

Example of case study on negotiation

[Business](#), [Management](#)



Negotiation

Executive Summary

Negotiations involve a mutual agreement between parties with an aim of improving the currently prevailing situations. Negotiation is actually a dialogue that occurs between two or more parties with an aim of reaching some form of understanding and hence helps resolve a point of difference. During a negotiation, bargains are carried out and an agreement is reached which satisfies the interests of the involved parties. Both parties involved in a negotiation try to gain advantage for themselves by the end of the negotiating process. The parties involved in the negotiating process attempts to reach a compromise during the negotiating process so that they are both satisfied with the agreement reached even though it cannot meet all their needs but a majority of their needs are met for the good of both parties. Negotiations occur in businesses, legal proceedings, government branches, organizations and in everyday life. There are professional negotiators who carry out specialized services for different organizations and government agencies. They include the union negotiators, peace negotiators and the leverage buyout negotiators. Negotiations are normally manifested with a trained negotiator who acts on behalf of a specific organization or position. Negotiation is similar to a mediation which involves a third party who has to be neutral during the negotiating process. The mediator will listen to both parties and then in the process try to strike a compromise between the two parties. A negotiation is also related to an arbitration which involves legal proceedings and a compromise is struck between the two parties.

A negotiation comprises of four elements called: strategy, process, tools and tactics. The strategies in a negotiating process comprise the top level goals which include the relationship between the involved parties and the expected outcome of the negotiating process. The process and the tools are typically the steps that are supposed to be followed and the roles which are taken when preparing for the negotiating process and the roles taken during the negotiating process. The tactics on the other hand include the actions and the responses during the negotiating process. Skilled and experienced negotiators use a variety of tactics that range from negotiation hypnosis to a more straight forward method that represents the demands of the parties involved in a more direct manner.

Business negotiations may take the form of salary negotiation, mergers and acquisitions, property leasing and in some cases on the way to share the dividends of a given organization. During the negotiation process, both parties in the process present their case and a tribunal can be formed so as to take note of the information presented. The information presented by both parties is then analyzed through a win-win mechanism and a common point of agreement reached by the parties involved.

This paper analyses how a negotiation can be carried out and some of the compromises that can be reached by either parties in the negotiation. In the example presented in the paper, a negotiation for salary requires that both the employees whose salaries are to be negotiated about are represented in the negotiating table and the management also be represented in the negotiations. Once the negotiations commences, both parties present their values. A third party who should occupy a neutral stand can then help in

determining the best figure that can be favorable for both parties. In this study for instance we are going to analyze how a negotiation for salary increment for new recruits at general motors for the position of administrative assistants was conducted. In the negotiating table, the employees' representatives present their figure which is higher than the initial figure quoted by the management. A series of consultations then follow and a compromise is reached which is slightly lower than the amount demanded by the employees and slightly higher than the amount initially offered by the employers. Once a compromise is reached, the contract form can then be signed and the employees can now get ready to work. This paper then looks at the terms and conditions put forward after the negotiation and the benefits that are brought by having a negotiation.

The employer presented their figure to the employees but was not met with satisfaction. The employees needed an increment based on the nature of the job being offered. The employer quoted \$40, 000 p. a while the employees wanted a salary of \$50, 000 p. a. After a few deliberations and consultations, both parties were able to arrive at a figure of \$47, 500 p. a. and the employer agreed to review the salary after six months. After thorough deliberations, both parties were able to settle on some specified figure that could be comfortable to both of the parties in the negotiation.

Both parties had different interests in the negotiation. However, it was not easy for all the interests to be met and a BATNA was reached which helped both parties in settling at some defined figure that was comfortable to both parties. This was possible after a through bargain and both parties were able

to trade off their demands and settle on some compromise so that they could both feel comfortable.

Introduction

An effective negotiation helps in resolving situations whereby one's wants are conflicting with another person's wants. The main aim of the negotiation is to find a solution which is acceptable to the parties involved and leave both parties with a feeling that they have emerged triumph after the process of negotiation. Different styles of negotiations can be sought depending on the prevailing circumstances. Before embarking on any kind of negotiation, it is necessary that the parties involved carry out some kinds of preparation so as to have a successful negotiation process. The type of preparation to be made depends on the scale of the negotiation. If the disagreement is of a smaller scale, there is no need to make thorough preparation however, if the scale of the disagreement is big then there is need of making major preparations in the negotiating process. In this study we take a case study of a salary negotiation and how the negotiation was conducted before the final figure is arrived at. The example below shows a typical example of a salary negotiation at General Motors for the new employees for the position of administrative assistants.

Example of Salary Negotiation (Done at General Motors for the Position of Administrative Assistants)

Analysis of the content

There is a new job that has been offered at the General Motors in the US for an Administrative assistant. The nature of the operations of the new assistant has all been stated in the offer form. Most of the conditions in the

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form are acceptable but there is only one problem with the remuneration. The company is offering \$40, 000 which seems to be less based on the qualifications required and the nature of the job. In order to have a situation which is acceptable to both parties, a salary negotiating team is instituted by the management so as to look into the issues involved and then tries to break the deadlock so that the new recruits can be able to take up their positions without being inconvenienced in any way. After a series of consultations, both parties were able to reach a compromise of \$47, 500 instead of the \$40, 000 initially offered by the employer and the \$60, 000 initially demanded by the employees.

Actors

In the salary negotiation, the following parties are involved: the Administrators appointed by the management of the company, a representative from the workers union, a third party who happens to be holding a neutral position in the negotiating table so as to listen to the inputs from both sides and then help in striking a deal. The actors were able to carry out consultations with various clients that they were representing in the negotiation and later on reach some form of an amicable solution that could help in striking a deal.

Anchoring

The hiring manager calls the recruits and then offers a job at \$ 40, 000 yearly base salary plus benefits. However, the recruits are more comfortable with a yearly base salary of \$60, 000. Now the best way to carry out a negotiation of this nature is through verbal communication. The

representative from the workers union puts down the complaints on why he/she feels that the salary is not enough for the employees. In the negotiating table the representative asks for more time to review the conditions with the clients and then report back to the team. The negotiation is best done one at a time. It is advisable that you don't negotiate both the base salary and the benefits at the same time. Start first with the base salary and then the benefits may follow later. When the representative came back, he asked for a base salary of \$50, 000. The employers then said that they would review the salary in six months however for this offer; they proposed an increment of \$5, 000 and agreed to offer \$45, 000 p. a. You pose a bit and then reduce it to \$55, 000. The managers then agree to increase it further to \$47, 500 and say that they would review it further in six months time.

Conceding

Since the managers have agreed to increase the figure to a value that is almost the quoted value of the administrative assistant. The assistants had to concede and accept the offer. It is necessary to compromise on some of the stands as having a hard line stand may lead to the person losing the job or not getting a favorable amount of salary increment. The negotiating team then settled on \$47, 500 which would be reviewed in six months depending on the performance of the worker.

Concluding

The team settled on \$47, 500 which was to be reviewed after six months based on the performance of the employees. The allowances were also to be

reviewed in six months and some of the benefits were to be increased if the worker depicted some outstanding performance.

Steps involved in the salary negotiation

A quick snapshot on the steps involved in the negotiation process takes a look into three steps, ranging from the preparation to the conclusion while taking in account the Best Alternative to a Negotiated Agreement (BATNA), when deciding to let go or take the offer resulting from the negotiation process.

Stage I: Preparation Process

This involves accrediting your worth for the job by preparing a resume and a cover letter that makes your skills and accomplishments being outspoken. Reinstating your value added skills during the salary negotiation process. It also involves Conducting a Job worth Bench Marketing Study, to establish what similar firms pay for the same job role and description. Most companies will always claim to pay their people competitively which might not be the right picture on the ground. At this stage set what you want and be ready to go for it. Set your reservation wage. Finally it is very important at this stage to understand the pay policies and structure of the organization involved in the negotiation process. Take time to study the compensation policy, pay policy (e. g. lead, match, lag), job classification (grades or bands) etc

Stage II: Negotiation Process

For a new employer, delay the salary talk; feel more interested in the job. Once the offer is given, the company will be more likely to show the commitment by adding the package, than withdrawing the offer. When

quoting open with figure higher than what they are likely to offer, this will make your base salary higher to anchor your future salary rise. In negotiation focus more on the future by emphasizing on your achievement to the employer that you will give the return on the investment. When the negotiations reach a deadlock, keep silent and take a walk, to take a break. Listen more to the employer to know what exactly they want. Do the negotiation in stages, like start with the basic salary, then to the compensations, modalities of pay rise, reaching consensus on one item agenda before moving to the next item.

Negotiate on items that add value to the employers as bonuses, over time, training cost incentives, better working conditions, better insurance and medical cover etc.

Stage III: Closing Negotiation Process

Delay the final decision because agreeing on the salary package does not mean that you must take the job. Ask for some time to allow for consultations with other people and also analyze and get more understanding of their other benefits like bonus, children medical allowance, and the periodic times for the appraisals to be done. Analyze the offer and compare or with other forthcoming counter offers. So as to get a higher offer from your employer he really wants you to stay.

When preparing for a negotiation process, the following needs to be taken into consideration:

i. Goals of the negotiation – this involves the things/the expectations that a person may have from the negotiation. You also need to establish what you think the other person wants.

- ii. Trades – consider what you and the other party has that you can trade on. Check on whether you have what the other person want and whether the other person has what you want and what each one of you is comfortable to give away to the other person in the agreement.
- iii. Alternatives – incase you do not reach an agreement, is there any alternative that any of the parties has that can be used to break a deadlock?
- iv. Relationships – consider the history of the relationship and whether the relationship can impact the outcome of the negotiation.
- v. Expected outcomes – consider the outcome that people may expect from the negotiation being initiated.
- vi. The consequences – check the consequences of you winning or losing in the negotiation
- vii. Power – check on who has what powers in the negotiation process.
- viii. Possible solutions – based on all the considerations of the negotiation, what possible concession can there be in the process of the negotiation.

Exchanging

During the negotiating process, the parties involved had different stands and they had to do a lot of consultations before settling on any figure. There was exchange of ideas and the stands were softly and progressively changed as compromises were reached.

Bargain and tradeoff

The representative from the workers' union had a diehard stand when the negotiation was taking place. On several occasions, he had to leave the negotiating table to consult with the clients. After a series of consultations

and as the negotiations intensified, they were able to reach a compromise as the managers were also very cooperative. The managers were able to increase the amount from \$40, 000 to \$47, 500 and the side of the new recruits was also able to reduce their demands from the initial \$60, 000 to accept the offer of \$47, 500 that was offered by the management. After a series of bargains, a conclusion was reached and the new recruits were able to take up the new positions.

Stake

The jobs were taken up by the recruits unconditionally however, the salaries were meant to increase depending on the performance that could be depicted by the workers during their stay at the company. It was also agreed that the allowances were also to be increased further for the workers if they depicted outstanding performance.

Stake

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The new employees were interested in better pay as they worked for the company since their jobs were really involving. However the management of the company wanted to reduce on their expenditure so that they could increase their profit margin hence the offer for a lower salary to the new recruits. After a thorough negotiation, both parties were able to compromise on their stand and reached an agreement which could be easily acceptable by both parties.

Stake

Best Alternative to a Negotiated Agreement that was reached here is that not everybody could be happy with their needs not being granted. However, after a thorough negotiation, a figure of \$47, 500 which was not the initial offer for any of the parties but they had to reach that agreement so as to break the deadlock. This figure was the best that the two parties could settle on though there was a promise by the management that the salaries and the allowances could be reviewed after six months.

In conclusion, negotiations are very important as they help in finding solutions to different problems in a business or government agencies. Salary negotiations are very common in different institutions and most of the problems have been solved through the use of negotiations. If professional negotiators are involved in the process of negotiations, amicable solutions are often reached and the results are usually encouraging. The negotiating teams can then leave the negotiating table feeling contented with the solutions reached after the end of the negotiation. There were several options that were proposed by both teams of the negotiating table. The options included: Retaining the salary at \$40, 000 and increasing the allowances and the benefits and another option was paying the employees based on commission. However all these were rejected by the team representing the workers. The best alternative that could be used at this time was increasing the salary to \$47, 500 and then reviewing the salary after six months. At some places, it was necessary to use criteria of legitimacy so as to determine what the law states about the minimum and maximum wages for the employees. This was necessary so that during the

negotiating process, the figures could be within the acceptable values and ensure that none of the parties got a lion's share.

A negotiation is very important in helping to remove the deadlocks that may result from any given situation whereby there is a difference in ideas. Salary negotiations are very common whenever a person wants to take up a new job. The negotiations help the employees to get a fair deal in the whole process. In the case presented above, thorough consultations were conducted so that a compromise could be reached. Both parties have to give up their hard line stands and help in reaching an amicable position. In order for a successful negotiation to take place, both parties should be able to listen to the opponents' opinion and be ready to give up some interests after a thorough bargain.

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