GEPM 375

Project Planning and Construction Management

Negotiation Methods

Today we are going to discuss

- **Requirements** of Conflict Negotiations Methods.

- Negotiation **Techniques** to maintain win-win solution**.**

- ***The key to finding a negotiator's interests and concerns is to ask "why", when he or she states a position***. **Explain.**

- **Phases of Negotiation**

Requirements of Conflict Resolution/reduction or Negotiations Methods:

- **First requirement**, methods must **allow the conflict to be settled** without irreparable harm to the project's objectives.

- **Second requirement**, methods used by the PM is that **they allow (foster) honesty** between negotiators.

- **Third requirement**, that all the **conflicting parties to seek solutions to the conflict** that:
  -not only satisfy their **own individual needs**,
  -but also satisfy he **needs of other parties** to the conflict,
  -as well as the **needs of the parent organization**.

In a **language of negotiation**, that is called **'win-win' solution.**

Negotiating to a win-win solution is the key to conflict resolution in project management.

Negotiation techniques to maintain win-win solution

Following techniques called '**principled negotiation**' ie win-win:

- ***Separate the People from the Problem*.**
- ***Focuses on interests, not positions*.**
- ***Before trying to reach agreement, invent options for mutual gain.***
- ***Insists on using objective criteria.***

Question: Describe the negotiation techniques to maintain win-win solution.

1.Separate the People from the Problem:

- Conflicting parties are often **highly emotional**.
- Conflicting parties **tend to attack one another** rather than the problem.
- To **minimize the likelihood that the conflict will become strictly interpersonal**, the **substantive problem should be carefully defined.**
- Then **every one can work on it rather than each other**.

2. Focuses on interests, not positions:

- **Positional bargaining** occurs when the **PM says to a functional manager**: **'I need this subassembly by November 15,'** The functional manager responds, '**My group can't possibly start on it this year. We might be able to deliver it by February 1.'.**

- These are the **opening lines of dialogue** that sound suspiciously like the haggling of the tourist and the rug of peddler.

- A simple, **'Let's us talk about the schedule for this subassembly'**, would be sufficient to open discussion.

- Otherwise each party **develops a high level of ego**, involvement in **his or her position**.

- And negotiation **never focusses on the real interests and concerns of the conflicting parties** – the central issue of the conflict.

- Such **exchange deteriorates into a series of positional compromise** that **do not satisfy either party** and leave both parties **feeling** that **they have lost something important.**

3. Before trying to reach agreement, invent options for mutual gain:

- Parties-in-conflict **usually enter negotiations knowing the outcome they would like**.

- As a result, **they are blind to other outcomes** and are particularly **not creative**.

- As soon as **substantive problems are spelled out**, some efforts should be devoted to find a **wide variety of possible solutions or elements** that advance the mutual interest of the conflicting parties.

- Success at **finding options that produce mutual gain** positively **reinforces win-win negotiations.**

Example: Reports on a **conflict between a couple** in which, **he wanted to go mountains, and she wanted to go to the shore**.

- A creative win-win solution is sent them both to **Lake Tahoe.**

Lake Tahoe- a large freshwater lake in the Sierra **Nevada** Mountains, straddling the border of California and Nevada.

It's known for its **beaches and ski resorts.**

Lake Tahoe includes **Sand Harbor Beach** and Spooner Lake, a gateway to the long-distance Tahoe Rim Trail.



4. Insists on using objective criteria:

- Rather than bargaining on positions, **attention should be given to finding standards** (ie market value, expert opinion, law, company policy) **that can be used to determine the quality of an outcome.**

- **By doing, this tends to make the negotiation is less a contest of wills or exercise in stubbornness.**

Example:

- If a functional manager wants to use an **expensive process to test a part**, it is **acceptable for the PM to ask** if such a process is required to ensure that the parts meet specified quality standards.

***The key to finding a negotiator's interests and concerns is to ask "why", when he or she states a position*. Explain.**

- Positions taken by negotiators are not truly understandable **without first understanding the interests and concerns** that prompt those positions.

Example:

- Statement that **a test is requested for May 15**, **can not be run until June 2,** may simply mean that the **necessary test supplies will not be delivered until the later date**.

- If the **PM can get the supplies from another source in time** for the May 15 deadline, the test can be run on schedule.

- But the ability to do this **depends on knowing why the test was to be delayed.**

- If the **negotiation remain a debate on positions**, the **PM will never find out** that the test could have run on time.

- So, the **key to finding a negotiator's interests and concerns is to ask 'why?' when he or she states a position.**

Stages or Phases of Negotiation

Once it has been **agreed upon by both parties** to enter into negotiation, both parties should **follow a series of phases or stages** to **achieve maximum benefit from negotiation**: **(PPIOBAF)**

Phase 1: Preparation

- **Collect Documents**: Negotiations will have a greater chance of succeeding if the **arguments are backed by good documentation;**

- **Set Concise Data**: Preparation phase **consists largely of collecting and collating these documents** and **distilling them** into a coincide set of data suitable for discussion.

- **Back up documentation:** Which will give a clear picture of what the issues are.

Phase 2: Planning Stage

- **Find out Intention**: It is pointless even considering a negotiation process if there is **no intention to compromise**.

- **Establish Degree of compromise and the limits of concessions:** Which can be accepted, have to be established in this phase.

- **Location of negotiation:** Must be given some consideration as it may be necessary to call in advisers or experts at some stage.

Phase 3: Introduction

- **Establish Good Relationship and Rapport**: Negotiations are carried out by people and establishment of a good relationship and rapport can be very beneficial.

- **Past Ventures**: Past co-operative ventures should be mentioned.

- **Discussion: Discussion of common acquaintances**, **alliances** and **interests** will help to break the ice and tend to put all parties at their ease.

- **Quick Overview: A quick overview of he common goal as well as the differences** may be enable the parties to focus on the **important issues**, which can then be categorized for the subsequent stages.

Phase 4: Opening Proposal

- **Initial offer:** One of the parties must **make an initial offer** which sets out their case and requirements.

- **Wording:** **Wordings of this opening would give some indication of the flexibility** as an inducement to reaching a mutually acceptable settlement.

- **Body Language:** Other party's body language such as hand gestures, postures, eye movement and facial expressions can give clues as to the acceptance or no acceptance of particular suggestions or offers.

- **Common identification:** It is **of important points** will help to lead the discussion into next phase.

Phase 5: Bargaining

- **Purpose is to reach: An agreement which lies somewhere between the initial extreme positions taken by the parties**.

- **Employ well-known tactics: Both parties may employ well-known tactics** such as veiled threats, artificial explosion of anger or outrage, threats of walking out or other devices, but this all part of the process.

- **Balancing:** Concessions on one aspect can be balanced by enhancement on another.

Example 1:

- A supplier **may reduce his price** to the level required by the buyer, provided his production (and hence his delivery) **period can be increased** by a few weeks or months.

- Buyer has to decide which aspects **takes priority; money or time.**

- **Concessions should always be traded** for a gain in another area, which may not be necessarily in the same units or terms.

Example 2:

- A **reduction in price can be balanced** by an **increase in number of units** ordered or a later delivery.

- Should always be **a number of issues on the table** for discussion, so that '**quid pro quo' deals** can be struck between them.

Quid pro quo: **A favor or advantage granted in return for something**.

Phase 6: Agreement

- **Negotiators are only successful if these end with an agreement.**

- If both parties **walk away without an agreement**, **negotiators have not done their jobs.**

- **Case probably end up in adjudication**, **arbitration** or **litigation.**

- Both parties should be **satisfied enough to wish to continue working or trading together** and both are probably aware that there is always the risk that **the legal costs of an action** can exceed the amount in dispute.

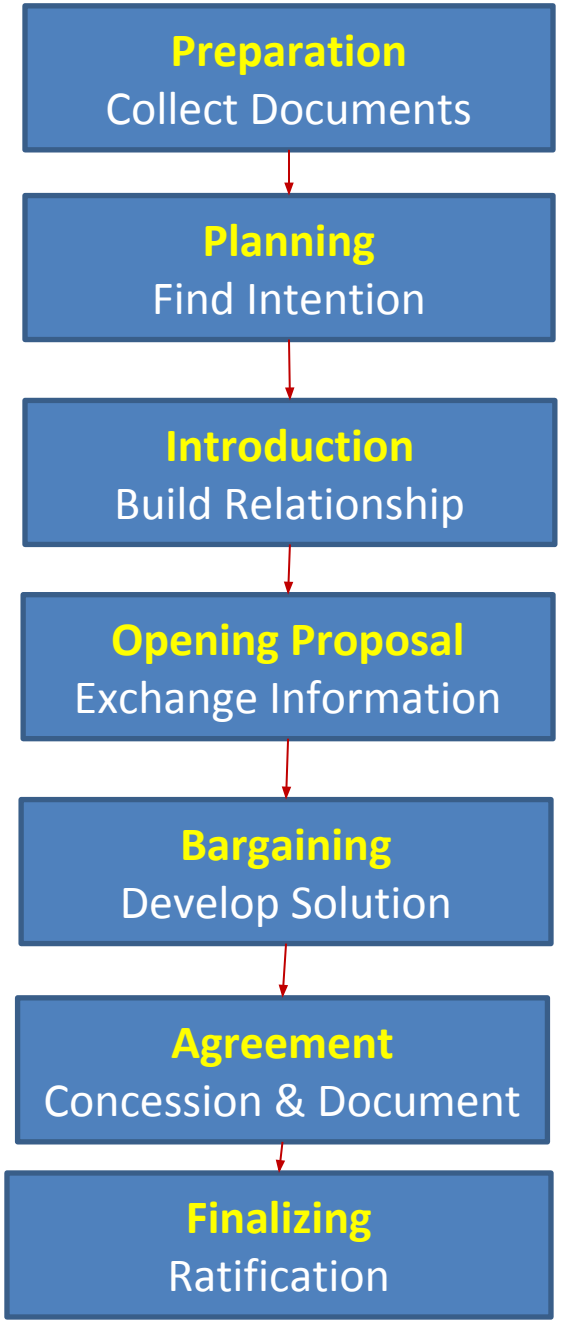
Phase 7: Finalization

- **Written Document**: When agreement has been reached, the **deal has to be finalized by a written statement,** setting out terms of agreement.

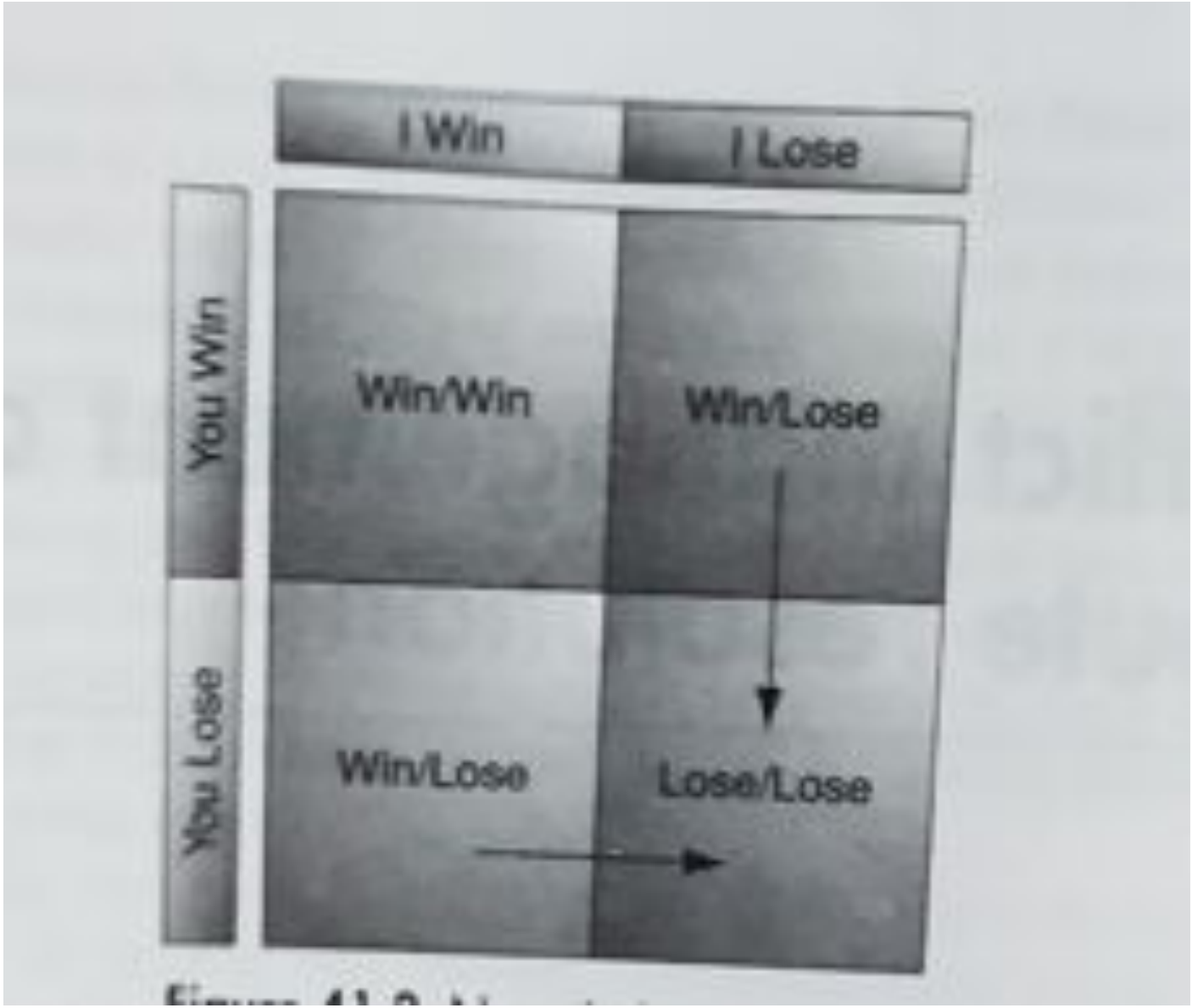
- **Signing: Must be signed by both parties** attending the negotiations.

- **Ratification**: In some cases, the agreement reached will be subjected to **ratification by senior management**, but if the settlement is reasonable, such confirmation is usually given without question.

Negotiation Stages or Phases



Negotiation Outcome



Today what we have discussed?

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- **Phases of Negotiation**

Thanks