

Negotiations for Start-ups

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Worst mistakes

Introduction

Negotiation is something
that *everyone* does, almost
daily

Negotiations

Negotiations occur for several reasons:

To agree on how to share or divide a limited resource

To create something new that neither party could attain on his or her own

To resolve a problem or dispute between the parties

Approach to the Subject

Most people think bargaining and negotiation mean the same thing; however, we will be distinctive about the way we use these two words:

Bargaining: describes the competitive, win-lose situation

Negotiation: refers to win-win situations such as those that occur when parties try to find a mutually acceptable solution to a complex conflict

Three Important Themes

1. The definition of negotiation and the basic characteristics of negotiation situations
2. Interdependence, the relationship between people and groups that most often leads them to negotiate
3. Understanding the dynamics of conflict and conflict management processes which serve as a backdrop for different ways that people approach and manage negotiations

Characteristics of a Negotiation Situation

There are two or more parties

There is a conflict of needs and desires between two or more parties

Parties negotiate because they think they can get a better deal than by simply accepting what the other side offers them

Parties expect a “give and take” process

Characteristics of a Negotiation Situation

Parties search for agreement rather than:

- Fight openly
- Capitulate
- Break off contact permanently
- Take their dispute to a third party

Successful negotiation involves:

- Management of tangibles (e.g., the price or the terms of agreement)
- Resolution of intangibles (the underlying psychological motivations) such as winning, losing, saving face

Interdependence

In negotiation, parties need each other to achieve their preferred outcomes or objectives

This mutual dependency is called interdependence

Interdependent goals are an important aspect of negotiation

- Win-lose: I win, you lose
- Win-win: Opportunities for both parties to gain

Interdependence

Interdependent parties are characterized by interlocking goals

Having interdependent goals does not mean that everyone wants or needs exactly the same thing

A mix of convergent and conflicting goals characterizes many interdependent relationships

Types of Interdependence Affect Outcomes

Interdependence and the structure of the situation shape processes and outcomes

- Zero-sum or distributive – one winner
- Non-zero-sum or integrative – mutual gains situation

Alternatives Shape Interdependence

Evaluating interdependence depends heavily on the alternatives to working together

The desirability to work together is better for outcomes

Best available alternative: BATNA (acronym for Best Alternative to a Negotiated Agreement)

Mutual Adjustment

Continues throughout the negotiation as both parties act to influence the other

One of the key causes of the changes that occur during a negotiation

The effective negotiator needs to understand how people will adjust and readjust and how the negotiations might twist and turn, based on one's own moves and the other's responses

Mutual Adjustment and Concession Making

When one party agrees to make a change in his/her position, a concession has been made

Concessions restrict the range of options

When a concession is made, the bargaining range is further constrained

Two Dilemmas in Mutual Adjustment

Dilemma of honesty

- Concern about how much of the truth to tell the other party

Dilemma of trust

- Concern about how much negotiators should believe what the other party tells them

Value Claiming and Value Creation

Opportunities to “win” or share resources

- Claiming value: result of zero-sum or distributive situations where the object is to gain largest piece of resource
- Creating value: result of non-zero-sum or integrative situation where object is to have both parties do well

Value Claiming and Value Creation

Most actual negotiations are a combination of claiming and creating value processes

- Negotiators must be able to recognize situations that require more of one approach than the other
- Negotiators must be versatile in their comfort and use of both major strategic approaches
- Negotiator perceptions of situations tend to be biased toward seeing problems as more distributive/competitive than they really are

Value Claiming and Value Creation

Value differences that exist between negotiators include:

Differences in interest

Differences in judgments about the future

Differences in risk tolerance

Differences in time preferences

Conflict

Conflict may be defined as a:

"sharp disagreement or opposition" and includes "the perceived divergence of interest, or a belief that the parties' current aspirations cannot be achieved simultaneously"

Levels of Conflict

Intrapersonal or intrapsychic conflict

- Conflict that occurs within an individual
 - We want an ice cream cone badly, but we know that ice cream is very fattening

Interpersonal conflict

- Conflict is between individuals
 - Conflict between bosses and subordinates, spouses, siblings, roommates, etc.

Levels of Conflict

Intragroup Conflict

- Conflict is within a group
 - Among team and committee members, within families, classes etc.

Intergroup Conflict

- Conflict can occur between organizations, warring nations, feuding families, or within splintered, fragmented communities
- These negotiations are the most complex

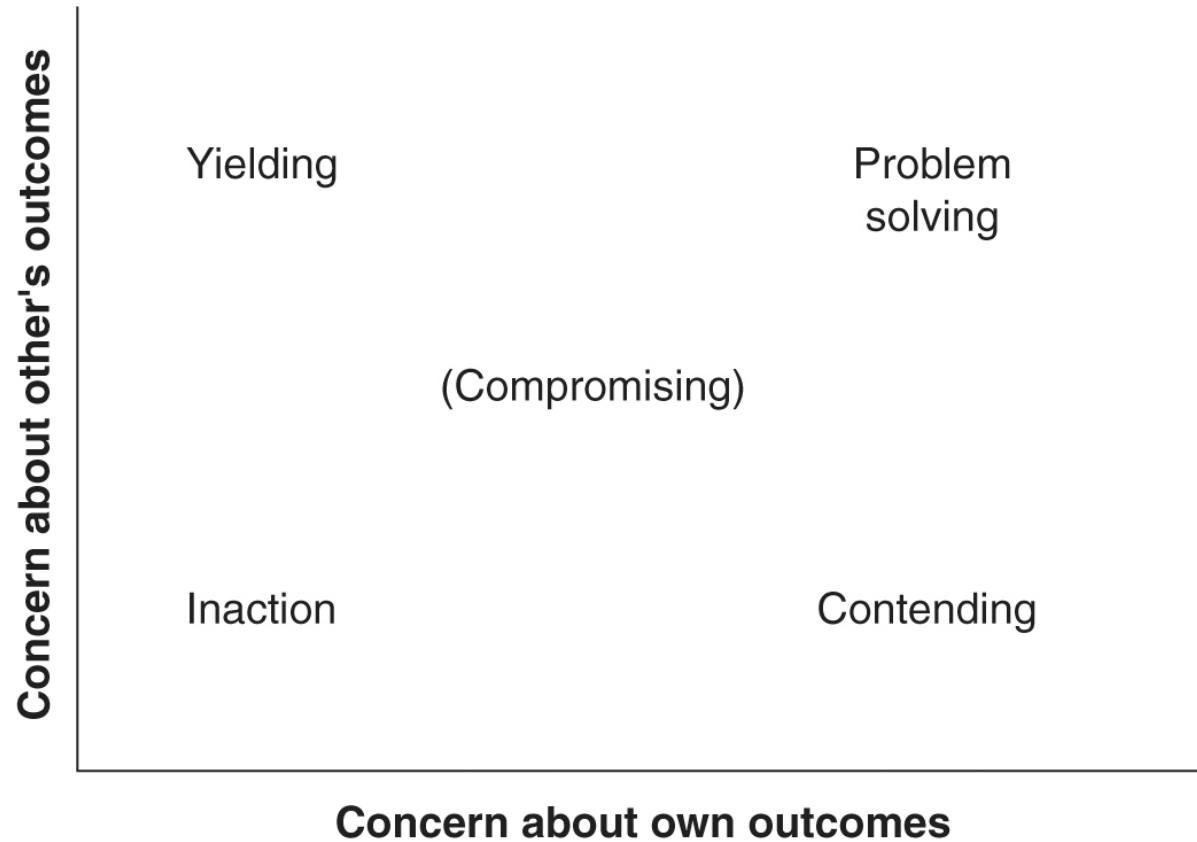
Functions of Conflict

1. Makes organizational members more aware and able to cope with problems through discussion.
2. Promises organizational change and adaptation.
3. Strengthens relationships and heightens morale.
4. Promotes awareness of self and others.
5. Enhances personal development.
6. Encourages psychological development—it helps people become more accurate and realistic in their self-appraisals.
7. Can be stimulating and fun.

Dysfunctions of Conflict

1. Competitive, win-lose goals
2. Misperception and bias
3. Emotionality
4. Decreased communication
5. Blurred issues
6. Rigid commitments
7. Magnified differences, minimized similarities
8. Escalation of conflict

The Dual Concerns Model



Styles of Conflict Management

1 Contending

- Actors pursue own outcomes strongly, show little concern for other party obtaining their desired outcomes

2 Yielding

- Actors show little interest in whether they attain own outcomes, are quite interested in whether the other party attains their outcomes

3 Inaction

- Actors show little interest in whether they attain own outcomes, little concern about whether the other party obtains their outcomes

Styles of Conflict Management

4 Problem solving

- Actors show high concern in obtaining own outcomes, as well as high concern for the other party obtaining their outcomes

5 Compromising

- Actors show moderate concern in obtaining own outcomes, as well as moderate concern for the other party obtaining their outcomes

Critical Variable: Power

INVESTMENT

Invest in the asset you are negotiating.

How?

- Acquire knowledge

- Commit team resources

- Spend money

Critical Variable: Power

IDENTIFICATION

If they believe you identify with them
Being on the same team

How?

Agree with other stakeholder

Disagree with other stakeholder

Critical Variable: Power

PRECEDENT AND PERSISTENCE

We've always done it this way

Persistence

"Nothing in this world can take the place of **persistence.**

of

Talent

will not; nothing is more common than unsuccessful people with talent.

*Genius will not; unrewarded **Persistence** is almost a proverb. Education will not;*

the world is full of educated failures and determination alone are

omnipotent." – Calvin Coolidge

Critical Variable: Power

POWER OF PERSUASION

Tools of persuasion:

- Logic
 - Have facts and be practical
- Emotions
 - Positive
 - Negative
- Mediate
- Monetary Gains
- Seek to understand the other side

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