

Commercial Management

Lecturer : Dr. Leul Girma



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Course & Class Information

Course: Commercial Management

Program: Bachelors in Business Administration and Management (BBAM)

Credits: 6 ECTS

Mode: Onsite / Blended

Class 5: Negotiation and Closing Techniques – Process and Deal-Making

Lecturer : Dr. Leul Girma

Main Teaching & Learning Materials

Core textbook

- Principles of Management
- Principles of Marketing
- Case studies and real-world examples
- Academic articles and selected readings



Objective and Learning Outcomes

Objective:

To equip students with a **structured, practical approach to the negotiation process** and deal-making, enabling them to prepare, execute, and close commercial agreements effectively.

By the end of this class, students will be able to:

- Explain the key stages of the negotiation process-
- Calculate (Best Alternative to a Negotiated Agreement) BATNA
- Distinguish between interests and positions to create value
- Plan concessions strategically to avoid giving away too much
- Recognize closing signals and confirm agreements professionally

What Is Negotiation in Commercial Management?

Negotiation is a structured process where two or more parties communicate to reach a mutually acceptable agreement, balancing value creation with value claiming in commercial relationships (Bright et al., 2019).

Key characteristics:

- Focuses on **interests**, not just positions
- Involves **trade-offs** and concessions
- Aims for **win-win** or **win-lose** depending on context
- Ends with a **clear, confirmed agreement**



Why Focus on Process and Deal-Making?

A **structured negotiation process** reduces uncertainty, prevents costly mistakes, and increases the likelihood of reaching **profitable and durable agreements** (Bright et al., 2019)



Key characteristics:

- Separates **preparation** from execution
- Creates **clear milestones** and decision points
- Prevents **reactive or emotional** concessions
- Ensures **deal terms are captured** and confirmed

Key Stages of the Negotiation Process

The negotiation process consists of **five sequential stages: prepare, explore, propose, bargain, and close** – each requiring specific skills and disciplined execution (Bright et al., 2019).

Key tools:

- 1. Prepare:** Set goals, BATNA, walkaway, and concessions
- 2. Explore:** Ask questions to uncover interests and constraints
- 3. Propose:** Offer solutions that create mutual value
- 4. Bargain:** Trade concessions strategically, not emotionally
- 5. Close:** Confirm agreement and next steps in writing

Practical Tool 1 – Pre-Negotiation Preparation Canvas

The **Pre-Negotiation Preparation Canvas** is a **one-page worksheet** that organizes your goals, BATNA, walkaway point, interests, and planned concessions **before** entering any negotiation (Bright et al., 2019).

Key characteristics:

- BATNA is your **best alternative** if no deal is reached
- Walkaway point is the **worst acceptable terms** – stop below this line
- Interests reveal **why** they want what they want (not just positions)
- Concessions are **planned trade-offs** – give something to get something
- Opening offer is **realistic but ambitious** first proposal

Practical Tool 2 – BATNA & Walkaway Point Calculator

The **BATNA & Walkaway Point Calculator** is a **two-number tool** that defines your negotiation floor: BATNA is your **best alternative if no deal** (your leverage), and walkaway point is the **specific term you will not cross** (Bright et al., 2019).

Key characteristics:



- **Calculate BATNA** before negotiating – list all alternatives and pick the best
- **Set walkaway point** just above BATNA – never accept less
- **Improve BATNA** before negotiating to increase your power
- **Keep both secret** – reveal walkaway only as a final discipline, not a threat
- **Walk away** when offer falls below walkaway point

Practical Tool 3 – Interest vs. Position Mapping

Interest vs. Position Mapping is a technique that separates what a party demands (position) from why they demand it (interest) – enabling creative solutions that satisfy underlying needs rather than fighting over fixed positions (Fisher & Ury, 1981).

Key characteristics:

- **Position** is what they say they want – often fixed and rigid
- **Interest** is why they want it – their real need or fear
- **Ask "why?"** five times to uncover interests behind positions
- **Brainstorm options** that satisfy interests without conceding positions
- **Trade across differences** – give what costs you little but values them highly



Practical Tool 4 – Concession Planning Matrix

The **Concession Planning Matrix** is a **pre-negotiation tool** that maps what you are willing to give and what you expect in return, preventing reactive, unplanned concessions that erode deal value (Bright et al., 2019).

Cost to You ↓ / Value to Them →	Low Value to Them	High Value to Them
Low Cost to You	Low priority (give if needed)	Excellent trade bait – give first to build goodwill
High Cost to You	Avoid – never give these away	Major concession – use sparingly and get big return

Practical Tool 5 – Question Ladder for Information Gathering

The **Question Ladder** is a **hierarchy of question types** that moves from closed, factual questions to open, exploratory questions – designed to uncover interests, constraints, and hidden opportunities during negotiation (Bright et al., 2019).

Key characteristics:

- **Closed questions** verify facts : "Is delivery possible by Friday?"
- **Open questions** explore needs: "What matters most to you in this deal?"
- **Probing questions** dig deeper: "Why is that timeline critical for you?"
- **Hypothetical questions** test options: "If we adjusted payment terms, would that help?"
- **Summary questions** confirm understanding: "So your main concern is lead time, correct?"

Practical Tool 6 – Deal-Making Scorecard

The **Deal-Making Scorecard** is a **2x2 matrix** that plots negotiation outcomes based on **economic value achieved** and **relationship health** helping negotiators choose between accommodating, competing, avoiding, or collaborating (Bright et al., 2019).

	Low Relationship	High Relationship
High Value	Compete (maximize short-term gain)	Collaborate (best long-term outcome)
Low Value	Avoid or walk away	Accommodate (preserve relationship)

- Score after each major negotiation to inform future approach
- Use the matrix to select negotiation strategy before starting
- Re-evaluate if value or relationship priorities change

Practical Tool 7 – Closing Signals Checklist

The **Closing Signals Checklist** is a **set of observable verbal and behavioral cues** indicating that the other party is ready to finalize an agreement – helping negotiators recognize the right moment to stop bargaining and secure the deal (Bright et al., 2019).

Key characteristics:

- **Summation statements:** "So let me summarize what we have agreed so far..."
- **Hypothetical closes:** "If we can deliver by Friday, would that work for you?"
- **Concession requests:** "If you could adjust the payment terms, we would sign today."
- **Time-bound pressure:** "We need to finalize this by tomorrow."
- **Body language:** Leaning forward, nodding, or reaching for a pen.

Checklist format:

Signal	Observed? (✓)
Summation statement	☐
Hypothetical close	☐
Request for final concession	☐
Time pressure mention	☐
Positive body language	☐

- **If 3+ signals observed** → Move to close.

Practical Tool 8 – Agreement Confirmation

The **Agreement Confirmation Template** is a **structured written format** used immediately after a verbal deal to capture key terms, responsibilities, timelines, and next steps – preventing misunderstandings and ensuring both parties share the same understanding (Bright et al., 2019)

Key characteristics:

- **Date and parties:** Names and roles of all negotiators
- **Key terms:** Price, quantity, delivery, payment, warranties
- **Responsibilities:** Who does what and by when
- **Open items:** Any unresolved points with deadlines
- **Sign-off:** Both parties confirm by email or signature



Common Negotiation Traps and How to Avoid Them

Common negotiation traps are predictable psychological or strategic errors that undermine deal quality – including **anchoring, escalation of commitment, the winner's curse, and reactive devaluation** (Bright et al., 2019).

Key characteristics:

Anchoring: First offer sets the range – have your own anchor ready

Escalation: Throwing good resources after bad – set walkaway beforehand

Winner's curse: Winning too easily means you overpaid – test aggressive offers

Reactive devaluation: Discounting other side's offers – evaluate objectively

Fixed-pie fallacy: Assuming win-lose – look for tradeable differences

Activity – Role-Play a B2B Sales Negotiation

The **activity debrief** is a structured group discussion that analyzes the role-play negotiation outcomes – identifying which tools were most effective, where breakdowns occurred, and what would be done differently next time (Bright et al., 2019)

Key Activities :

- **Compare final deals:** Which pair achieved highest value? Best relationship?
- **Share successes:** Which tool helped most? (e.g., Question Ladder, Concession Matrix)
- **Identify failures:** Where did negotiation stall or break down?
- **Lesson learned:** One specific change each student would make next time
- **Instructor summary:** Top three patterns across all pairs

Key Takeaways

BATNA defines your leverage – always calculate before negotiating

Interests matter more than positions – ask "why?" to uncover real needs

Plan concessions in advance – never give without getting something back

Closing signals tell you when to stop bargaining – use the checklist

Confirm every deal in writing with the Agreement Template

Further Reading

Bright, D. S. et al. (2019). *Principles of Management*. OpenStax, Rice University.

Fisher, R., & Ury, W. (1981). *Getting to Yes: Negotiating Agreement Without Giving In*. Penguin.

Shell, G. R. (2006). *Bargaining for Advantage: Negotiation Strategies for Reasonable People*. Penguin.

Ury, W. (1991). *Getting Past No: Negotiating in Difficult Situations*. Bantam.

Harvard Business Review (2016). *HBR Guide to Negotiation*. Harvard Business Review Press.

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