



# WHEN NEGOTIATION PRACTICES FAIL?[BATNA(BEST ALTERNATIVE TO NEGOTIATION PRACTICES AND WATNA(WORST ALTERNATIVE TO NEGOTIATION PRACTICES)

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## ABSTRACT

What is BATNA and WATNA?

In simple form we can say Best Alternative to Negotiation Practices and Worst Alternative to Negotiation Practices .This comes in place where negotiations fail and parties don't come to zone of possible agreement. Not every negotiation ends in a settlement agreement, and the knowledge of parties may walk away without negotiating an agreement means that they have to know what the alternatives would be in that case. Knowing and understanding what these alternatives will be can be an essential part of the preparation for a negotiation. Additionally, understanding the alternatives that the other party may influence one party's decisions when negotiating. Even without acknowledging these alternatives, they will influence the decisions that the parties will make. Some of the alternatives will be better or on par with a negotiated settlement, while other alternatives will be far below what the parties could achieve in the processes. Additionally, the possibilities outside the alternative dispute resolution process will be more available to some parties, while other parties may not be able to proceed forward with the dispute. The ability to rely on alternatives may push a party to only agree with a very favorable settlement. Conversely, the lack of good alternatives for a party may push them to agree to a less favorable settlement for fear of leaving without anything. All of these considerations will play into any negotiations, which makes it vital for each party to be fully aware of their own alternatives and the other party's alternatives.

In the study and implementation of alternative dispute resolution, these alternatives are often called the BATNA and the WATNA. A BATNA is the best alternative to a negotiated agreement and the worst alternative is WATNA. Analysis and discussion of how to determine what each party's BATNA and WATNA are and then the best ways utilize this knowledge will be the focus of this of paper. First I will discuss the importance of defining a BATNA and WATNA, and begin to discuss some possible alternatives to a negotiated settlement. The secondly will discuss the process of finding the BATNA and WATNA in a dispute and will provide some examples to demonstrate the process. The thirdly will focus on the ways that BATNA and the worst alternative WATNA may be used in negotiations to help achieve a favorable result.

**Key words:** 1.)Settlement agreement, 2.)Zone of possible agreement,3.)Negotiated settlement, 4.)BATNA and WATNA

## INTRODUCTION

In most settlement negotiations, parties are influenced consciously or unconsciously by their assessment of their alternatives to a negotiated agreement. The better their alternatives, the more they may push for a more favorable settlement. The worse their alternatives, the more accommodating they may be in the settlement negotiations. Unfortunately, parties frequently fail to undertake an accurate and comprehensive analysis of their alternatives and, therefore, negotiate poorly based on unrealistic and uninformed ideas of what they might obtain in the absence of a negotiated agreement. Mediators who can help parties to perform a high quality and comprehensible alternatives analysis will often improve negotiation strategy significantly<sup>1</sup>.

## ESSENTIAL CONCEPT OF BATNA AND WATNA

What are the best (“BATNA”) and worst (“WATNA”) possible outcomes along a particular path if I try to get my interests satisfied in a way that does not require negotiation with the other party? In other words, what are my "win" and "lose" scenarios along any given alternative path, and how likely are these outcomes or something in between?<sup>2</sup>

## WHAT IS THE BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT (BATNA)

The best alternative to a negotiated agreement (BATNA) is the course of action that a party engaged in negotiations will take if talks fail, and no agreement can be reached. A party's BATNA refers to what a party can fall back on if a negotiation proves unsuccessful<sup>3</sup>. It is defined as the most advantageous alternative that a negotiating party can take if negotiations fail and an agreement cannot be made.<sup>4</sup>

## IMPORTANCE OF BATNA

BATNA is often used in negotiation tactics and should always be considered before a negotiation takes place. It is never wise to enter into a serious negotiation without knowing your BATNA. The value of knowing your best alternative to a negotiated agreement is that:

1. )It provides an alternative if negotiations fall through.
- 2.)It provides negotiating power.
- 3.)It determines your reservation point (the worst price you are willing to accept).

## UNDERSTANDING A BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT (BATNA)

Parties may tailor BATNAs to any situation that calls for negotiations, ranging from discussions of a pay hike to resolving more complex situations like mergers. BATNAs are vital to negotiation because a party cannot make an informed decision about whether to accept an agreement unless they understand their alternatives.

<sup>1</sup> Effective Alternatives Analysis In Mediation: “BATNA/WATNA” Analysis Demystified by Jessica Notini, Mediate India.com

<sup>2</sup> ibid

<sup>3</sup> Investopedia

<sup>4</sup> corporatefinanceinstitute.com

While a BATNA may not always be easy to identify, Harvard researchers have outlined several steps to help clarify the process:

- 1.) List all alternatives if your current negotiation ends in an impasse.
- 2.) Evaluate your alternatives based on the value of pursuing an alternative.
- 3.) Select the alternative action that would have the highest expected value for you.
- 4.) After you have determined your BATNA in Step 3, calculate your reservation value or the lowest-valued deal you are willing to accept.

If the value of the deal proposed to you is lower than your reservation value, you should reject the offer and pursue your BATNA. However, if the final offer is higher than your reservation value, you should accept the offer<sup>5</sup>.

## **THE FOLLOWING FIVE DO'S AND DON'TS WILL HELP YOU MANAGE YOUR BATNA WITH CONFIDENCE.**

### **1.) DON'T REVEAL A WEAK BATNA.**

Never share your BATNA with the other party if it is hopelessly weak. A bad BATNA is also known as a WATNA, or worst alternative to a negotiated agreement. Telling a supplier, for example, that you dumped your last partner and are desperate to do a new deal is a surefire way to ensure the supplier will highball you on price and resist compromising. You will also want to be careful to avoid appearing to be in a hurry, seeming stressed, or revealing that you have a wide-open schedule—all potential “tells” that you don't have much else going on and may be ready to close a deal on your counterpart's terms.

### **2.) DON'T BLUFF ABOUT YOUR BATNA.**

What if the other side asks you about your BATNA directly? Explain (truthfully) that you are working on various possibilities but want to concentrate on the deal on the table for the time being. Resist the urge to embellish or fabricate a BATNA to try to boost your bargaining power. You'll sacrifice not only your ethics but perhaps also your reputation if you're caught in an exaggeration, misrepresentation of facts, or lie.

### **3.) DON'T REVEAL YOUR BATNA TOO EARLY.**

When you open up about a great BATNA to your counterpart early in the game, the information could come across as a threat: “If you can't give me an even better deal than the one I just outlined, I'm out of here.”

Threats foster a competitive atmosphere when making business deals and hinder your ability to explore tradeoffs that could create value. Even if you're certain your BATNA is rock solid, hold off on revealing it. It could prove to be a useful bargaining chip during the final stages of a negotiation after you've exhausted all other strategies.

### **4.) DO WORK TO ACTIVELY IMPROVE YOUR BATNA.**

As BATNA examples such as the Brexit negotiations demonstrate, it's not enough to simply talk about your BATNA. Rather, you need to do everything you can to try to improve it. For Prime Minister May, that meant asking government agencies and private companies to prepare for an orderly transition in case there is no deal. For a job seeker, that might mean continuing to seek leads in your network or thinking about other paths, such as going back to school.

<sup>5</sup> Investopedia

## 5.)DON'T LET THEM TALK YOU OUT OF YOUR BATNA.

When a counterpart disparages your BATNA, he is obviously hoping to taint it in your eyes. Don't fall for this tired, old ploy. Of course, it's smart to investigate any potentially legitimate claims the person makes about your BATNA, but recognize that he has very real incentives to convince you that your outside options are not as good as you'd like to believe<sup>6</sup>.

## WHAT IS WATNA(WORST ALTERNATIVE TO NEGOTIATED AGREEMENT)?

Worst Alternative to a Negotiated Agreement: In a negotiation, your WATNA represents one of several paths that you can follow if a resolution cannot be reached. Like its BATNA counterpart, understanding your WATNA is one alternative you can use to compare against your other options along alternative paths in order to make more informed decisions at the bargaining table<sup>7</sup>.

## UNDERSTANDING A WATNA

WATNA is an acronym for the "worst alternative to a negotiated agreement". It describes the worst result a party could achieve if the negotiation process failed.

The WATNA is an important part of the negotiation process. In a book describing the principles of negotiation, authors Matthew P. Guasco and Peter R. Robinson note that "sometimes, the deal on the table is acceptable because it is less bad than your WATNA, i.e., you are minimizing loss or making the best of a bad situation."

Put differently, the WATNA provides a benchmark that settlement offers can be evaluated against. It gives one party the confidence to accept an outcome that is far from ideal but, relatively speaking, is not the worst possible outcome<sup>8</sup>.

## WHEN IS A WATNA MOST EFFECTIVE?

Sometimes, one party will be forced to cut its losses during a negotiation. This usually occurs in scenarios involving a high degree of uncertainty. For instance, an unemployed person in discussions with a hiring manager is entering the negotiation in a weak position. The WATNA of the unemployed person may involve being overlooked for the job and having to declare bankruptcy.

However, we noted in the previous section that a WATNA could be used to give a negotiating party more purpose. In this example, purpose means the unemployed individual strengthens their position to reduce uncertainty. Perhaps the individual applies for as many jobs as possible and receives a bunch of offers. Armed with a list of comparable jobs, they then become better equipped to use new insights as a negotiation tool during the next job interview.

With greater purpose, the job seeker is in a far stronger position. Instead of bankruptcy, the WATNA becomes successful employment in a low-paid job. While this is a long way from the most desirable outcome, the individual has nevertheless used a WATNA to strengthen their position. As Guasco and Robinson noted, the deal on the table is simply less bad than the original WATNA.

At some point in the future, the position of the person who is now employed may become strong enough to be designated as their BATNA.<sup>9</sup>

<sup>6</sup> Program on Negotiation Harvard Law School

<sup>7</sup> ibid

<sup>8</sup> Four Week MBA

<sup>9</sup> ibid

## POWER OF THE WATNA

WATNA stands for the Worst Alternative to a Negotiated Agreement. In the preparation phase of your negotiation, you need to consider what is the worst that will happen if you do not sell in a particular negotiation. Going to the worst case scenario in your negotiation preparation has a particular benefit: you might reconsider your bottom line. In negotiation skills, it is good to know what you would reconsider and the rationale. In this example of selling a home, you may need to sell your home by a certain deadline to relocate for a new job. Well, that limits your options in the particular negotiation. WATNA is a very helpful tool to consider prior to entering into any negotiation as it helps you have more clarity and negotiation success<sup>10</sup>.

## KEY TAKEAWAYS

- 1.)BATNAs exist when negotiations are not agreeable to the parties involved.
- 2.)Always keep in mind the lowest value of the deal you are willing to accept as a BATNA participant.
- 3.)If possible, general negotiations are often a better and quicker strategy.
- 4.)A WATNA describes the worst-case scenario for either party if the negotiation fails completely.
- 5.)A WATNA gives the individual or business the confidence to accept an outcome that, while far from ideal, is better than the worst possible outcome.
- 6.)A WATNA is most effective in negotiations with a high degree of uncertainty. It can encourage a concerned party to cut its losses and move forward with purpose.

## CONCLUSION

BATNA/WATNA analysis can be highly influential in case assessment and settlement. Many clients need to consider intelligently whether a possible negotiated settlement makes sense or whether they would prefer to pursue some other alternative that might yield better results or involve lower costs. Mediators who can walk their clients through a carefully detailed and organized BATNA/WATNA analysis are providing a valuable service. Use of a format like the one presented here, along with clear understanding of how to use the analysis, should improve the mediator's ability to work effectively with this tool<sup>11</sup>.

<sup>10</sup> Part 5 – The Power of the WATNA in Negotiation Skills, Bold New Directions in Training Solutions

<sup>11</sup> Effective Alternatives Analysis In Mediation: “BATNA/WATNA” Analysis Demystified by Jessica Notini, Mediate India.com