

Alternatives

Where Will You Go When the Answer is “No”?

In many negotiations, understanding interests, inventing mutually beneficial options that create value for both parties, and utilizing legitimate and objective criteria to guide the conversation is sufficient to reach an agreement. However, there may be instances where it is prudent for each party to walk away and pursue their Best Alternative to a Negotiated Agreement, or BATNA.

BATNA is the unilateral action a negotiator will take if an option is not identified at the table that meets his interests. BATNA is where the negotiator goes when he leaves the table. Defining alternatives and determining the BATNA of both parties can be difficult, anxiety-provoking, and context-specific.

BATNA is based on the premise that any agreement with another party must be better than your alternative. That concept makes perfect sense in theory but is much more difficult to follow in practice. Going to BATNA, asserting your BATNA, or even thinking about it, is difficult and requires strong discipline, precise practice, and sound judgment.

Despite that fear and anxiety, it is crucial that before you enter a negotiation, you identify your BATNA and the BATNA of the other party. Once you know your BATNA, you may need to disclose it during the negotiation in either a threatening or nonthreatening way; and reality-test the legitimacy of the other party's BATNA. Always focus on legitimacy when evaluating your BATNA strength, as a miscalculation may yield suboptimal decisions and detrimental consequences. As the negotiation evolves, your goal is to improve your BATNA and legitimately weaken the BATNA of the other party.

General BATNA Principles

Before discussing BATNA further, consider the general principles of BATNA as follows:

- **BATNA is not constant.** Alternatives change over time. Just because you have an iron clad BATNA on Day 1 of the negotiation does not mean that it cannot deteriorate by Day 20. The same applies to the other party; he may have a strong BATNA on Day 1 and may assert his BATNA early and often. Remember that BATNA strength may ebb and flow significantly during the negotiation.
- **Personal BATNA may conflict.** Always know the difference between the personal BATNA of the parties. Think about how a disparity in personal BATNA may affect the negotiation.
- **BATNA is a dangerous weapon.** Be careful when you assert your BATNA, as the other party can perceive it as a threat. If you do unleash it, be prepared for the other side to test its legitimacy.
- **Once you pull the trigger, BATNA, like a bullet, is in motion.** If you assert your BATNA and leave the table, then you must be ready to accept 100 percent of the consequences.

- **You are free to leave at any time.** Neither party should ever feel entrapped in the negotiation. Both parties have a decision to make, and any agreement should be better than their alternative. Otherwise, walking away is a reasonable and prudent decision.
- **At what point will you walk away?** It is important to distinguish between your bottom line—the least acceptable option that you will agree to—and pursuing your alternative. Remember that options are ideas that originate at the negotiating table, whereas alternatives are unilateral actions you can take away from the table without the other party's consent or participation.
- **Preparation is critical.** Know your bottom line and BATNA before you start negotiating. Do you have a bottom line that you will not cross no matter what the circumstances? Again, you must know the point at which you believe you have exhausted all possible options that will meet your interests.

Using BATNA Effectively in Negotiations

How strong is your BATNA? Think carefully about your BATNA strength versus that of the other party and how that disparity may affect your negotiation strategy. Think of the following scenarios represented in the table below:

Scenario 1: Both parties have a strong BATNA: If both parties have a strong BATNA, then the question becomes, "So what now?" Since both parties have a viable place to go if they cannot reach an agreement, this should help facilitate an effective negotiation based on honest, open, and candid communication.

Scenario 2: You have a strong BATNA, and the other party has a weak BATNA: What should you do? Be as aggressive as possible and take the other party to the cleaners? Throw salt in his wounds? I will leave these choices to your discretion. Think of how your actions may affect a long-term relationship with the other party.

Scenario 3: You have a weak BATNA, and the other party has a strong BATNA: The other party will be going through the same analysis in the scenario above. What will you do? Cave in? Grovel? If you are faced with this scenario, you still have a BATNA and should not feel entrapped.

Scenario 4: Both parties have a weak BATNA: This is when you should exercise extreme caution. If this scenario occurs, you are likely going to play a game of chicken, and that never ends well.

It is critical to prepare a thorough BATNA analysis both before the negotiation commences and as it evolves. Once you understand the relative BATNA strength of the parties, you can best determine how you might utilize the power of a good BATNA and confront and improve a weak BATNA.

Using BATNA Effectively in Negotiations

	GOOD	OURS	BAD
THEIRS	“So What?!”	Grovel? Cave?	
	Take ‘em?	Beware “Chicken”	
	BAD		

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General Strategies for Developing and Asserting Your BATNA

In preparation, think about your various alternatives, improve them as best you can, and decide on your BATNA before you engage with the other party. Before commencing negotiations, bring the stakeholders together and discuss the alternatives available if an agreement is not reached. Think about how those alternatives may change over time and take appropriate steps to accelerate them if possible.

During the negotiation, if your BATNA is better than the other side thinks it is, disclose it and demonstrate your power. If it is worse than they think, then redirect the conversation to identifying options.

General Strategies for Assessing and Reality-Testing the Other Party's BATNA

During the negotiation, do not be afraid to explain your view of the other party's BATNA and why it may work against their own interests if they elected to walk away. During the preparation process, it is prudent to ask the following: How does the other party perceive their alternatives? How will their perception of their BATNA influence their choice and how will that affect the negotiation dynamic? Until both parties perceive the potential agreement as better than each of their BATNAs there will be no agreement.

The other party's perception of its BATNA depends on how well you have influenced them to believe an option on the table is better than their BATNA. If you think the other party's BATNA is worse than they are pretending it to be—in other words, they are overestimating it—then you need to "reality test" it by asking pointed questions to determine if their alternative truly meets their needs and interests. The key is to frame the inquiry as an education discussion, not a threatening one. Consider a scenario in which you are attempting to sell consulting services, and the potential

buyer believes they have a strong alternative in the form of another provider. In this instance, use inquiry versus advocacy as follows:

- Can the other party perform the services in a timely, quality, and cost-effective manner?
- What would happen if the services were not performed properly?
- Can the buyer's interests be met with something of lesser quality or complexity?
- Does the other provider have the technical expertise and industry experience to perform the services?
- Why does the buyer prefer their alternative?

Answers to these questions should confirm your understanding of the buyer's interests and mitigate any miscalculation of their BATNA strength. Disciplined negotiators assume there is always competition, but do not assume competition necessarily gives the other party a better choice than the offer on the table. The critical mistake to avoid is failing to remain principled, disciplined, and fact-based when the other party makes the challenging statement, "I could call vendor ABC and get another bid."

Conclusion

Disciplined negotiators focus on their BATNA early in the negotiation cycle and revisit and update it periodically. The bottom line is that neither party should ever feel entrapped in the negotiation. Both parties have a decision to make, and any agreement should be better than their alternative. Otherwise, walking away is a reasonable and prudent decision.