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# Negotiation Basics

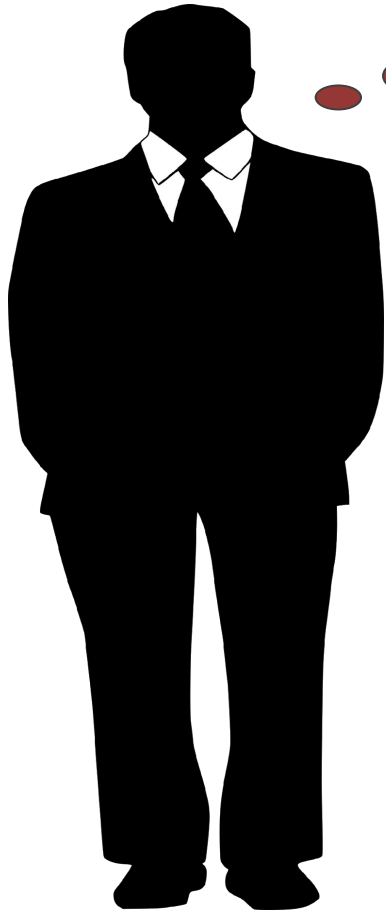
## A Scenario-based Study Guide

*After completing this tutorial, you should be able to:*

- ❖ List the four stages of the negotiation process.
- ❖ Describe how to prepare for a negotiation, including establishing the ground rules and a framework for success.
- ❖ Choose an appropriate negotiation strategy for a given scenario.
- ❖ Anticipate and respond to posturing by participants in a negotiation.
- ❖ Decide when to walk away from an unsuccessful negotiation.



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## Project Management Dilemma

- ✧ Client: Racing bike manufacturer
- ✧ Past Approach: Targeted print advertising
- ✧ New Approach: Add three TV spots
- ✧ Limited TV production resources
- ✧ Boss may resist request

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# Stage 1: Preparation

How should Andrew prepare for the meeting with his boss?



- A** Identify the most important issues and list them in priority order.
- B** Determine his boss's likely argument, and make plans for a counterargument.
- C** Call his boss to establish ground rules for the meeting.



## **CORRECT!**

You selected Choice A: Identify the most important issues and list them in priority order.

Making a list of all of the important issues will help Andrew be sure that he doesn't forget an important consideration during the negotiation. Listing these issues in priority order will help Andrew decide which points he'll be the most willing to concede on in favor of others.

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## **INCORRECT**

You selected Choice B: Determine his boss's likely argument, and make plans for a counterargument.

While it's important for Andrew to consider his boss's position, there is no way to predict his argument with 100% confidence.

Therefore, preparing a counterargument in advance could prove to be a waste of time or even counterproductive.

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## INCORRECT

You selected Choice C: Call his boss to establish ground rules for the meeting.

While determining ground rules is important, this should be done **at** the meeting with all parties present to encourage buy-in.

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# Stage 2: Opening



How should Andrew respond to his boss's accusation that he hasn't used resources effectively in the past?

- A** Explain the circumstances that led to his inaccurate predictions in the past.
- B** Acknowledge her concern, and outline his plan for improved resource utilization on this project.
- C** Reiterate the importance of the bicycle manufacturing client to the company.





## **INCORRECT**

You selected Choice A: Explain the circumstances that led to his inaccurate predictions in the past.

By launching directly into an explanation of why things went badly before, Andrew would run the risk of coming off as defensive. He should acknowledge his boss's concerns before outlining his plan for how to avoid past pitfalls.

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## **CORRECT!**

You selected Choice B: Acknowledge her concern, and outline his plan for improved resource utilization on this project.

By acknowledging his boss's concern, Andrew will demonstrate that he is taking her viewpoint seriously. To address her concern, he should be ready to explain what he plans to do differently for this project to avoid past pitfalls.

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## INCORRECT

You selected Choice C: Reiterate the importance of the bicycle manufacturing client to the company.

While Andrew might be inclined to begin by stating the benefits of his argument, it's important to first acknowledge his boss's concerns to keep her engaged in the negotiation. His boss would likely counter Andrew's argument in this case by reminding him that the other clients currently using the television resources are just as important.

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# Stage 3: Bargaining



How should Andrew approach the bargaining process?

- A** Begin by asking for the number of resources he would like for a best-case outcome but be willing to accept fewer.
- B** Begin by conceding that he could accept fewer resources and propose a less aggressive advertising plan to his client.
- C** Begin by asking his boss what her “bottom line” is (e.g., how many resources she is willing to reallocate).



## **CORRECT!**

You selected Choice A: Begin by asking for the number of resources he would like for a best-case outcome but be willing to accept fewer.

For the best outcome, Andrew should begin by making an initial offer that is more favorable to him than what he is ultimately willing to settle for. This allows room for back-and-forth negotiation, which is more likely to leave both parties feeling satisfied with the outcome.

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## INCORRECT

You selected Choice B: Begin by conceding that he could accept fewer resources and propose a less aggressive advertising plan to his client.

“Showing his hand” so early in the negotiation will put Andrew at a disadvantage, as it leaves much less room for negotiation. This scenario would be a clear “win” for his boss and is likely to leave Andrew feeling discouraged.

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## INCORRECT

You selected Choice C: Begin by asking his boss what her “bottom line” is (e.g., how many resources she is willing to reallocate).

Asking his boss to “show her hand” so early in the negotiation process will put her on the defensive and leave her less satisfied than a result that the two of them had reached together via a process of give-and-take. Since Andrew is interested in maintaining a positive long-term relationship with his boss, he should strive to keep her happy.

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# Stage 4: Settlement



What should Andrew do after settlement has been reached?

- A** Assure his boss that he'll make optimal use of the resources she's allocated to him over the course of his project.
- B** Thank his boss for her willingness to negotiate and promise to provide a report on resource utilization after his project wraps.
- C** Ask his boss for regular meetings to discuss the status of his project and his resource utilization.





## **INCORRECT**

You selected Choice A: Assure his boss that he'll make optimal use of the resources she's allocated to him over the course of his project.

While Andrew might be anxious to assuage any of his boss's reservations about her settlement, he shouldn't make this promise, as issues outside of his control might arise. A better tactic here would be to ask for regular meetings to discuss project status and resource allocation to keep his boss in the loop.

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## **INCORRECT**

You selected Choice B: Thank his boss for her willingness to negotiate and promise to provide a report on resource utilization after his project wraps.

Andrew's boss will likely feel more comfortable with her compromise if she is kept in the loop regarding resource allocation and project success during the course of the project.

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## **CORRECT!**

You selected Choice C: Ask his boss for regular meetings to discuss the status of his project and his resource utilization.

To help maintain a positive relationship with his boss, Andrew should do all he can to make sure she's comfortable with the compromises she's made. Holding regular meetings with her to discuss project status and resource allocation will demonstrate that Andrew is committed to keeping his boss informed and is doing his best to utilize resources effectively.

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# Check Your Understanding

What are the four stages of the negotiation process?



- A. Preparation, Bargaining, Negotiation, Settlement
- B. Preparation, Opening, Bargaining, Settlement
- C. Opening, Bargaining, Negotiation, Impasse
- D. Opening, Negotiation, Settlement, Impasse

✓ Check



Keep Your  
cool  
Establish a framework for  
success  
Strive for  
compromise  
Identify the important  
issues  
Establish ground  
rules  
Hold fast to your "bottom  
line"  
Discuss follow-up  
measures

Stage 1: Preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stage 2: Opening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stage 3: Bargaining	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stage 4: Settlement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reset

Show Me

✓ Check



Thanks, and good luck!