

The BATNA – developing and working with your best alternative in your negotiations

Imagine going into a negotiation not knowing what you're going to do if you don't succeed. Will you try again? Will you escalate it? Will you simply give-in?

The BATNA, originally introduced in the book "Getting to Yes", from the Program in Negotiation at Harvard, is a concept which enables us to strengthen our negotiating position by know what we will do if the negotiation fails or the goal I have set myself is not reached.

BATNA means: Best Alternative To Negotiated Agreement.

Imagine you're forced to sell your house because you are going through a divorce or simply want to move away due to retirement or job reasons. Imagine a decision has been made in your product development department and you as a purchaser now have to negotiate with the favoured supplier. Imagine you are selling a product or service to me and I know that you don't have very much business right now. All of these are situations in which we are generally in a weak negotiation position. Whether we are in an extreme situation such as the ones described above or in any other negotiation position, it is vital that we consider the BATNA.

Your BATNA:

Increases confidence, increases your negotiation power and gives you the ability to say no. You may in fact already have one. Some people call it Plan B, others call it a letter in your back pocket. If negotiating, no matter what circumstances you in, you require a best alternative. If you don't have an BATNA then you're going to weaken your bargaining position, in particular if your negotiation partner has one.

When purchasing and consuming products of daily use we often have a variety of alternatives. Shopping in a supermarket you may be provided with a variety of alternatives for similar products, for example milk, beans or chocolate. As a consumer, you can decide what price, quality or volume is the right one for you.

There are situations, however where you are faced with a lack of alternatives where this be working as a purchaser in a company dealing with just one or small number of suppliers, whether we are negotiating a side agreement with supplier of IT software and consultancy with whom we have already agreed upon a 10 year contract. As a private consumer you may live in an area where certain services or products are in short supply, thus enabling those supplying goods or services to perhaps charge more.

Constantly being on the lookout for a best alternative whether on the purchasing of the sales side is part and parcel of negotiating better in the long run.

So how do we go about formulating a BATNA?

1. The result of your search might be find a different supplier, changing technology or even giving up on the component. First of all, however, you need to brainstorm all possible alternatives to the solution on the table.
2. Secondly, evaluate these alternatives according to the power they have within the situation you are faced with.
3. Then select the best of these alternatives for your current situation – this is now your BATNA.
4. The next step is to improve your BATNA i.e. strengthen it. What does this mean?

Well, strengthening your BATNA helps your position at the negotiation table. Your counterpart will be trying to find out what alternatives you have, in order to assess his/her own position in relation to yours. This could involve visiting a trade fair, ordering a brochure, doing some internet research. The stronger your alternative, the better.

Let us look some examples.

I like to take the example in my seminars of selling a house. If you are selling a property and want to develop alternative in order to improve your position at the bargaining table and first of all brainstorm other uses. This could be renting it out, improving part of the property thus increasing its value, swapping houses with somebody else, allowing members of the family to move in. Important here is not to evaluate your ideas too early but to allow all possible creative ideas.

The next part of improving your BATNA is to evaluate them and select the best one. You can evaluate according to: cost, effort, feasibility, etc. For our example let's assume that renting it out is the best possible alternative to selling it.

Now we need to start improving our BATNA. This entails perhaps working out what rental price you require to cover your costs. It could mean thinking about who to rent your property out to. Who is to clean it? Is it a holiday home or a long-term agreement? Put together a small business case and then you have your BATNA. Obviously, you don't necessarily want to rent the property out but rather sell it. However, if renting it out is a better option than selling your property at a too low price that you do not need to reach an agreement right now with your negotiation partner.

If, for example, you are negotiating the purchase of the company, then a BATNA could be: a different supplier, different technologies, different components, giving up the product completely, strategic changes within your company, escalating to superiors...

Many of these possible alternatives may not be available or feasible right away. Contractual, financial or technological constraints may mean that a possible alternative is accessible in just a few years' time. Despite this, it is still important to think about what the possible BATNA could be, as even considering it now will improve your self-esteem and leave you better prepared for any negotiations with your current suppliers.

How do I use my BATNA in negotiations?

Discussing the fact that you have a BATNA may improve your position with the negotiation. Revealing it may not. Depending upon your situation, the more your negotiation partner knows about possible alternatives you may have the easier it may be for him to argue his case or to rhetorically weaken any alternatives you may have. If you're not happy with the offer on the table then let your negotiation partner know that you have possible alternatives. You may just want to let this information somehow drift into the conversation "quite by accident". Whether leaving the brochure of a further supplier of the table to be seen, whether openly expressing that you have seen this product on sale somewhere else at the lower value and can prove it, whether letting suppliers actually see each other in your building or at least know that they are there.

What do I do if the other side has a strong BATNA?

Try as much as possible to find out about it. If you can then weaken it, i.e. by comparing it to your solution, by having knowledge on the competition and by knowing where your strengths lie. Think about how realistic it for your negotiation partner is to use his BATNA if he threatens to. How long would it take him to implement another solution? How much will it cost? Is the body language and voice congruent with the content when discussing alternatives? Using probing questions, perhaps some provocative statements as well as keeping your ears and eyes open are useful.

The BATNA becomes even greater importance when dealing with monopolists, a topic we shall discuss in a different post.

To sum up, here are the most important aspects of the BATNA:

Make sure you have one! Don't enter a negotiation without one.

It's not just your task but one of your department/division or company. Use input from colleagues and management when developing your own BATNA:

Strengthen it as much as possible using some of the ideas outlined above.

Find out about your negotiation partners alternatives and trying to weaken them in discussion.

Where can I find out more?

The construction of a strong BATNA is covered in our course "The Fundamentals of Negotiation" where we go into far greater detail giving useful examples and detailed guidance as well as covering all other aspects of negotiating. You will find full details on our website: www.hawkinsconsulting.com.