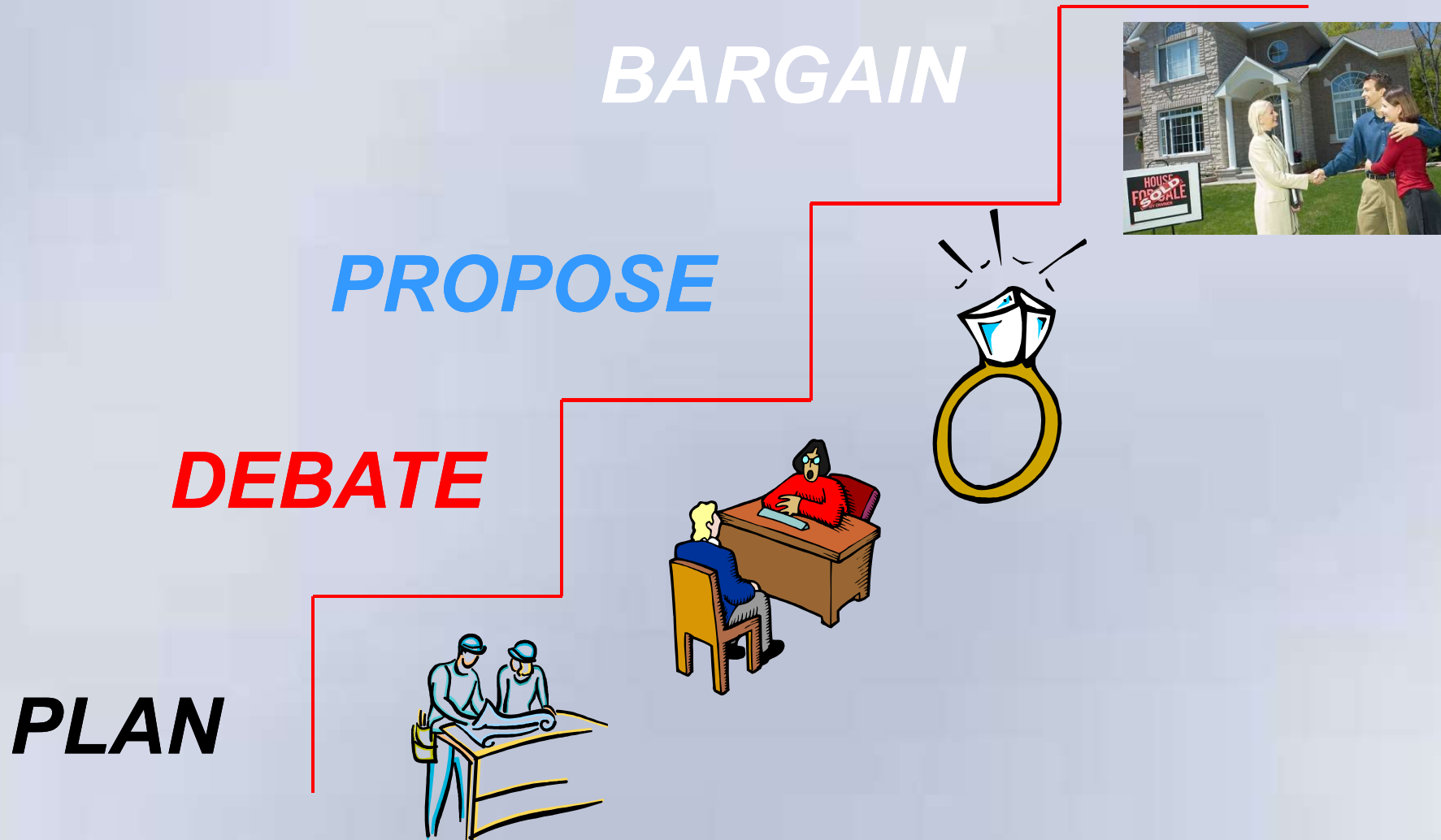
PURPLE Behaviour



- Give me some of what I want (**red**)
- I'll give you some of what you want (**blue**)
- Deal with people as they are not how you think they are
- Good intentions
- Two way exchange
- Purple behaviour incites purple behaviour
- Tit for tat strategies
- Open
- People know where they stand
- Determination to solve problems by both sets of criteria of the merits of the case and/or the terms of a negotiated exchange

To the **red** behaviourist the message is loud and clear, 'You will get nothing from me unless and until I get something from you'.

The Four Phases of Negotiation



Step One - Prepare

- Research
- LIST your objectives and their objectives
- Those you INTEND to get
- Those you MUST get

Step Two - Debate

- Listen carefully
- Ask questions
- Clarify
- Summarise
- Don't argue, interrupt or assume

...BUT

Step Three - Propose

- Make proposals
- State conditions
- Express concerns
- Search for common interests
- Use positive body language

AND

Step Four - Bargain

- Key words are IF and THEN
- Start making concession:
 - Every concession should have a condition
(IF you ... THEN I will ...)
 - Conserve your concessions - don't give everything away too soon
 - You don't have to share every piece of information with the opposing side!
 - Don't be afraid to say no

Classic Bargaining Tactics

- Acting Crazy
 - Put on good show
 - Visibly demonstrating your emotional commitment to your position
 - Increase credibility
 - Give opponent a justification to settle on your terms
- Big Pot
 - Leave your self a lot of room to negotiate
 - Make high demand at the beginning
 - After making concessions, you'll still end up with a larger payoff
- The Well is Dry
 - Take a stand and tell the opponent you have no more concessions to make

Classic Bargaining Tactics

- Limited Authority
 - Negotiate in good faith
 - If you ready to sign the deal, say I have to check with my boss
- Whipsaw / Auction
 - Several competitors know you are negotiating in the same time
 - Schedule competitors with you for the same time and keep them all waiting to see you
- Get Lost / Stall for Time
 - Leave the negotiation completely for a while
 - Come back when things are getting better and try to renegotiate
 - Time period can be long or short
- We Noodle
 - Give no emotional or verbal response
 - Don't respond to his or her force or pressure

Classic Bargaining Tactics

- Be Patient
 - If you can afford to outwait
 - You will probably win big
- Let's Split the Difference
 - The person who first suggest this has the least to lose
- Trial Balloon
 - Release your possible / contemplated decision through a so-called reliable source before the decision is actually made
 - To test reactions to your decisions

Classic Bargaining Tactics

- Surprises
 - Keep the opponent off balance by
 - Drastic
 - Dramatic
 - Sudden shift
 - Never be predictable
 - Keep the opponent from anticipating your move

Step Five - Agree

- Usually final concession :
“IF you do that, THEN we have a deal!”
- Gain commitment
- Record and agree results
- Leave satisfied

Third-Party Negotiations

Mediator

A neutral third party who facilitates a negotiated solution by using reasoning, persuasion, and suggestions for alternatives.

Arbitrator

A third party to a negotiation who has the authority to dictate an agreement.



Third-Party Negotiations (cont'd)

Conciliator

A trusted third party who provides an informal communication link between the negotiator and the opponent.

Consultant

An impartial third party, skilled in conflict management, who attempts to facilitate creative problem solving through communication and analysis.

Negotiation Check List

Good Practice	Avoid
<ul style="list-style-type: none">✓ Actively listen✓ Question for clarification✓ Summarising✓ Test commitment✓ Seeking & giving information✓ Encourage two way conversation✓ State and plan your proposal – then summarise✓ Use the ‘if youthen we’ll’ principle	<ul style="list-style-type: none">× Interrupting× Attacking× Blaming× Talking too much× Sarcasm× Threats× Taking it personally× Closed body language

Issues in Negotiation

- The Role of Mood & Personality Traits in Negotiation
 - Positive moods positively affect negotiations
 - Traits do not appear to have a significantly direct effect on the outcomes of either bargaining or negotiating processes (except extraversion, which is bad for negotiation effectiveness)
- Gender Differences in Negotiations
 - Women negotiate no differently from men, although men apparently negotiate slightly better outcomes.
 - Men and women with similar power bases use the same negotiating styles.
 - Women's attitudes toward negotiation and their success as negotiators are less favorable than men's.

Presentation Topics

1. Contract monitoring mechanism and record keeping
2. Contractor's payment mechanism and record keeping
3. Construction machinery availability and maintenance/repair
4. Health and safety measures at site
5. Tendering mechanism
6. Traffic management strategy
7. Strategy to reduce environment impact
8. Construction Labour qualification and experience and reasons to join this field
9. Change/variation orders or contract negotiations
10. What type of project approvals were taken other departments and what was the process for that.



THANK
YOU