

# Negotiations for Start-ups

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# Negotiation Simulations

- ❖ **State the four basic levels of conflict in organizations**
- ❖ **Explain the five sources of interpersonal power that influence conflict management**
- ❖ **Name five interpersonal conflict handling styles and their use**
- ❖ **Identify the basic types of negotiation and negotiation strategies**

## Effects of Various Dimensions of Conflict

DIMENSION	DIFFICULT TO RESOLVE	EASY TO RESOLVE
The issue itself	A matter of principle	Simply dividing up something
Size of the stakes	Large	Small
Continuity of interaction	Single transaction	Long-term relationships
Characteristics of participants' "groups"	Disorganized, with weak leadership	Cohesive, with strong leadership
Involvement of third parties	No neutral third party available	Trusted, prestigious, neutral third party available

# Primary Levels of Conflict Within Organizations

- ❖ **Intrapersonal (within an individual)**
- ❖ **Interpersonal (between individuals)**
- ❖ **Intragroup (within a group)**
- ❖ **Intergroup (between groups)**

❖ ***Approach–approach conflict***

- ❖ An individual must choose among alternatives, each of which is expected to have a positive outcome

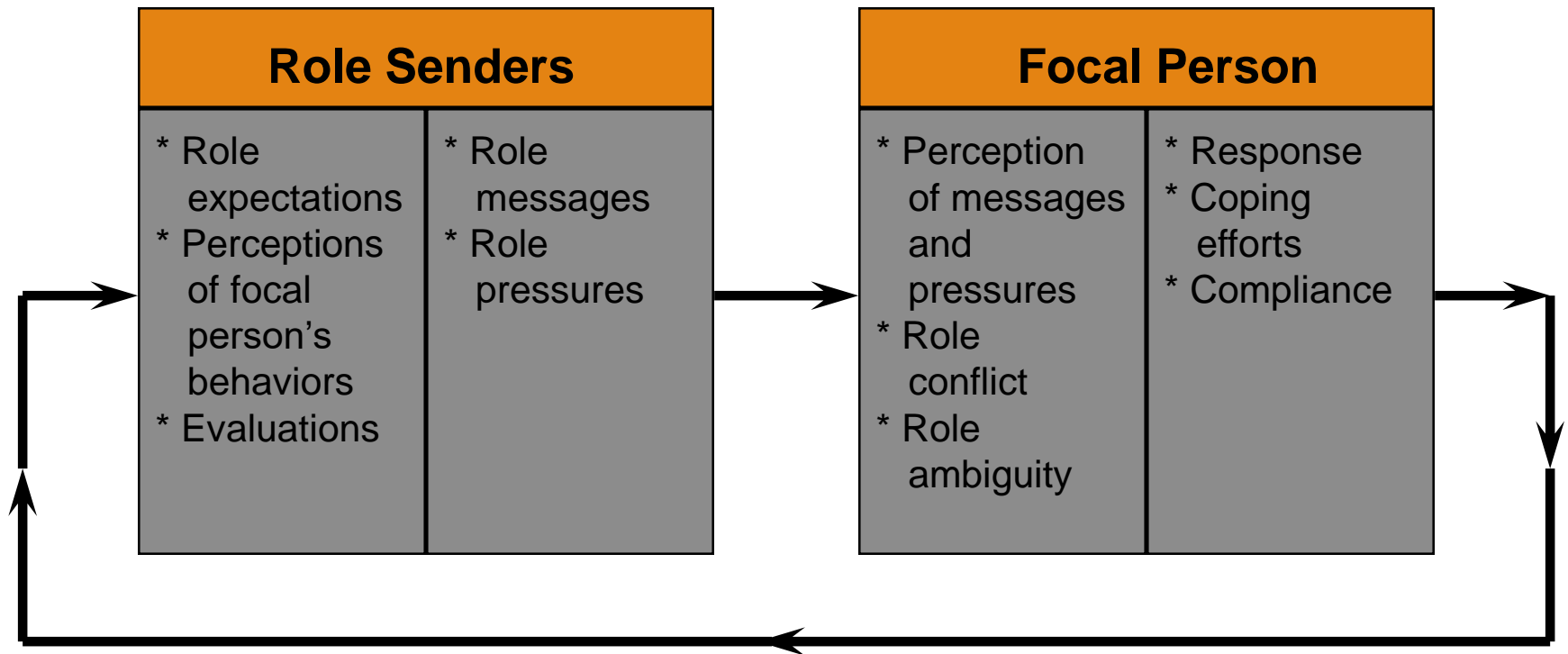
❖ ***Avoidance–avoidance conflict***

- ❖ An individual must choose among alternatives, each of which is expected to have a negative outcome

❖ ***Approach–avoidance conflict***

- ❖ An individual must decide whether to do something that has both positive and negative outcomes

# Role Episode Model



Source: Based on Kahn, R. L., et al. *Organizational Stress: Studies in Role Conflict and Ambiguity*. New York: John Wiley & Sons, 1964, 26.

## Types of Role Conflict

### ❖ *Intrasender role conflict*

- ❖ Different messages and pressures from a single member of the role set are incompatible

### ❖ *Intersender role conflict*

- ❖ Messages and pressures from one role sender oppose those from one or more other senders

## Types of Role Conflict

### ❖ *Interrole conflict*

- ❖ Role pressures associated with membership in one group are incompatible with those stemming from membership in other groups

### ❖ *Person–role conflict*

- ❖ Role requirements are incompatible with the focal person's own attitudes, values, or views of acceptable behavior

# Behaviors for Coping with Role Ambiguity

- ❖ **Initiating aggressive action**
- ❖ **Withdrawing**
- ❖ **Approaching the role sender or senders to attempt joint problem solving**

## Sources of Interpersonal Power

### ❖ *Reward power*

- ❖ An individual's ability to influence others' behaviors by rewarding them

### ❖ *Coercive power*

- ❖ An individual's ability to influence others' behaviors by punishing them

### ❖ *Legitimate power*

- ❖ A manager's ability to influence subordinates' behavior because of the manager's formal position in the organization

# Sources of Interpersonal Power

## ❖ *Expert power*

- ❖ An individual's ability to influence others' behaviors because of recognized competencies, talents, or specialized knowledge

## ❖ *Referent power*

- ❖ An individual's ability to influence others' behaviors as a result of being respected, admired, or liked

# Interpersonal Conflict Handling Styles

- ❖ ***Avoiding Style***

- ❖ Unassertive and uncooperative

- ❖ ***Forcing Style***

- ❖ Assertive and uncooperative

- ❖ ***Accommodating Style***

- ❖ Unassertive and cooperative

- ❖ ***Collaborating Style***

- ❖ Assertive and cooperative

- ❖ ***Compromising Style***

- ❖ Intermediate level of assertive and cooperative behaviors

## When Should the Avoiding Style Be Used to Handle Interpersonal Conflicts?

- ❖ **The issue is of minor or passing importance**
- ❖ **Insufficient information to effectively deal with the conflict**
- ❖ **Low power relative to the other party**
- ❖ **Others can more effectively resolve the conflict**

## When Should the Forcing Style Be Used to Handle Interpersonal Conflicts?

- ❖ **Emergencies requiring quick action**
- ❖ **Unpopular actions must be taken for long-term organizational effectiveness and survival**
- ❖ **Self-protective action is needed**

## When Should the Accommodating Style Be Used to Handle Interpersonal Conflicts?

- ❖ **Need to defuse a potentially explosive emotional conflict situation**
- ❖ **Short-run need to keep harmony and avoid disruption**
- ❖ **Conflict is primarily based on personality and cannot be easily resolved**

## When Should the Collaborating Style Be Used to Handle Interpersonal Conflicts?

- ❖ **High level of cooperation is needed**
- ❖ **Sufficient parity exists in power of conflicting parties**
- ❖ **Potential for mutual benefits, especially over long run**
- ❖ **Sufficient organizational support to take the time and energy for collaboration**

## When Should the Compromising Style Be Used to Handle Interpersonal Conflicts?

- ❖ **Agreement enables each party to be better off, or at least not worse off, than without an agreement**
- ❖ **Achieving a total win–win agreement is not possible**
- ❖ **Conflicting goals block agreement on one person's proposal**

## Basic Types of Negotiation

### ❖ **Distributive negotiations**

- ❖ **Involve win–lose, fixed-amount situations wherein one party’s gain is another party’s loss**

### ❖ **Integrative negotiations**

- ❖ **Involve joint problem solving to achieve results benefiting both parties**

## Basic Types of Negotiation

### ❖ **Attitudinal structuring**

- ❖ **The process by which conflicting parties seek to establish desired attitudes and relationships**

### ❖ **Intraorganizational negotiations**

- ❖ **Involve sets of negotiators representing different groups, and each set of negotiators tries to build consensus for agreement to resolve intragroup conflict before dealing with the other group's negotiators**

# Matrix of Negotiated Outcomes

**STRATEGY OF PERSON A**

**Integrative**   **Distributive**

<p><b>Outcome:</b> Great for Person A Terrible for Person B</p>	<p><b>Outcome:</b> Mediocre for Person A Mediocre for Person B</p>
<p><b>Outcome:</b> Good for Person A Good for Person B</p>	<p><b>Outcome:</b> Terrible for Person A Great for Person B</p>

**Integrative**

**Distributive**

**STRATEGY OF PERSON B**

- ❖ **Ensuring mutual motivation**
- ❖ **Achieving a balance in situational power**
- ❖ **Coordinating confrontation efforts**
- ❖ **Promoting openness in dialogue**
- ❖ **Maintaining an optimum level of tension**

# Attributes of successful start- up business

# Attributes of Successful Start-ups

- Even though revenue is sign of success focus on profitability



4<sup>th</sup> quarter of 1999 increased sales  
157% to 650 million but also  
increased cost

# Attributes of Successful Start-ups

- Avoid extremely niche strategies<sub>1</sub>
- Do not focus on low cost, low price, low-margin strategy those are achieved by economies of scale in large companies<sub>2</sub>

In 1999 pets.com spent \$460 in advertising for every \$100 dollars in sales<sub>1</sub>



[http://jrandolph.com/selenium/fosdem2006/pix/pets\\_com\\_puppet.jpg](http://jrandolph.com/selenium/fosdem2006/pix/pets_com_puppet.jpg)

1 Sydney Finkelstein. *The Journal of Business Strategy*. Boston: Jul/Aug 2001. Vol. 22, Iss. 4; p. 16

2 Alan Davis, Eric M. Olson. *Business Horizons*. Greenwich: May/Jun 2008. Vol. 51, Iss. 3; p. 211

# Attributes of Successful Start-ups

- Successful startups almost always rely on distinct products or service differentiators



[http://i.ehow.com/images/GlobalPhoto/Articles/2047991/Ebay\\_Full.jpg](http://i.ehow.com/images/GlobalPhoto/Articles/2047991/Ebay_Full.jpg)

2 Alan Davis, Eric M. Olson. *Business Horizons*. Greenwich: May/Jun 2008. Vol. 51, Iss. 3; p. 211

# Attributes of Successful Start-ups

- Attack markets that are easy to penetrate and use the flanking technique (i.e. Toyota) or guerrilla tactics (i.e. Alienware) to gain market share



[http://image.alienware.com/images/prod\\_info\\_img/miscellaneous/AW-CO2.jpg](http://image.alienware.com/images/prod_info_img/miscellaneous/AW-CO2.jpg)

[http://media.photobucket.com/image/toyota.com/bballjay\\_10/Toyota\\_logo.jpg](http://media.photobucket.com/image/toyota.com/bballjay_10/Toyota_logo.jpg)



2 Alan Davis, Eric M. Olson. *Business Horizons*. Greenwich: May/June 2008. Vol. 51, Iss. 3; p. 211

# Attributes of Successful Start-ups

- A study of 2994 startups found that survival in the first 3 years was no more likely if you plan or grabbed opportunities without planning



**VA Mortgage  
Center.com**

*America's VA Home Loan Specialist*

# Attributes of Successful Start-ups

- Your competition will often not notice your startup or ignore it since your company is so small<sub>2</sub>
- Create advantages in size, customer position, and establish infrastructure<sub>1</sub>
- Startups have the flexibility to make a long-term strategy sacrificing short term results for much better long term results<sub>2</sub>



Netflix has over **100** shipping locations

# Attributes of Successful Start-ups

Be able to deliver a 20-second elevator pitch and a 20-minute presentation that fully explains your company at an abstract level

# How to start a business in Missouri

# Starting a business in Missouri

Do a name check

Determine the best business structure

Obtain a Federal Employer Identification Number (FEIN)

Register for the appropriate taxes

Obtain the necessary permits



# Do a name check

Check the availability of the desired business name with the Secretary of State's office

- <https://www.sos.mo.gov/BusinessEntity>



# Determine which business structure best suits your business

- Sole proprietorship - owned by a single individual
- Partnership – joining of one or more individuals, corporations or other entities under a partnership agreement
- Corporation – a legal entity formed to conduct business, separate from the persons that form it
- Limited Liability Company (LLC) – a non-corporate business that provides limited liability to its owners



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