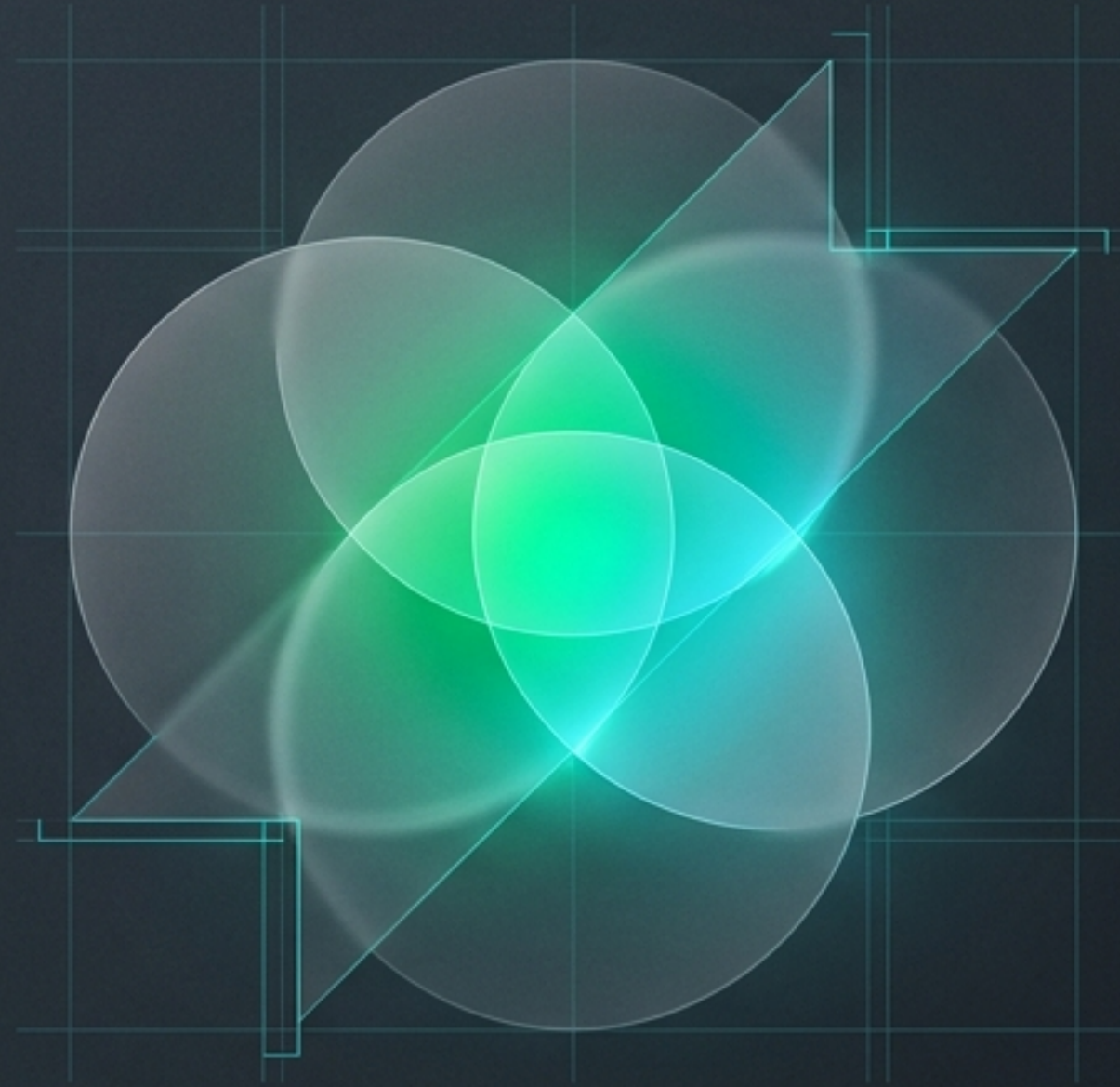




The Operating System of Business

An Introduction to the Economics and Strategy of Negotiation (BEC4318)

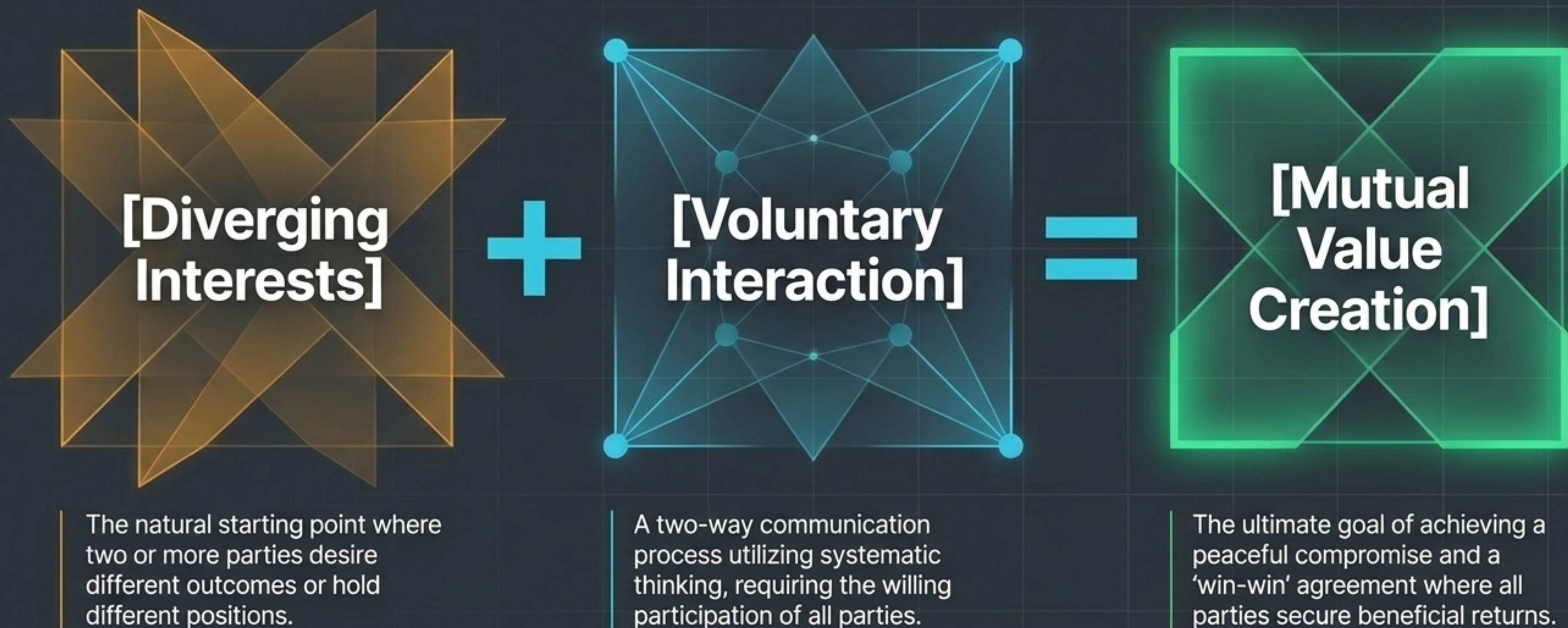
Based on the academic frameworks of Asst. Prof. Dr. Somphoom Sawaengkool, Suan Sunandha Rajabhat University.

Negotiation is the fundamental mechanism for managing differences

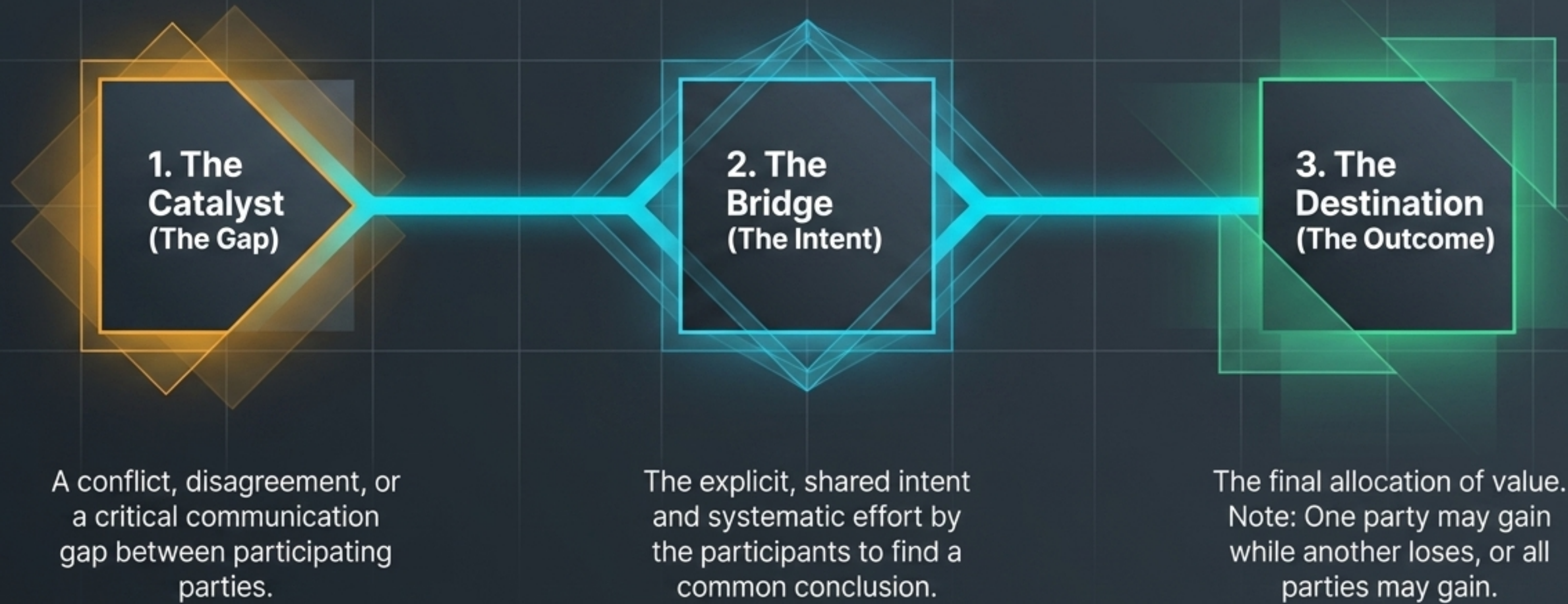
Negotiation (from the Latin for 'carrying on business') is not merely haggling. It is a vital, omnipresent process.



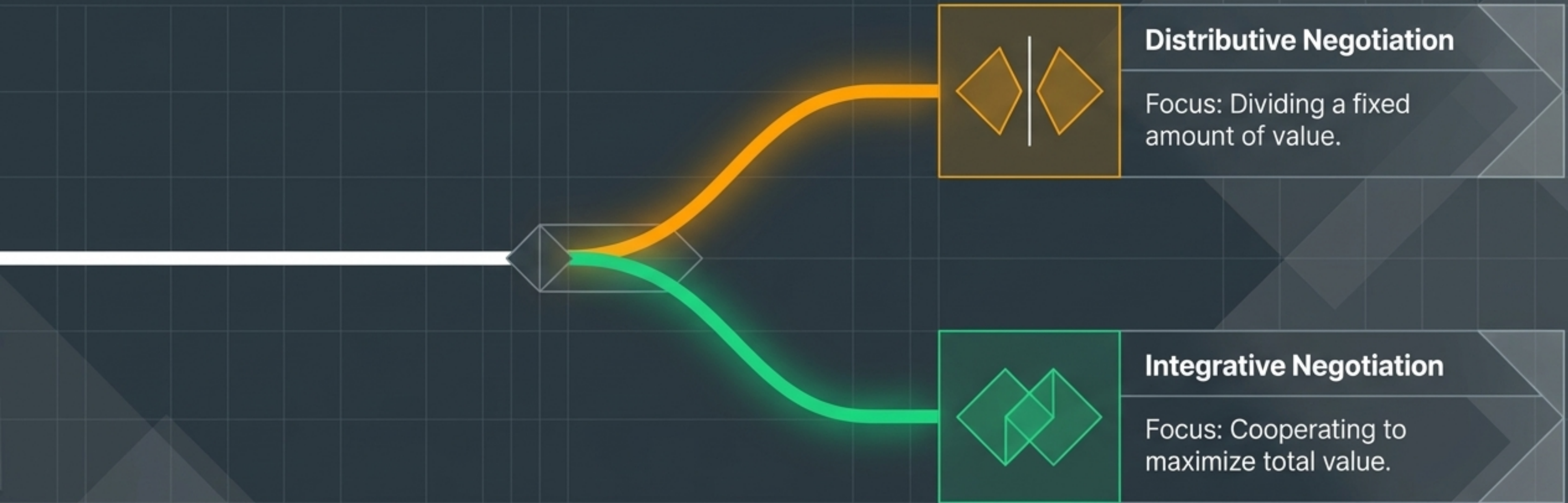
Defining the process of value exchange



The three structural elements of every negotiation



The two paradigms of economic value



Takeaway: Which path a negotiator chooses dictates their strategy, their relationship with the counterpart, and the ultimate economic outcome.

Distributive: The battle to divide a fixed pie



The Objective:

Maximizing personal gain from a strictly limited, constant-sum resource.

The Core Question:

"Who will get the most benefit?"

The Dynamic: Zero-sum (or constant-sum). Every unit of value gained by one party is directly lost by the other.

The Outcome: Win-Lose.

Real-World Application

Transactional Sales: Buyers and sellers with no prior relationship or future commitments. The buyer fights for the absolute lowest price; the seller fights for the absolute highest price.

Integrative: Expanding the pie through cooperation



The Objective: Fostering cooperation to create the maximum possible overall benefit before allocating it.

The Dual Role: Negotiators must first create collective value, and then claim their appropriate share.

The Dynamic: Collaborative problem solving and integration of distinct interests.

The Outcome: Win-Win (Value creation).

Real-World Application

Supply Chain Partnerships: A manufacturer and a supplier abandoning short-term transactional profit to build a long-term relationship involving shared R&D, joint quality control, and shared external distribution.

The Strategy Matrix

	Distributive	Integrative
Primary Goal	Claim the largest share	Expand the total value
View of the Pie	Fixed and limited	Expandable through cooperation
Nature of Outcome	Win-Lose / Zero-Sum	Win-Win / Mutual Benefit
Relationship Focus	Short-term , transactional	Long-term , cooperative
Strategic Stance	Competitive , protective of information	Collaborative , sharing information

The three structural pillars of leverage

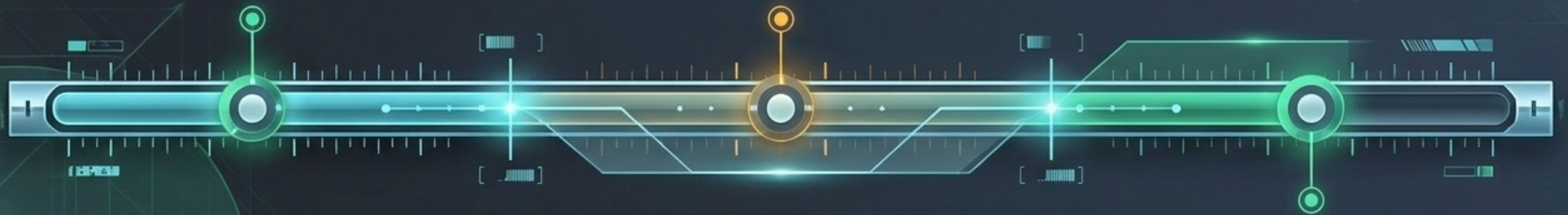
Success in any negotiation is grounded in a negotiator's understanding of three critical parameters:

1. The Alternative

The options available outside of the current negotiation if no agreement is reached.

2. The Minimum Baseline

The absolute lowest acceptable level of benefit that can result from the agreement.



3. The Flexibility Capacity

The degree to which a party can safely yield or make concessions without breaking their baseline.

The anatomy of a successful agreement

Mutual Worth

Both parties leave feeling the time and effort were justified.

Primary Desires Met

The agreement successfully satisfies the major strategic intents of all involved.

Shared Returns

Both sides secure tangible benefits or compensation.

Durable Fairness

The outcome establishes a stable, permanent sense of justice.

Future Willingness

The ultimate test—both parties are fully willing to return to the table with each other in the future.



The Art of the Deal:

Four principles of a negotiator

Sincerity

Building trust and confidence. Requires honesty, neutrality, patience, perseverance, and a non-judgmental approach.

Understanding

Grasping both the technical nature of the work and the psychological nature of human beings (empathy).

Acceptance

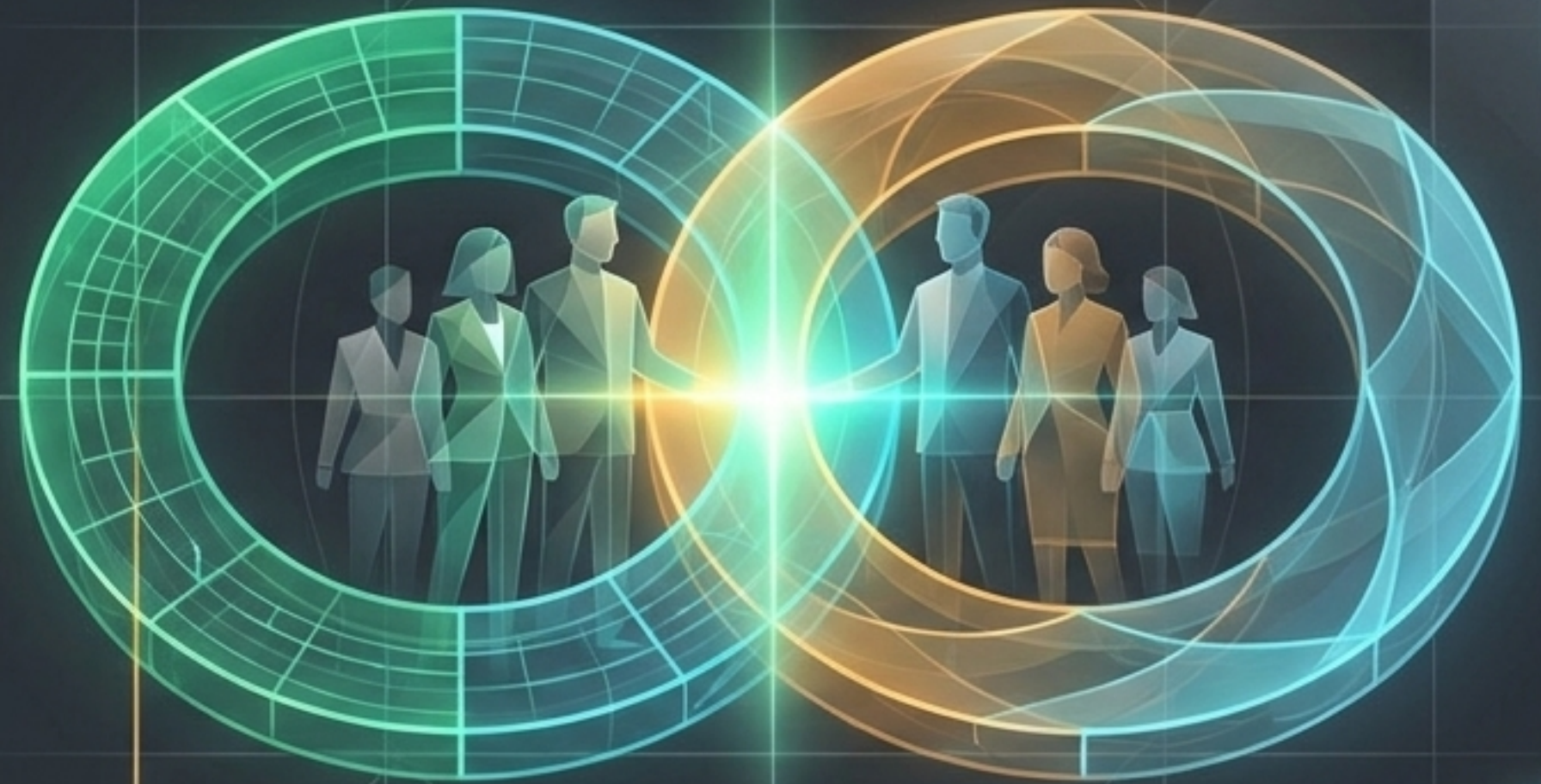
Honoring the dignity and value of the other party. Respect is the foundational bedrock of a good relationship.

Communication

The gateway to the negotiation. The essential tool for building rapport and opening the door to agreement.

Mastery is the balance of economics and empathy

Exceptional negotiators do not just divide resources. They utilize economic frameworks to structure value, and human principles to secure lasting partnerships.



Structure the Gap

Systematize your approach to differing interests.

Expand the Pie

Default to Integrative strategies for long-term growth.

Anchor in Respect

Protect your baselines while maintaining profound sincerity.