Workshop Topic: Negotiation

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Lecture Notes

- There is no such thing as bargaining power, only the perception of it. To be successful you need to create that perception. All negotiations represent opportunities. Look at negotiation as an opportunity to improve your situation, not as something to fear.

- More things are negotiable than most people think. Don’t be scared to ask the question, “Is this the best price you can offer?”

- In employment situations you are negotiating from the first contact you have with your potential employer. Often the more you let the employer talk, the more successful you will be in your job interview and negotiation. When negotiating salary, ask the employer about the normal salary range for the position. This will prevent you from low balling yourself or pricing yourself out of the job. You do not have any perceived bargaining power on salary until they offer you a position. Once they have offered you a position, then you have bargaining power and can negotiate things like compensation. Don’t be afraid to ask what aspects of the employment offer are negotiable. Often other perks of the job are negotiable, even if salary isn’t.

- Negotiation is ritualistic in many other societies. It is part of how all business is conducted. In other cultures, if you do not negotiate you lose respect.

- When negotiating, spend some time getting to know the other party. If the other party gets to know you and sees you as a likable person, it will help you in the negotiations.

- There is a certain amount of deception involved in negotiating. It is often prudent to exaggerate for strategic purposes; this is known as “puffing.” If one party is “puffing” in negotiation and the other party is being straightforward about what they want, the party who is “puffing” will make out better in the negotiation.

- In any negotiation there is no substitute for knowledge and preparation. Knowledge is power.
When purchasing a car, the invoice is a complete fabrication. In order to get the best deal possible, you must figure out what the dealer actually paid for the car. Try to find this out before entering the negotiation. When you see an ad in the paper for a car and they only have “one at this price” that may indicate that the cost is lower than if they had multiple cars of the same model. Never pay sticker price, and always be ready to walk away unless you feel you have talked them down to a reasonable cost.

Three things to figure out in any negotiation:
- Your bottom line and the other party’s bottom line. What is the worst offer you would accept? What other options exist? What happens to the other side if they don't negotiate with you?
- What is your goal? What is the most and least you are comfortable spending or paying?
- Where are you going to start? Be competitive but don’t be too open. Being open only works if both parties are being open. If you are being open and the other party is not, they will fare better in the negotiation. Don’t start with a reasonable offer. This will serve as an anchoring point and could hurt you in the negotiation. Start with an offer that anchors in your favor.

Your goal is to start as far away as you possibly can from what you are willing to accept and then rationally defend your offer.

Preparation is important because it gives you confidence, and confidence is extremely important in negotiation. If you are confident enough in what you are saying, the other party may start to doubt themselves and wonder why they are not seeing it your way.

When entering negotiations, you should establish a good base with the other party, and try to get on their good side. When people begin a negotiation in a positive mood, they usually maximize joint return. When people start in a bad mood, they are usually more confrontational and self-serving.

When you witness rudeness in a negotiation, it is really a substitute for bargaining skill.