


# **BUSINESS NEGOTIATION**

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**MAJOR PUBLIC POLICIES ARE THE OUTCOME OF A COMPLEX ROUND OF NEGOTIATION BETWEEN INTERESTS, CHOICES BETWEEN VALUES AND COMPETITION BETWEEN RESOURCES... THERE ARE NO SINGLE 'BEST' OPTIONS FOR ANY PLAYER IN THIS GAME, FOR THE 'BEST' OUTCOME DEPENDS ON WHAT OTHERS DO AND WHAT DEALS ARE POSSIBLE.**

(Davis et.al., 1993)

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People make decisions all the time and they use a variety of methods, mostly without thinking about the differences between the methods, to reach and implement their decisions. We can name each type of decision method as follows:

**Say 'No'**

**Persuasion**

**Problem-Solve**

**Chance**

**Negotitate**

**Arbitrate**

**Coercion**

**Postpone**

**Instruct**

**Give In**

# Alternative Methods of Making Decisions

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## Say 'No'

- That is what Americans call making a 'career decision'.
- To reject outright a proposal usually means having to live with the consequences, unless the proposer backs off.
- Saying 'no' and meaning it is appropriate when you cannot endure the offer but you can endure the consequences.

## Persuasion

- Persuasion is usually the first method we choose when we want something.
- When persuasion works it is a fine method, but when it does not work it often leads to tension and conflict.

## Problem-solve

- Problem-solving methods require a high degree of trust between the decision-makers, who also have to agree that they share the problem.
- If either of these conditions is absent, problem-solving breaks down when individuals 'hold back' just in case their candor is ambushed by your denial that you share their problem.

## Chance

- This is not as silly as it sounds. Because some large decisions are made by the toss of a coin.
- For example, in a choice between two otherwise identical projects for which there are funds for only one, tossing a coin might save a lot of acrimonious argument or indecisive dithering.

This is a widely used option where conditions for it exist. These conditions normally include the mutual dependence of each decision-maker on the other.

If the boss needs your consent for you to do something he wants and to which you cannot unilaterally say 'no,' nor can he make you do it, it may be possible to negotiate something that meets both your own and your boss's concerns.

This usually involves you getting something, tangible or intangible, in return for your consent. But if you have nothing to trade – he does not need anything you have, including your consent, nor does he have anything in his gift that would persuade you to consent – then negotiation is unlikely to be appropriate.

# Negotiate

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## Arbitrate

- When decision-makers cannot find a basis for agreeing, and provided they can at least agree on who is to be the arbitrator and that his decisions will be accepted, they can choose arbitration.
- The building and construction industry uses formal arbitration procedures to settle the many disputes that arise over increases in costs and variations in specifications after the contract price has been agreed.

## Coercion

- Threats lie on a continuum from a gentle reminder that you have an option through to a declared intention to use violent intimidation to get your own way. Various degrees of coercion are common in many conflict situations.
  - Of course, using coercion to achieve desirable decisions risks retaliation ('We will not be pushed around or blackmailed').
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## Postpone

- This is a relatively common practice. Countless organizations attempt to resolve internal disputes and isolate the traumas of disagreement by forming 'working parties' which effectively postpone the decision long enough to secure agreement, or long enough for the parties to forget how passionately they felt about it when it was first raised.
- In some situations, an attempt to postpone a decision could be interpreted as a form of coercion, or simply as an underhand refusal to agree.

## Instruct

- This is the appropriate choice when the person instructed is obliged and certain to carry out the instruction.
- Managers do not normally expect subordinates to question their instructions when their instructions are within the terms of their relationship.
- The efficacy of instruction rests entirely on the probability of the instruction being obeyed. If it is unlikely to be obeyed – we need their consent – we must switch to another method.



This is what we do when we accept an instruction. Giving in is not as weak an option as it sometimes seems (or as it is presented by people who perceive themselves to be 'tough guys').

We regularly give in when the odds are overwhelming or the costs of doing otherwise are excessive (to argue will take up more time than we have to spare on resisting doing what we are told).

Every time you buy an item at the seller's asking price, you are giving in, and it makes sense to do so if you cannot abide the alternative of doing without the item.

# Give In

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# What is Negotiation?

Negotiation is only one of the ten forms of decision-making listed before. As with all the alternatives it is neither superior nor inferior to any other of the others. Negotiation, like its alternatives, is appropriate in some circumstances but not in others.

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Decisions are often made by some form of negotiation between the various parties to these exchanges.

When we sell our labor services we must agree the terms under which we do so, both the terms of the wage we can expect to get and what the manager expects us to do for his money. Neither the employee nor the employer can achieve anything much without the other.

True, you can decide not to work for a particular employer if his offer is too low, and he could decide not to employ you if your demand is too high, but in the aggregate across all employers and all employees, output can only be produced if enough employers and employees agree on the specific terms for working together.

Of necessity, because each party depends on the consent of the other – neither can dictate the wage rate the other prefers – the terms of employment are set by negotiation and are changed by negotiation.