

Negotiations for Start-ups

Lecturer Kholova Gulnora

Risk taking

What we will cover:

- Defining the Negotiation Process
- Critical Variables
- Preparation “Secrets”
- Time as a “Game Changer”
- Negotiating Strategies and Counter-Strategies
- Class Case Study Negotiations

What Is Negotiating?



“NEGOTIATIONS” IS A PROCESS!

Webster's Dictionary Definition

- Negotiate: “to settle or conclude a transaction. To transfer or sell. To succeed in crossing, moving through, etc.”
- Negotiation: “conferring or bargaining to reach an agreement.”

Key Elements of the Negotiation Process

- The starting point
- There may be more than one party
- Are there any conflicts of interest?
- “Give and Take”
- It is a voluntary relationship

Approaches to Negotiation

Approach

- *to come near or nearer to*
- *to begin work on; set about:*

Approaches to Negotiation

Distributive Negotiation

- Positional bargaining, i.e. “this is my position and you can try and bargain me down from it”
- It’s the “fixed pie” mentality, and I’m going to grab the biggest piece of the pie that I can possibly grab
- Win/Lose strategy

Approaches to Negotiation

Integrative Negotiation

- Also known as interest-based bargaining
- It seeks mutual benefit for all that are involved
- “A rising tide raises all boats” – Reagan
- Win/Win strategy

Contemplating the Spectrum of Negotiations

Integrative



Distributive



Negotiating is a Process

1. When does the process commence?
2. Exchanging ideas
3. Influencing your environment
4. Analyzing information/technical skills
5. **No right answer:** Patience is paramount
6. Online negotiations

The 9 Phases of Negotiation

The purpose of this section is to enable students to recognize the various phases and to help prepare students to handle each phase.

The 9 Phases of Negotiation

#1 Problem Identification

- Define the problem in a form mutually acceptable to both sides.
 - Letter of Intent (LOI)
 - Request for Proposal (RFP)
- Keep the problem statement as simple as possible
- State the problem as a goal and identify the known obstacles to attaining that goal
- Depersonalize the problem – don't "blame" the other person
- Separate the definition from the search for solutions

The 9 Phases of Negotiation

#2 Preparation

- Understand the conflict situation
- Decide what your team wants
- Analyze the other side
- Develop a strategy to help them make the decision you want
- We will discuss various strategies later on in the course

The 9 Phases of Negotiation

#3 Entry

- Need to be invited
- Learn the authority of those with whom you negotiate
- Start on a positive note
- Establish or set control over procedure
- Agree on ground rules, such as:
 - Not to leave room without decision
 - All agree that we are not leaving early
 - All agree there are to be no outside interruptions

The 9 Phases of Negotiation

#4 Connecting with People

- LISTENING!!!
- Be courteous
- Investing in people intentionally

The 9 Phases of Negotiation

Invest in People Intentionally

As you go into any relationship, think about how you can invest in the other person so that it becomes a win-win situation. Here is how relationships most often play out:

I win, you lose - I win only once.

You win, I lose - You win only once.

We both win - We win many times.

We both lose - Goodbye, partnership!

From *How Successful People Think* by John C. Maxwell

The 9 Phases of Negotiation

#5 Exploration or Probing

- Educate yourself, then them
- Fully explore and question, so as to gain understanding on all the issues, positions, and interests
- The Five W's and One H
- Get them into the habit of saying “yes”
- Keep the discussion on track, on the issues

The 9 Phases of Negotiation

#6 Inventing

- Generate a range of alternative solutions
- Draft and proffer possible agreements that are favorable to both sides

The 9 Phases of Negotiation

#7 Bargaining

- Bargain for mutual enhancement rather than one-sided victory
- How:
 - Use reason
 - Make it easier for them to decide what you'd like them to decide

The 9 Phases of Negotiation

#8 Closure

- Don't be pressured/don't pressure
- Summarize: Have both parties write a summary of what their understanding of the agreement is
- Consider a trial close
- Make the agreement operational
- End on an affirmative, ceremonious note

The 9 Phases of Negotiation

#9 Implementation

- Action Plan
- Support the agreement with the people you represent
- Plan for the next negotiation

Preparation A: Know Yourself and the Other Party

Three primary areas to prepare to be an effective negotiator:

- 1. Knowledge**
- 2. Communication Skills**
- 3. Attitude**

Knowledge Preparation

What:

- The root to negotiating
- Requires research
- Assess property

Benefit:

- Allows positional evaluations
- Allows you to have solutions
- Allows you to set goals
- Predict the other side
- Anticipate the worst
- Re-strategize during process

Knowledge Preparation

MOTIVATING FACTORS

- Know the other side
- Appeal to ego
- Motivate human behavior

Knowledge Preparation

MOTIVATING FACTORS

What Tangibles are at Stake?

- For Landlord:
 - Income Stream/Return on Equity
 - Appreciation
- For Tenant:
 - Space and Services
 - Economic Cost Limits
 - Quiet Enjoyment

Knowledge Preparation

MOTIVATING FACTORS

What Tangibles are at Stake?

- Both parties are interested in:
 - Length of contract
 - Wording of agreements
 - Specific settlements
 - Specific solutions
 - Price and rate (least important?)
 - Others?

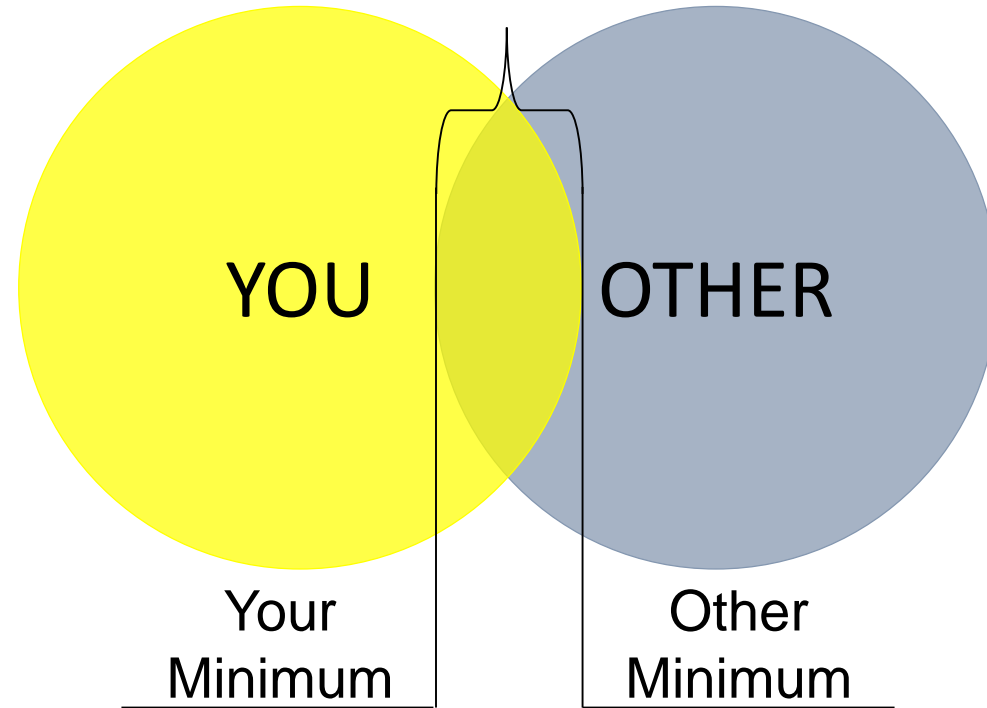
Knowledge Preparation

MOTIVATING FACTORS

What Intangibles are at Stake?

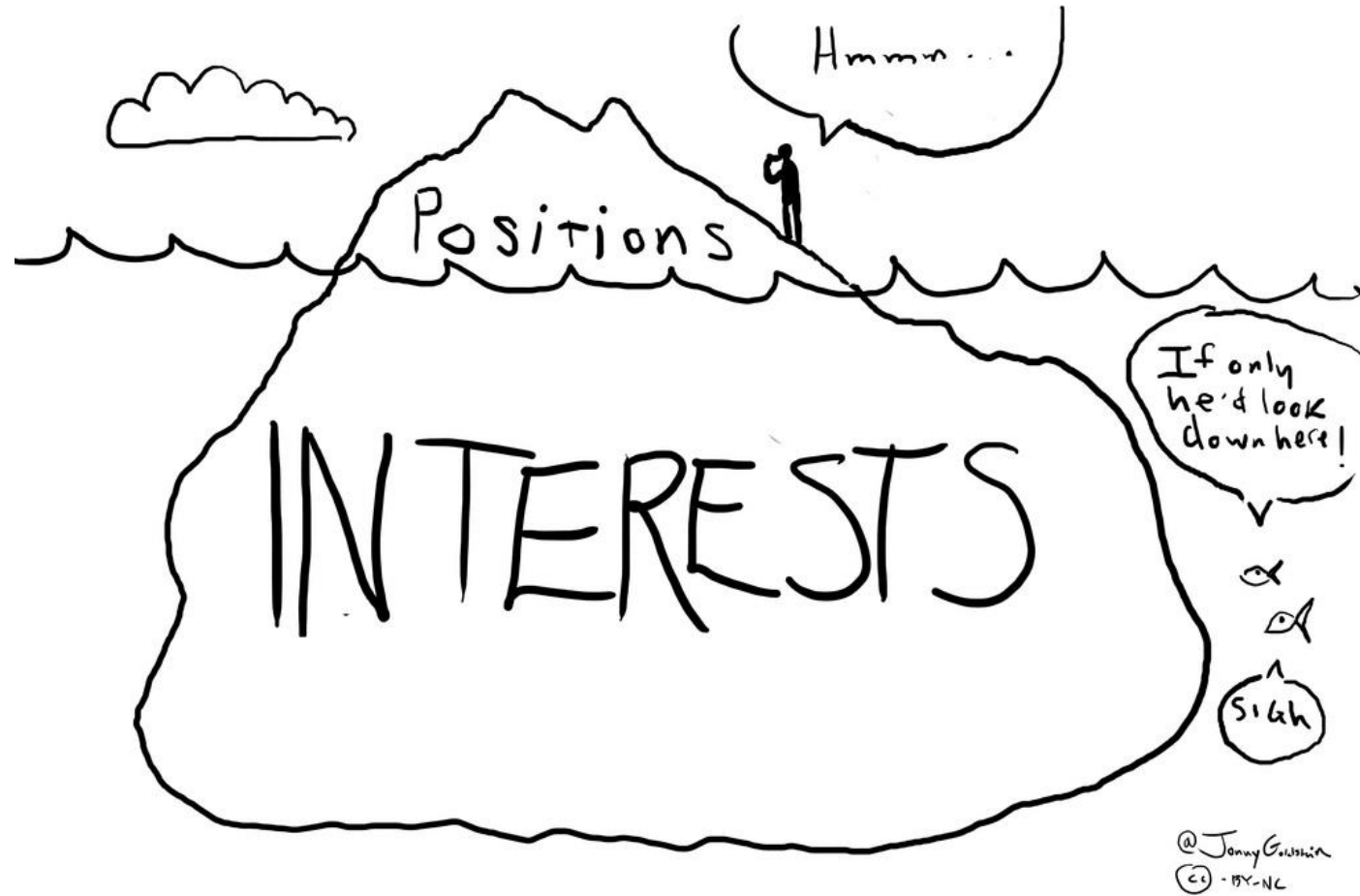
- Winning or Losing”
- Maximizing the outcome
- Defeating the other party
- Preserving your reputation
- Standing by your principles
- Maintaining precedent
- “Saving face”
- Being fair: How do we define “fair”?

Voluntary Exchange Zone



This is a visual representation of what negotiating stakeholders show each other.

Probing



References and sources

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