

NEGOTIATION ROLE PLAY & SUMMARY

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Executive Summary

This report has been done to highlight various steps that are involved in negotiation and purchase of a real estate land for opening a new branch of a company. In the pre-negotiation stage, the preferable thinking style for this negotiation has been highlighted which is hierarchical for this case. Adjustments that can be made to make the hierarchical style more effective for this case has been discussed. BATNA and ZOPA analysis of both the buying and selling parties has been discussed. This report also provides a complete communication log of a real estate purchase negotiation process.

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Pre-negotiation

Thinking style analysis

According to Sternberg and Wagner certain mental self-government theories can define the thinking style of an individual. It can also be said that a person can be judged according to their thinking functions, scopes, and leanings of government which define their thinking style (Martínez, 2018). A person can have more than one thinking style that varies according to various tasks. Stenberg also says that four types of mental self-government techniques vary within every person and changes according to various functions. These are “monarchic, hierarchic, oligarchic, and anarchic.”



Figure 2: Sternberg and Wagner forms of thinking

(Source: Robertjsternberg, 2020)

The monarchic style of thinking involves being rigid and nonflexible and the person moves to another task only after finishing the first task. The hierarchical form is generally used by persons who like multitasking within a fixed period (Aljojo, 2017). In this form, the person divides various tasks according to priority or preference and completes those tasks according to those priorities. Oligarchic approach is also used by people who like multitasking but have trouble in setting up priorities (Robertjsternberg, 2020). Anarchic thinking style is the most flexible style of all this is also a multitasking style that does not follow any preference and the person does tasks according to their pleasure.

In this report, the task is purchasing industrial land to open a new branch of an existing company that is willing to expand. For this task, multitasking is required for the timely and efficient completion of projects. Due to which hierarchical thinking style would be optimal. Hierarchical style is one of the most efficient styles of negotiation as it can set preferences (Naghavi and Mubarak, 2019). Through a hierarchical approach, the purchasing agent can provide valuable information to their employer.

The purchasing agent divides the whole task into various sub-tasks and sets priorities. At first, the purchasing agent needs to select an appropriate location that is suitable for building a new branch and has the same kind of target customers as the parent branch. After selecting locations the agent will contact various agents and create several alternatives. In the next step, the agent needs to select the appropriate alternative which will be most advantageous. The alternative will be selected considering a few factors such as cost, location, and surroundings. After the best alternative is selected the vendor needs to negotiate with the sales agent to bring out the least price of the land. After negotiations, the purchasing agent will send a report to their employer defining every aspect of the purchase so that the employers can properly decide whether to proceed with the transaction or not.

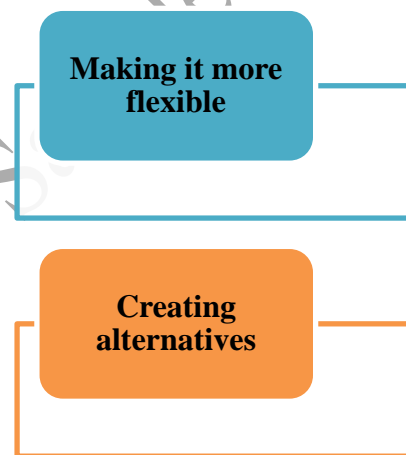


Figure 2: Adjustments to optimize hierarchic thinking style

(Source: Dratistiana, 2018)

A hierarchical approach will lead to a smooth negotiation and purchase of industrial land for building a new branch but this style can be optimized more if the processes were made a little bit more flexible. There can be various issues that might occur in any step of the process and hierarchical style will lead to complete stoppage of progression. This can be adjusted by making the processes a little bit more flexible. As inspired by Alamanda *et al.* (2018), another adjustment

that can be made is hierarchical style of thinking leads to consumption this can be mitigated by having an alternative plan for every step.

BATNA & ZOPA analysis

“Best alternative to a negotiated agreement” or BATNA can be said as the most optimal alternative that the purchaser can take if the desired negotiation somehow fails. Every transaction process should have several alternatives as a precautionary tactic as several reasons can lead to the failure of a transaction (Sebenius, 2017). Having proper alternatives saves a huge amount of both time and resources if a transaction fails. Determining the reservation point of both the purchaser and the seller is crucial for having a proper negotiation. Reservation value can be said as the worst price deal that you are willing to accept (Albrecht *et al.* 2016).

According to Alamanda *et al.* (2018), the major difference between BATNA and Reservation point is that Reservation point provides a number of the worst values that we are willing to accept. In this purchase and negotiation process, the real estate land reservation point of the client denotes the largest sum that employers of the purchasing agent are willing to pay to acquire a real estate land. Knowing the reservation value of employers will help the agent to create the best alternatives and hence BATNA if a transaction fails. The reservation value of the other party for this case, which is the seller, is the least amount of money that they are willing to accept for the land. Knowing the reservation value of the seller will help the agent to negotiate properly and extract the perfect and least price from them.

For this report, the employers of the purchasing agent require land of 5000 square feet. The average price of 5000 square feet of land in industrial areas of the UK is £1,500,000. The reservation value for the purchaser for this case is around £2,000,000. This is the most that the employers of the agent will be willing to pay. The reservation value of a seller of 5000 square feet of land in the UK is around £1,000,000 which is the least amount they will accept from any buyer.

The zone of the possible agreement which is also known as ZOPA is the price range that has the most chance of a negotiation being concluded. It is a price range that is suitable for both the seller and the buyer and tends to strike a deal (Thomas *et al.* 2019). ZOPA lies between the reservation value of both the buyer and the seller. If the bargaining range of either buyer or the seller exceeds ZOPA there is a high chance that the transaction might fail. In a negotiation process, both the buyer and the seller party aim to get a larger proportion of ZOPA from the deal.

For this case, ZOPA lies between the price range of £1,250,000 and £1,750,000. A distributive bargaining strategy is a bargaining strategy in which one of the parties will try to create a win-lose situation (Batra, 2016). Knowing the reservation value of the seller will be of huge aid to the purchasing agent as he can use distributive bargaining to gain a large portion of ZOPA from the deal.

Negotiation

Date	Item Discussed	Description	Mode
2-1-2021	Land and Price	During this conversation, the seller told about the various features that the piece of land was providing. Features such as the location of the land were a prime and central location which will be easy to reach for anyone. The major feature that the seller boasted was that the location was 3 km away from the railway station. The seller proposed a price of £1,775,000 for the land.	Telephonic
3-1-2021	Land and Price	During this conversation, the purchasing agent asked the seller to reconsider the price they were offering. The agent told me that other sellers were willing to sell the same kind of land for a much cheaper price. The agent proposed a price of £1,115,000.	Telephonic
6-1-2021	Land and Price	In this conversation, the seller told that such a low price is unacceptable and none of the other sellers can provide land for such a cheap price in a central industrial location. They proposed a revised price of £1,550,000.	Mail
9-1-2021	Location and Price	In this conversation, the buyer told that the price they were offering was still too high for the land and they	Telephonic

		could find better alternatives. The purchasing agent highlighted that the land location was near a busy street and had a gas station nearby due to which the area faced unusually high traffic. The purchasing agent offered a final price of £1,250,000.	
13-1-2021	Price	In this conversation, the seller accepted the proposed final price of £1,250,000 and said that they were willing to proceed with the transaction as soon as possible for that price	Mail

Table 1: Communication log of the land negotiation

(Source: Self Developed)

Post negotiation

To,

Mr. Damian Wayne

122B Baker Street

13th January 2021

Respected Sir,

We are having this conversation for about two weeks over the phone and through emails. I have already said that the land which we are providing is in a prime industrial location which makes it easier to travel from any part and this is a huge feature we are providing. Moreover, the land which we are providing is just 3kms away from the railway station. This is the biggest benefit that our location was providing. Having a railway station nearby makes it a lot easier, cheaper and less time consuming to travel. These things tend to increase the price of land and I don't think any other seller would provide land like this for such a cheap price anywhere in the UK. Moreover, the location of our land is a bit higher than surrounding areas due to which there is less to no chance of flooding.

In our recent conversation while negotiating you mentioned that our land was located near a busy road and there is petrol nearby. This is true that due to these our location faces fairly high traffic. But this issue of high traffic is associated with almost every land present in central industrial areas of the UK. It can also be said that as the location is near a busy street anyone can easily

avail all kinds of public conveyances at any time of the day. For people with personal vehicles will be highly benefited due to the presence of a petrol station nearby. My agency has agreed to the final price that you offered of £1,250,000 and is willing to proceed with the transaction as soon as possible. I can assure you that you can never get a better deal than this for a quality land like this all around the UK. I can also assure you of the high value for money for this land. Early reply from your side about confirmation would be helpful then we can proceed with the necessary paperwork. We will be providing a will of the land as soon as we receive the payment from your side. You can pay us in cash, credit or debit cards, demand drafts, and cheques. It has been a pleasure doing business with you.

Thanking You,
Jason Grayson
Sales Manager
Guarding UK

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