

Financial Negotiations

Communicate with Confidence



CONTENT NOTE

“The real winners in life are the people who look at every situation with an expectation that they can make it work or make it better.”¹

Definition

Negotiation: Communication with others for the purposes of reaching agreement. Financial negotiation involves reaching agreement about money.

Negotiation is a part of our daily life. It is the way people get what they want from others. Negotiation occurs between those whose interests overlap but are not entirely the same.² It works best if participants see themselves as problem-solvers instead of adversaries.

In negotiation there are four possible outcomes.

- **Win-Win.** Both participants in the negotiation get something they want or need, if not everything. They both have a positive feeling and are willing to negotiate again. This is the preferable outcome of negotiation.
- **Lose-Lose.** Neither person involved in the negotiation gets what they want.
- **Lose-Win and Win-Lose.** One participant gets what she wants and the other gets nothing. The participant who loses is likely to be unwilling to negotiate with the winner again.
- **No Outcome.** Neither person wins nor loses. They decide not to negotiate.

¹Stark, Peter B. and Jane Flaherty, *The Only Negotiating Guide You'll Ever Need: 101 Ways to Win Every Time in Any Situation*, Broadway Books, NY, 2003, quote from Barbara Pletcher, p.9.

²Fisher, Roger and Ury, William, *Getting to Yes: Negotiating Agreement Without Giving In*, 2nd ed., Penguin Books, NY, 1981.

Microfinance
Opportunities
"Putting Clients First"

citigroup
foundation

freedom
from Hunger

Financial Negotiations Can Make a Difference

There are three key areas in which financial negotiations can be useful:

- Dealing with suppliers
- Seeking financial services
- Making decisions involving members of the household, including a spouse

At some point, you or someone you know is likely to negotiate a price with a supplier or buyer in business, determine repayment conditions with a lender, or decide with a spouse how to use household money.

Getting to Win-Win: Build Your Confidence!

Being prepared to negotiate will increase the chances that you will get what you want. Women, more than men, tend to lack confidence in themselves, which can make it more difficult for them to negotiate successfully. They often negotiate with people who are in a position of power because they are men, have more experience in negotiation, or have had more exposure to different situations in the world. You can build your confidence by preparing for the negotiation. The time you spend thinking carefully about what you want and how best to obtain it will be a good investment.

How can you prepare for negotiation? Here are some questions that can guide you.

1. *What do you want and why?* Think about your wants, needs, interests and concerns. Why do you want this? For what purpose?

EXAMPLE: I want to get a good price when I purchase food in the market place. I have a limited amount of money to feed and care for my family and I must make it go a long way. If I can pay a little less for food today, I will have some money to put into savings to manage emergencies.

2. *What are the interests and motivations of the other person?* Knowing what the other person wants will help you find a “win-win” solution. A common mistake in negotiation is to neglect to think about the position of the other person; understanding only your own point of view and your own interests can lead to failure. It is important to work alongside those with whom you are negotiating to find a suitable agreement for all. Question the person with whom you are negotiating to understand her position and underlying interests.

EXAMPLE: The seller also wants to get a good price. He has to cover his costs of supplies and running a business. He wants to make a profit so he can meet the needs of his own family.

3. *What are the possible agreements that will satisfy all parties in the negotiation?* Recognize that you and the other person have differences. Think about all the possible options that will result in a positive outcome for both sides.

EXAMPLE: The buyer wants a good price, but she is also concerned with quality and availability of the product, ease of purchase and transportation. The seller wants to do a good business by having regular clients, beating the competition, getting paid in cash and reducing the time for each transaction. Some areas of agreement might be as follows:

- If the seller lowers the price, the buyer will pay in cash instead of on credit.
- The seller offers to lower the price if the buyer purchases more each time she buys.

4. *What will you do if you cannot agree?* Negotiation does not always result in agreement. You should identify what alternatives you have if this happens. Knowing what your options are will make it easier for you to decide when you should give up the negotiation and walk away. The alternatives may not be as desirable, but sometimes the only agreement possible is too unsatisfactory to accept and an alternative solution may be more appropriate.

EXAMPLE: The buyer thinks the price is too high and the seller does not offer any acceptable alternatives. Resolutions include the following:

- The buyer goes to a different seller (perhaps sacrificing on preferences for product quality, variety or appearance).
- The seller chooses not to sell to this customer.

5. *How can you use other experiences to support your points or ensure fairness?* Can you think of examples of commonly accepted solutions in similar situations? Introducing guidelines drawn from other situations can be persuasive. To do this effectively, you must do some research to find the right

information and relevant examples. This takes time, but information is a powerful tool in negotiation.

EXAMPLE: The buyer shares the prices offered by other sellers for the same product. Or she shares information about the actual price of producing the product and the generally accepted profit margin.

6. *How will you communicate effectively?* Remember the two sides of communication: speaking clearly and listening carefully. Decide what you want and clearly state your interests. Think about how you want to say these things and use words that the other person will hear and understand. Then, listen closely to the other person. Sometimes it is difficult to really hear what he is saying because you are absorbed by your own ideas, or think you already know what his intentions are, or are distracted by your emotions. You can confirm that you heard a person correctly by restating back to him in your own words what he said.

Keep the discussion focused on the issue. Don't let yourself get sidetracked in the negotiations by returning to points of conflict. Try not to react to something the other person said that is not relevant. Bring the conversation back to what you want by restating the issue.

EXAMPLE:

Wife: I am worried that we do not have extra money to deal with emergencies. I would like to save more money with my women's group.

Husband: You just want to hide money away to buy new clothes.

Wife (acknowledges his feelings but sticks to what she wants): I see you are upset about my saving with the group. I want to find a way to help us avoid expensive loans from the moneylender like we had to get last year when our daughter got sick. The group has an account at the bank. I can save small amounts and the money will be safe.

Husband: You are just changing the subject!! Pretty soon you will be buying jewelry with our money.

Wife (not reacting to his outburst, staying on message): I love you and our family. I want to set aside some money for security. I see other families so in debt they have to cut back on what they eat. I don't want this for us if the flood or sickness comes. Perhaps I can take a few pennies each week from the house money that I would normally spend for tea and keep it in the group savings account.

Husband: Oh, all right. We can try it and see what happens.

7. *What if you are negotiating with a friend or someone you know?* Build a good relationship with the person with whom you negotiate, but separate the relationship from the problem you are negotiating. If you have a good working relationship with someone, negotiation will come more easily. Your relationships will be more positive if you can:

- communicate well—seek advice, listen and ask questions, spend time with a person;
- be trustworthy, consistent, and honest; and
- honor your commitments and follow up on what you say you will do.

Be sure to separate your relationship with the person from the issues you want to negotiate. A relationship involves acceptance, respect, trust, and different emotions. Issues for negotiation may include an amount of money (for example, a price charged for a service, or the amount of a loan), terms and conditions, setting dates (for completion of work being contracted, or repayment of a loan) and so on. The solutions to building relationships and solving problems are very different.

EXAMPLE: To build a good relationship, the seller frequently asks the buyer questions about her personal situation. How is her family? How is her business doing? How is her health? He also asks her how satisfied she is with his product. He listens and when she returns she finds he has made improvements that she suggested.

On the other hand, the buyer tells the seller she will bring her friends to buy his product. When she does so, he gains new clients and realizes that this person does what she says she will do.

8. *What do I need to do to make sure that the decision agreed upon actually takes place?* Decide what commitments are needed to reach the desired outcome. This is especially useful if negotiations will take time.

EXAMPLE: The expected outcome of negotiation in the case of the buyer and seller described above might be as follows:

- The buyer has agreed to purchase products in bulk.
- The seller has agreed to supply them on a certain date at the agreed-upon price.

Good or Bad Negotiations?

Below are sample dialogues that show good and bad negotiation style. Can you identify which is good and which is not so good? Why?

NEGOTIATION EXAMPLE 1:

- Wife:** You spend too much on tea and going into town. I don't have any money to buy food. What am I going to do?
- Husband:** You drink too much tea yourself. You are not managing the money I give you well. We are poor, woman.
- Wife:** You always accuse me of these things while you are always away and we are suffering with a leaky roof.
- Husband:** It's not my fault the roof leaks. I've fixed it a hundred times. The roof is old.
- Wife:** You should find a way to repair the roof for good. We are so short on cash, I'll have to go to the moneylender to borrow just to buy food.
- Husband:** Then we will just owe more. Oh, what a life!! I'm going to get some tea.

NEGOTIATION EXAMPLE 2:

- Wife:** I think it would be useful for our family to save more. More savings would help us put a roof on the house. You would not have to patch it so often.
- Husband:** We have no money to save. We have difficulty meeting our expenses already.
- Wife:** I understand we have problems meeting our needs. That's just it. We have to borrow, so we end up owing even more money. I met a wise woman who said everyone should save for three months of expenses. What do you think about that?
- Husband:** Three months? It is too much.
- Wife:** Maybe we could try for at least one month to start. I think I can cut down on buying tea every time I go to the market.
- Husband:** You are right that we always end up borrowing. I can cut down from three cups of tea a day to two.
- Wife:** Yes, I think I can drink less tea and put that money in savings. I think I will use less oil in our cooking, too.
- Husband:** I will get a ride to the market with our neighbor once a week to spend less on transportation.
- Wife:** Can we agree to put an extra 10 in savings in the bank each week?
- Husband:** Yes, let us start this week.

TIPS FOR NEGOTIATION

- Prepare ahead of time
- Know what you want
- Have confidence you can win
- Be ready to satisfy the other person's interests
- Be open to new and creative solutions
- Gather information about the issue from others who know
- Listen to the other person
- Don't argue; work on a joint solution
- Don't reject ideas; reframe them toward finding solutions
- Look the other person in the eye
- Speak with confidence
- Don't push; use persuasion by drawing the other person into agreement
- Don't become angry
- Find opportunities for agreement
- Reference expert opinion

COMMON NEGOTIATING MISTAKES

- Starting to negotiate before you are ready
- Negotiating with the wrong person
- Locking in a position
- Feeling powerless during a negotiating session—an indicator of a lack of preparation
- Losing control
- Wandering away from the goals and limits you have set
- Worrying too much about the other person
- Blaming yourself for others' mistakes
- Not focusing on closing the negotiation

References

Donaldson, Michael C. and Mimi Donaldson, *Negotiating for Dummies: A Reference for the Rest of Us*, Hungry Minds, NY, 1986.

Fisher, Roger and William Ury, *Getting to Yes: Negotiating Agreement Without Giving In*, 2nd ed., Penguin Books, NY, 1981.

Fisher Roger and Scott Brown, *Getting Together: Building Relationships As We Negotiate*, Penguin Books, NY, 1988.

Fisher, Roger and Danny Ertel, *Getting Ready to Negotiate: A Step-by-Step Guide to Preparing for Any Negotiation*, Penguin Books, NY, 1995.

Stark, Peter B. and Jane Flaherty, *The Only Negotiating Guide You'll Ever Need: 101 Ways to Win Every Time in Any Situation*, Broadway Books, NY, 2003.

Ury, William, *Getting Past No: Negotiating Your Way from Confrontation to Cooperation*, Bantam Books, NY, 1993.