

# Best alternative to a negotiated agreement

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In negotiation theory, the best alternative to a negotiated agreement or BATNA is the course of action that will be taken by a party if the current negotiations fail and an agreement cannot be reached. BATNA is the key focus and the driving force behind a successful negotiator. A party should generally not accept a worse resolution than its BATNA. Care should be taken, however, to ensure that deals are accurately valued, taking into account all considerations, such as relationship value, time value of money and the likelihood that the other party will live up to their side of the bargain.

These other considerations are often difficult to value, since they are frequently based on uncertain or qualitative considerations, rather than easily measurable and quantifiable factors. The BATNA is often seen by negotiators not as a safety net, but rather as a point of leverage in negotiations. Although a negotiator's alternative options should, in theory, be straightforward to evaluate, the effort to understand which alternative represents a party's BATNA is often not invested.

Options need to be real and actionable to be of value,<sup>[1]</sup> however without the investment of time, options will frequently be included that fail on one of these criteria. [citation needed] Most managers overestimate their BATNA whilst simultaneously investing too little time into researching their real options. [citation needed] This can result in poor or faulty decision making and negotiating outcomes. Negotiators also need to be aware of the other negotiator's BATNA and to identify how it compares to what they are offering. <sup>2]</sup> BATNA was developed by negotiation researchers Roger Fisher and William Ury of the Harvard Program on Negotiation (PON), in their series

of books on Principled negotiation that started with Getting to YES, unwittingly duplicating a game theory concept pioneered by Nobel Laureate John Forbes Nash decades earlier in his early undergraduate research. [citation needed] Contents [hide] 1 Definitions 2 Examples 2. 1 Selling a car 2. 2 Purchasing 3 See also 4 References 5 External links [edit]Definitions BATNA An acronym defined by negotiation researches Roger Fisher and William Ury which means Best Alternative to a Negotiated Agreement. 3] It is the alternative action that will be taken if your proposed agreement with another party result in an unsatisfactory agreement or when an agreement cannot be reached. Historical Theories The Nash Equilibrium as developed by John Forbes Nash, the father of Game Theory, is described in Getting to YES[3] as the underlying idea for the concept of BATNA in negotiation (Roger B. Myerson, April 1996). [4] In a nutshell, Nash Equilibrium theory explains that, if in a group of players, each player has in consideration the other player's decisions, then no one will benefit from altering their decisions, if the other players haven't either. 5] Example of Nash Equilibrium Theory Amy and Phil are in Nash Equilibrium if Amy is making the best decision she can, taking into account Phil's decision, and Phil is making the best decision he can, taking into account Amy's decision. Likewise, a group of players are in Nash Equilibrium if each one is making the best decision that he or she can, taking into account the decisions of the others. We cannot think of BATNA without first understanding the notion of negotiation. Negotiation has been part of the "business" mentality of human beings as we know it, since the beginning of mankind.

Take for example the Israeli-Palestinian conflict, one of the longest ongoing negotiations of the kind, based primarily on the dispute over land (UN, 1948). We negotiate every single day of our lives; whether it is goods, commodities, ideas, positions, or money. The list could be endless. For this reason knowing how to negotiate is very important. The idea is to have all parties mutually satisfied with the results achieved through the highest standards of (Ethics) and legitimate standards.

In no other time of world history as the modern days, has the ability and the necessity of knowing how to negotiate, using sophisticated tools and civil discourse been so essential to society. As explained in Getting to YES, " We are each participants in a pioneering generation of negotiators... it is central to human life and the survival of our species. "[3] Negotiations Concepts Leading to Good BATNA A ruthless, aggressive and cold blooded negotiation style is the framework approach most people have when it comes to negotiation,[6] a theoretical example of that is Adversarial Approach Style Negotiation. 6] But in reality, as mentioned by experts and researchers such as Fisher and Ury [3] it doesn't have to be that way. As the world moves to more sophisticated platforms of communication, negotiation follows the trend and Problem-Solving Approach(citation) is in a way, the " antidote" of Adversarial Approach Style Negotiation. Getting to YES[3] suggest an Interest-Based Model for the use of Problem-Solving Approach. Interest-Based Model focus on separating the person (positional) from the problems (resolution) and then concentrate on the resolution.

This way allowing for both parties in a distributive way to get the results they both want. ABC's of BATNA Having a BATNA (Best Alternative to a Negotiated

Agreement) as part of the negotiation is imperative as the name explains. No one should come to the negotiation table without a BATNA. [7] This will allow for intelligent negotiation and bargain zones. In addition to having a BATNA, parties should have a Bottom Line or Reservation Price. What this prevents is that neither party will come out with agreements they don't need[3] Often, parties go to the negotiation table with what they imagine is a great BATNA.

For example, how many times have you walked into a job interview with no other solid job offers in hand, let alone perspective of solid salaries, benefits and other great things you are looking for in a job. [3] The ability to be in a powerful position so the negotiation can be intelligent and satisfactory to both parties requires preparation and research. So do not cut yourself short for the lack of having a better BATNA at all times. [3] If having a good BATNA is essential, developing a BATNA is equally important. Let's assume that you are going to work for a company that is not offering you the salary you desire.

Instead, you know that they offer other perks such as, company cars, luxurious vacation homes, and state-of-the-art computers and laptops to their employees. In other words, Alternatives. [3] Attractive Alternatives is what you want to explore in order to develop a very strong BATNA. In Getting to YES, the authors give 3 suggestions of how you can accomplish this: Inventing a list of actions you might take if no agreement is reached Converting some of the more promising ideas and transforming them into tangible and partial alternatives Selecting the alternative that sounds best

BATNA rules Parties should never disclose their BATNA, unless, the alternative is better. In other words, if your best alternative to a negotiated

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agreement is better than what the other party is offering, then disclosing it, is to your advantage. If on the other hand it is worse, then do not disclose it. BATNA in Cross Cultural Frameworks Currently in the United States and due to recent world events, there are more and more individuals with a different cultural background and approach to negotiation.

When individuals come to the negotiation and bargaining table ready to use their BATNA, and one of the parties is from a different culture, there is a tremendous game change in approach. Both parties need to think and account for cultural cognitive behaviors. Both parties must expand their thinking negotiation hats by not allowing external judgment and biases to affect the negotiation. As mentioned earlier, separate the individual from the objective[3] For example imagine you are negotiating with a party from an Arab Nation. Is this going to effect your view of how you are going to negotiate?

Or even if you are the party from that nation, are you prepared to receive an offer lower than your BATNA because you know you are from a different culture. The previous is a very simple example, but the purpose here as Gulliver[8] mentioned, is for negotiation parties to be aware. Disclosure This is a very new topic in negotiation and there aren't many frameworks in place to help this scenario. Nonetheless, preparation at all levels, including prejudicial free thoughts, emotional free behavior, biases free behavior are just a few ways according to the Handbook of Negotiations and Culture[9] that can helps in the right direction. edit]Examples The following examples illustrate the basic principles of identifying the BATNA and how to use it in further negotiations to help value other offers. [edit]Selling a car If the seller

of a car has a written offer from a dealership to buy the seller's car for \$1,000, then the seller's BATNA when dealing with other potential purchasers would be \$1,000 since the seller can get \$1,000 for the car even without reaching an agreement with an alternative purchaser. In this example, other offers that illustrate the difficulty of valuing qualitative factors might include:

An offer of \$900 by a close relative

An offer of \$1,100 in 45 days (what are the chances of this future commitment falling through, and would the seller's prior BATNA (the \$1,000 offer from the dealership) still be available if it did? ) An offer from another dealer to offset \$1,500 against the price of a new car (does the seller want to buy a new car right now, and the offered car in particular? )

[edit]Purchasing Buyers are often able to leverage their BATNA with regards to prices. This is done through buying from the lowest cost or best value seller. [edit]See also Getting to YES Getting past No Conflict resolution research

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