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Start Free Start Free > Resources Valuation BATNA BATNA Best Alternative To a Negotiated Agreement Written by CFI Team Read Time 4 minutes What is BATNA?To keep learning and advancing your career, the following resources will be helpful: Bargaining Power of Suppliers Communication Interpersonal Skills Listening Skills See all valuation resources See all equities resources Get In-Demand Finance Certifications Learn More Learn More Share this article Company About CFI Meet Our Team Careers at CFI Editorial Standards CPE Credits Learner Reviews Partnerships Affiliates Higher Education Newsroom Certifications FMVA(R) CBCA(R) CMAA(R) BIDA(R) FPWMP(TM) ESG Leadership Excel CFI For Teams Financial Services Corporate Finance Professional Services For Employers Support Help IThe term BATNA was originally used by Roger Fisher and William Ury in their 1981 book entitled "Getting to Yes: Negotiating Without Giving In." BATNA – BEst Alternative to a Negotiated Agreement 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: It provides an alternative if negotiations fall through. It provides negotiating power. It determines your reservation point (the worst price you are willing to accept). Illustration of BATNA The following diagram illustrates each party's best alternative to a negotiated agreement (seller and buyer): BATNA – Illustration Where: ZOPA stands for "Zone Of Potential Agreement."The relevant information is illustrated below: In the diagram above, if Tom demands a price higher than \$7,500, Colin will take his business elsewhere. Identifying Your BATNA As illustrated in the example above, having a best alternative to a negotiated agreement before entering into negotiations is important. Here is a process developed by Harvard Law School to develop the best alternative to a negotiated agreement: List all alternatives to the current negotiation – what could you do if negotiations fall through? After determining your BATNA, calculate the lowest-valued deal that you're willing to accept. FAQ Legal Community Member Community What's New Resources Podcast Logo (C) 2015 to 2024 CFI Education Inc. It is defined as the most advantageous alternative that a negotiating party can take if negotiations fail and an agreement cannot be made. It is the overlap between the seller's and buyer's settlement range. Seller's settlement range is a .biddable range acceptable to the seller