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Negotiation Concepts and Principles Management

Majd Sackour

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- ### Chapter Summary

   The negotiation process is described as a complex multi-stage process which consists of preparation, negotiating, and post-negotiation implementation and evaluation. This chapter is aimed at introducing negotiation concept and identifying its meaning. We detect when does negotiation occur, and recognize its aspects, thoughts, and importance. Finally, the characteristics of negotiation practices and its situation will be identified.

- ### Intended Learning Objectives/Outcomes

   1) Recognize negotiation concept and its meaning
   2) Consider when does negotiation occur and how to behave.
   3) Recognize different aspects of negotiation arenas
   4) distinguishes thoughts on negotiating
   5) Realize the importance of negotiation's process and its practices
   6) Identify the characteristics of negotiation practices and its situation

- ### Key Words

 Negotiation, Preparation, Commercial transaction, Bargaining, Orientation, Compromise, Destructive negotiation, Constructive negotiation**.**

- ### Chapter Structure

   1.1. Introduction.
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   1.3. When does Negotiation occur?
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   1.5. Thoughts about Negotiation.
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   1.7. Characteristics of Negotiation situation.

Chapter One:
Introducing Negotiation Concept

1.1 Introduction

Negotiation is a dialogue between two or more people or parties intended to reach a beneficial outcome over one or more issues where a conflict exists with respect to at least one of these issues. Negotiation is an interaction and process between entities who compromise to agree on matters of mutual interest, while optimizing their individual utilities[1]. Therefore, this chapter is aimed at introducing negotiation concept and identify its meaning. Then, it identifies when does negotiation occur and its aspects, thoughts, and importance. Finally, the characteristics of negotiation practices and its situation will be identified.

1.2. Meaning of Negotiation

In accordance with Oxford Dictionary, negotiation means the process of discussing something with someone in order to reach an agreement with them, or the discussions themselves.[2] Steven (2002) defines negotiation as the process of two or more parties working together to arrive at a mutually acceptable resolution of one or more issues, such as a commercial transaction, a contract, or a deal of any sort.[3] While, Pillutla and Nicholson (2004) indicate that negotiation is the process through which two or more parties

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[1] Muhamad, A,H, Mohd F., Izzatdin, H, Irving,P. V., (2016). Protocols for agent-based autonomous negotiations: A review.,3rd International Conference on Computer and Information Sciences (ICCOINS). Kuala Lumpur, Malaysia.

[2] https://dictionary.cambridge.org/dictionary/english/negotiation (retrieved 20.8.2020)

[3] Steven, C. (2002), Negotiating Skills for Managers, McGraw-Hill, New York.

who are in conflict over outcomes attempt to reach agreement. It is the constructive, positive alternative to haggling or arguing; it is aimed at building an agreement rather than winning a battle[4]. Bertt (2007) explains negotiation as the process of conferring among two or more interdependent parties to arrive at an agreement about some matter over which they are in conflict.[5] Negotiation is a give-and-take bargaining process that, when conducted well, leaves all parties feeling good about the result and committed to achieving it.

In This context, we can say that negotiation is a strategic discussion that resolves an issue in a way that parties find acceptable. In a negotiation, each party tries to persuade the other to agree with his or her point of view. Negotiation is the process of making joint decisions when the parties involved in negotiation have different and opposing preferences. Negotiation has special significance in situations of conflict, whether it is conflict between union and management in organizations or between countries such as China and Japan where negotiations may be required to resolve the conflict over disputed island. Conflicts and disagreements are likely to arise in work settings over such diverse matters as wages, performance evaluation, working conditions, job assignments, work schedules and so on.

In any type of negotiations, two important goals must be considered. One goal involves substance and other involves relationships. Reaching agreement on wage increases would be achievement of substance goal. The relationship goal deals with the outcomes that relate to how well the negotiating parties are able to work with each other, once the negotiation process has been concluded.

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[4] Pillutla, M. and Nicholson, N. (2004), <u>Negotiation: How to make deals and reach agreement</u>, 1st Ed, Paoperback, Norwich.
[5]Brett, J, M. (2007), <u>Negotiating Globally How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries</u>, 2nd Ed, John Wiley and Sons, Inc, USA.

By negotiating, all involved parties try to avoid arguing but agree to reach some form of compromise. Negotiations involve some give and take, which means one party will always come out on top of the negotiation. The other, though, must concede—even if that concession is nominal.

Parties involved in negotiations can vary. They can include talks between buyers and sellers, an employer and prospective employee, or between the governments of two or more countries. Therefore, we enlist the following outlines about negotiation: [6]

- A negotiation is a strategic discussion that resolves an issue in a way that both parties find acceptable.
- Negotiations can take place between buyers and sellers, an employer and prospective employee, or governments of two or more countries.
- Negotiating is used to reduce debts, lower the sale price of a house, improve the conditions of a contract, or get a better deal on a car.

When negotiating, be sure to justify your position, put yourself in the other party's shoes, keep your emotions in check, and know when to walk away.

1.3. When does negotiation occur?

In accordance with Steven (2002), one way to think of negotiation is to compare knitting and weaving. [7] When you knit something, you generally use a single strand of yarn. And although knitted fabrics may contain a variety of colors and textures, you can easily

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[6] Will Kenton, 2020, Negotiation: https://www.investopedia.com/terms/n/negotiation.asp/ Retrieved 5.9.2020
[7] Steven, P., (2002), op. cit.

stretch them out of shape. In weaving, the fabric is created by using at least two strands coming from different directions. Woven fabrics tend to have greater tensile strength and durability than knitted fabrics. Negotiation is more like weaving - the process takes contributions from various parties. While weaving and knitting may involve a single person's skills, negotiation calls for contributions from two or more parties. By drawing upon the knowledge, skills, and other input of the multiple parties, a good negotiation process weaves together a durable agreement whose strength derives from the fact that the parties reached agreement by working together. The following Figure (1,1) shows what are negotiators trying to get through negotiation process.

- **Figure (1-1): Negotiation interrelationships.**
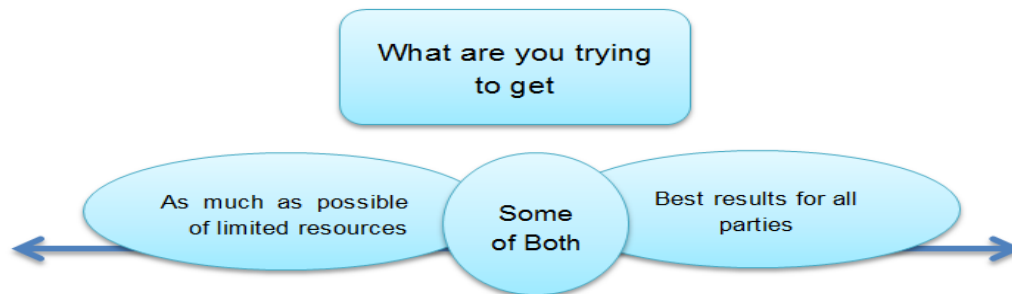
Negotiation can occur in any business situation, but people negotiate in everyday situations outside of the workplace. It occurs when there is more than one possible outcome from a situation in which two or more parties have an interest, but they have not yet determined what the outcome will be. For example, negotiation occurs between a buyer and seller in the purchase of a second hand car, or even between groups of friends when they decide which film

to see at the cinema.

Different forms of negotiations can occur worldwide[8]; they are political, economic, financial negotiations between nations; business negotiations like negotiations for mergers and acquisitions, labor negotiations, consumer negotiations, with government authorities, etc., personal negotiations between people, salary negotiations with employers, with government, etc.

Business negotiations can occur in the following situations:[9] Producing deals with suppliers, partner businesses or customers, inter-departmental or team discussions to determine aims, processes and resources management and staff discussions to discuss job priorities and workload discussions between management and trade unions.

1.4. Approaches to Negotiation

As with conflict management, which refers to techniques and ideas designed to reduce the negative effects of conflict and enhance the positive outcomes for all parties involved, negotiation can be handled in different ways. The outcome of a negotiation depends on the approach. Adler and Elmhorst (1996) contested the main approaches to negotiation as following: [10]

A. Bargaining Orientation:

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[8] Hariz,M.,; Fadzil, H; Abdul, A; Nuraini R., (2019), A Survey and Future Vision of Double Auctions-Based Autonomous Cloud Service Negotiations, Recent Trends in Data Science and Soft Computing, Springer International Publishing, 843, pp. 488–498.

[9] Michael, A., (2007), Technical Information Service Negotiation , Topic Gateway Series, No. 25.

[10] *Adler, A, Elmhorst, J, M., (1996), Business communication, 5th Ed, McGraw-Hill Company, New York.*

This approach is based on the premise that one person can win only at the expense of the other – that any victory by one party must be matched by the other's loss. That is why this is also called the win-lose approach.

Although this approach is marked by competitiveness and may create ill will, this is sometimes the best approach when the other party is determined to take advantage of you or when your interests truly conflict with those of the other party and compromising is not a satisfactory option.

B. Lose-Lose Orientation:

This is adopted when one negotiating partner feels his own interests are threatened and reacts by doing all he can to ensure that the outcome of the negotiation does not serve the other party's interests either. In effect, everybody ends up being a loser.

Lose-lose outcomes occur when negotiating partners ignore one another's needs or when the need to hurt each other outweighs the need to find some kind of an acceptable solution.

C. Compromise:

A lose-lose situation is hardly a desirable outcome. To avoid this, sometimes people compromise. Both parties give up a part of what they had originally sought, and settle for something less than that. A compromise is the best way out when it is impossible for both parties to convince each other or when even the partial attainment of one party's goals depends' on the satisfaction of the other.

Compromise is a good option when disputed resources are limited. For instance, if two managers each need a full-time secretary, but budget restrictions make this impossible; they

may have to compromise by sharing one secretary.

D. Win-Win Orientation:

The win -win approach is superior to other problem-solving styles, because everyone ends up feeling satisfied. However, such a solution is only possible when the needs of the parties involved do not conflict.

This approach works well when the following five steps are followed:

a. Determine the Needs of Both Parties:

If both parties can identify what issues are important to the other, they would find it easier to work toward a mutually acceptable solution.

b. Develop a List of Possible Solutions:

Once the basic issues have been identified, the two parties can sit together and come up with several solutions that would satisfy everyone's needs. All possible solutions are put down, without any of them being evaluated

c. Choose the Most Appropriate Solutions:

At this stage each solution is evaluated and the ones that are most promising are adopted.

d. Implement the Solution:

Once the best solution is decided upon, make sure everyone understands it, and then implement it.

e. Follow up on the Solution:

Even the best plans need to be monitored after they have been implemented. A while after the plan has been put into action, meet with the other parties involved and discuss how the solution is working out. If anyone's needs are still unmet, you could go back to the problem-solving procedure and identify another solution.

- **Figure (1-2) shows the characteristics of different negotiating approaches.**

Bargaining	Compromise	Win-Win
Controlling orientation exists (us versus them).	Recognition that it is impossible to control other party.	Problem orientation exists (we versus the problem).
One party's gains are viewed as other party's losses.	Recognition of linkage between one's own goal and satisfaction of other party.	Mutual gain is viewed as attainable.
Argument over positions leads to polarization.	Parties accept one another's positions, however grudgingly.	Seeking various approaches increases chances for agreement.
Each side sees issue only from its own point of view.	Partial understanding of other party's position.	Parties understand each other's point of view.
Short-term approach focuses only on immediate problems.	Recognition of need for civil outcome.	Long-term approach seeks good relationship.
Only task issues are usually considered.	Focus on task issues.	Both task and relationship issues are considered.

- Source: Adler and Elmhorst, (1996), <u>Communicating at Work</u>, McGraw Hill, NY, p:144.

In practice, negotiators often invoke strategies based on their conscious or unconscious understanding of the negotiation process. Negotiation theories, however, help us think analytically about negotiation processes. The insights they provide can help us shape the way we negotiate and, as a consequence, help influence the outcomes we achieve. For instance, when used deliberately, the theoretical lessons and techniques that we employ can assist us in transforming negotiation theory into practical expertise.

1.5. Thoughts about Negotiation

We defined Negotiation as a dialogue between two or more people or parties intended to reach a beneficial outcome over one or more issues where a conflict exists with respect to at least one of these issues. Negotiation is an interaction and process between entities who compromise to agree on matters of mutual interest, while optimizing their individual utilities. This beneficial outcome can be for all of the parties involved, or just for one or some of them. Negotiators need to understand the negotiation process and other negotiators to increase their chances to close deals, avoid conflicts, establishing relationship with other parties and gain profit.[11]

The art of negotiation is something that has been studied, even on a psychological level. In a lot of cases, the course of the negotiation is relative to the attitudes the participating parties. There are two very different approaches:

1. **Destructive negotiation**: this is trying to get the best possible outcome whatever the cost. Basically, maximizing gain without caring about how it will affect the other party, especially as you see them as trying to do exactly the same to you.

2. **Constructive negotiation**: you may have differing interests, or even opposing ones, yet the more important thing is to draw on those that are common, which in turn should be treated differently. The common interest should be maximized, whilst the opposing ones swept under the mat, their importance diminished. In your case, the differing interest should be dealt with in a constructive manner.

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[11] Muhamad, A,H., et all., (2016), Opcit.

1.6. Importance of Negotiation

To close negotiations, we have to convince stakeholders in our organization who must sign off on and/or implement the deal of its merit. Such stakeholders might include the finance division, the general counsel's office, and the product development unit. Here again, the importance of negotiation in business becomes clear[12].

First, explore your organization's complex interests by meeting with key personnel inside your organization. Find out how they view the potential deal and what interests of theirs you may need to accommodate to ensure successful implementation.

Second, secure a mandate to negotiate on behalf of these constituents, such as the authority to explore certain kinds of deals and perhaps make tentative commitments on their behalf.

Third, work constantly to preserve and strengthen your negotiating mandate by keeping these key organizational members up to date on your progress, and involve them as appropriate.

Finally, educate these individuals about any special needs or challenges that arise, such as cultural issues or policies that put constraints on your external partner.

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[12] Salacuse ,W., (2013), <u>Negotiating Life: Secrets for Everyday Diplomacy and Deal Making</u>, Palgrave Macmillan, London. UK.

1. 7 Characteristics of A Negotiation Situation

There are variety of situations that can be handled by negotiation. Any of us might encounter one or more of these situations over the course of a few days or weeks. As we defined earlier, negotiation is a process by which two or more parties attempt to resolve their opposing interests. Thus, as we pointed out earlier on this chapter, negotiation is one of several mechanisms by which people can resolve conflicts.

Negotiation situations have fundamentally the same characteristics, whether they are peace negotiations between countries at war, business negotiations between buyer and seller or labor and management, or an angry guest trying to figure out how to get a hot shower before a critical interview. Those who have written extensively about negotiation argue that there are several characteristics common to all negotiation situations:[13]

1. There are two or more parties - that is, two or more individuals, groups, or organizations. Although people can "negotiate" with themselves - as when someone debates in their head whether to spend a Saturday afternoon studying, playing tennis, or going to the football game - we consider negotiation as a process between individuals, within groups, and between groups. For example, Joe negotiates with his wife Sue, the purchasing manager, and the auto salesman, and Sue negotiates with her husband, the senior management at the bank, and the Conservation Commission, among others. Both still face an upcoming negotiation with the children about the vacation . . . and that motor scooter.

2. There is a conflict of needs and desires between two or more parties - that is, what one wants is not necessarily what the other one wants - and the parties must search for a

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[13] Roy J. Lewicki, Bruce Barry, David M. Saunders, (2011), Essentials of Negotiation, *Sixth edition*, McGraw Hill, New York. USA.

way to resolve the conflict. Joe and Sue face negotiations over vacations, management of their children, budgets, automobiles, company procedures, and community practices for issuing building permits and preserving natural resources, among others.

3. The parties negotiate by choice! That is, they negotiate because they think they can get a better deal by negotiating than by simply accepting what the other side will voluntarily give them or let them have. Negotiation is largely a voluntary process. We negotiate because we think we can improve our outcome or result, compared with not negotiating or simply accepting what the other side offers. It is a strategy pursued by choice; seldom are we required to negotiate. There are times to negotiate and times not to negotiate.

4. When we negotiate, we expect a "give-and-take" process that is fundamental to our understanding of the word "negotiation." We expect that both sides will modify or move away from their opening statements, requests, or demands. Although both parties may at first argue strenuously for what they want - each pushing the other side to move first - ultimately both sides will modify their opening position in order to reach an agreement. This movement may be toward the "middle" of their positions, called a compromise. However, truly creative negotiations may not require compromise; instead the parties may invent a solution that meets the objectives of all parties. Of course, if the parties do NOT consider it a negotiation, then they don't necessarily expect to modify their position and engage in this give-and-take.

5. The parties prefer to negotiate and search for agreement rather than to fight openly, have one side dominate and the other capitulate, permanently break off contact, or take their dispute to a higher authority to resolve it. Negotiation occurs when the parties prefer to invent their own solution for resolving the conflict, when there is no fixed or established set of rules or procedures for how to resolve the conflict, or when they choose to bypass

those rules. Organizations and systems invent policies and procedures for addressing and managing those procedures. Equipment rental services have a policy for what they should charge if a rental is kept too long.

6. Successful negotiation involves the management of tangibles (e.g., the price or the terms of agreement) and also the resolution of intangibles. Intangible factors are the underlying psychological motivations that may directly or indirectly influence the parties during a negotiation. Some examples of intangibles are (a) the need to "win," beat the other party, or avoid losing to the other party; (b) the need to look "good," "competent," or "tough" to the people you represent.

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Chapter One Questions

1- True/False Questions

Question	True	False
– Negotiation is a dialogue between two or more people or parties intended to make conflict over one or more issues		✓
– Commercial transaction, a contract, or a deal of are sorts of negotiations.	✓	
– In any type of negotiations, two important goals must be considered. One goal involves substance and other involves relationships.	✓	
– one way to think of negotiation is to compare knitting and weaving.	✓	

2- Multiple Choices Questions

1- The negotiation process is described as a complex multi-stage process which consists of:

    A. preparation

    B. negotiating, and post-negotiation

    C. implementation and evaluation

    <mark>D. All of the above</mark>

2– "The process of discussing something with someone

in order to reach an agreement with them, or the discussions themselves"

    <mark>A, Oxford Dictionary</mark>   B, Steven (2002)

    C, Pillutla and Nicholson (2004)   D, Bertt, (2007)

3- Negotiation is a constructive, positive alternative to haggling or arguing; it is aimed at:

    A. Winning a battle rather than building an agreement

    B. <mark>Building an agreement rather than winning a battle</mark>

4- By negotiating, all involved parties try to:

    A. Avoid compromise but agree to reach form of argument.

    B. <mark>Avoid arguing but agree to reach form of compromise.</mark>

    C. Avoid agreement but agree to reach form of compromise.

    D. None of the above.

3- Essay Questions.

1- Discuss the meaning of negotiation from different authors' point of views?

        (Duration: 10 mint, Mark: 10 /100, Question guide: 1-2)

2- Explain When does negotiation occur?

        (Duration: 10 mint, Mark: 10 /100, Question guide: 1-3)

Chapter Two

Key Concepts in Negotiation

- **Chapter Summary**

This chapter find out the meaning of main terminologies such as: Reservation Price (RP), Zone of Possible Agreement (ZOPA), Value Creation Through Trades, Best Alternative to A Negotiated Agreement (BATNA), Anchoring and Counter Anchoring.

- **Intended Learning Objectives/Outcomes**

1) Explore the meaning of Reservation Price (RP)
2) Identify what is meant by Zone of Possible Agreement (ZOPA)
3) distinguishes the cases of Value Creation Through Trades
4) Consider Best Alternative to A Negotiated Agreement (BATNA) and Worst Alternative to A Negotiated (WATNA).
5) Consider how negotiation fits within Anchoring and Counter Anchoring

- **Key Words**

Reservation Price (RP), Zone of Possible Agreement (ZOPA), Value Creation (VC), Best Alternative to A Negotiated Agreement (BATNA)**,** Worst Alternative to A Negotiated Agreement (WATNA), Anchoring and Counter Anchoring

- **Chapter Structure**

2.1 Introduction

2.2 Reservation Price (RP)

2.3 Zone of Possible Agreement (ZOPA)

2.4. Value Creation Through Trades

2.5. Best Alternative to A Negotiated Agreement (BATNA)

2.6. Worst Alternative to A Negotiated Agreement (WATNA)

Chapter Two
Negotiation: Key Concepts

2.1 Introduction

Negotiation is universal. It has a long history and a longer pre-history. It is the truly human characteristic because it is closely connected with speech, language and social, including non-verbal, communication. [14] This chapter describe the meaning of main terminologies such as: Reservation Price (RP), Zone of Possible Agreement (ZOPA), Value Creation Through Trades, Best Alternative to A Negotiated Agreement (BATNA), Anchoring and Counter Anchoring.

2.2 Reservation Price (RP)

A Reservation Price (RP) is sometimes called the walk-away point because it is the least favorable price that two parties - a buyer and seller - agree to after negotiating contract. For the buyer, it is the highest price the buyer is willing or able to pay. For the seller, it's the lowest price the seller is willing to accept. A reservation price is an important part of the home-buying process; being aware of the bottom line helps people negotiate more effectively.[15] Varian (2003) defines reservation price as the highest price that a given person will accept and still purchase the good[16]. In other words, a person's reservation price is the price at which he or she is just indifferent between purchasing or not purchasing the good.

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[14] Kennedy, G., (2004). Essential Negotiation, The Economist Newspaper Ltd. UK.
[15] Russell K., (2014), Negotiation: Theory and Strategy, 3rd Ed, Wolters Kluwer Law and Business, UK.
[16] *Varian, H. R., (2003), Intermediate Economics - A Modern Approach, Norton and Company, New York.*

Your reservation price should be derived from your Best Alternative to A Negotiated Agreement (BATNA), but it is not usually the same thing. If the deal is only about money, however, and a credible dollar offer is your BATNA, then your reservation price would be approximately equal to your BATNA. [17] Consider the following example:

> You are currently paying $20 per square foot for suburban office space. The location is satisfactory and you believe that the price is fair, but you wouldn't mind paying more to be closer to your downtown customers. While preparing to negotiate with a commercial landlord for an office lease in a downtown high-rise, you decided that you would not pay more than $30 per square foot. That's your reservation price. If the landlord insists on more, you can walk away and attempt to lease space in a different building. Or you can stay where you are at $20 per square foot (your BATNA). At the end of a lengthy negotiation session, the landlord declares that he will not accept less than $35 per square foot and he will not budge. You graciously terminate the negotiation and walk away from the deal.

In this example your reservation price is different from your BATNA. BATNA in this case is the current rent at the current location: $20 per square foot. But the new location has different characteristics that enter into the equation. It is closer to customers, and it may be a more attractive space with greater workplace utility. You would be willing to assume the added expense and the hassle of moving, even if it meant paying $30 per square foot. Anything more than that, however, would be unacceptable. Thus, there is a subtle difference between your BATNA and your reservation price. The fact that the prospective landlord

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[17] Lewicki, R.J., Barry, B., Saunders, D.M., and J.W. Minton, (2003), Negotiation, 4th Ed., McGraw-Hill, Boston.

would not take less than $35 per square foot suggests that $35 is his reservation price.

The broad concept of the reservation price is also found in other applications. For example, a worker who is seeking employment has some idea of the least amount of salary or wages that must be generated in order to make the job worth the worker's time. This would be known as a reservation wage. By contrast, a savvy shopper always wants to save money on purchases, thus stretching disposable income to provide more satisfaction. Thus, the shopper will set a maximum amount that he or she is willing to pay for a given product, thus establishing a reservation or walk away price.

2.3 Zone of Possible Agreement (ZOPA)

Zone of possible agreement (ZOPA) describes the intellectual zone between two parties where an agreement can be met which both parties can agree to. Within this zone, an agreement is possible. Outside of the zone, no amount of negotiation will yield an agreement.

- Figure (2-1): How the ZOPA is shown graphically.

Seller's walkaway position
5000 SP
8000 SP

Seller's Settlement Range

ZOPA

Buyer's Settlement Range

0 SP
6000 SP

Buyer's walkaway position
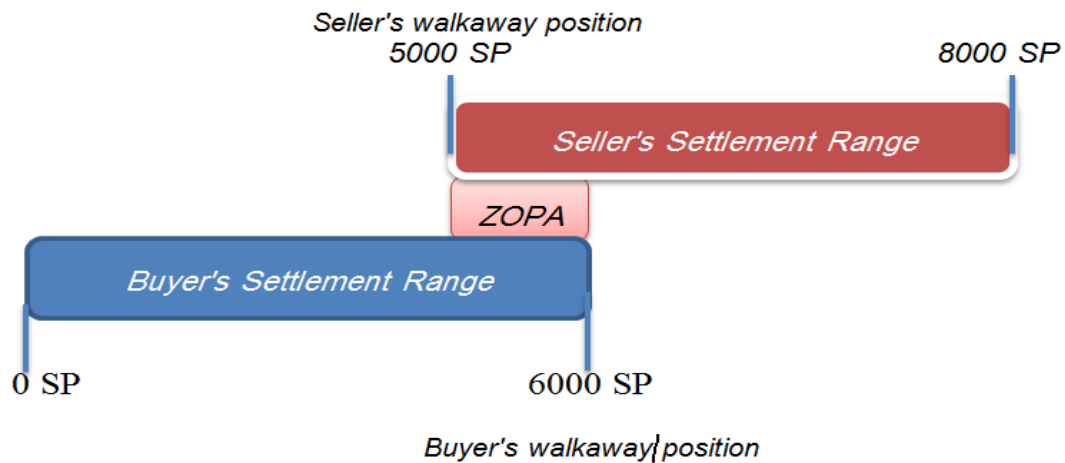
ZOPA is the area or range in which a deal that satisfies both parties can take place. Put another way, it is the set of agreements that potentially satisfy both parties. Each party's reservation price determines one end of the ZOPA. The ZOPA itself exists (if at all) in the overlap between these high and low limits, that is, between the parties' reservation prices.

2.3.1 ZOPA: Why Does it Matter?

A Zone of Possible Agreement (ZOPA) exists if there is a potential agreement that would benefit both sides more than their alternative options do. For example, if Fred wants to buy a used car for $5,000 or less, and Mary wants to sell one for $4,500, those two have a ZOPA. But if Mary will not go below $7,000 and Fred will not go above $5,000, they do not have a zone of possible agreement.

The ZOPA is critical to the successful outcome of negotiation, but it may take some time to determine whether a ZOPA exists. It may only become known once the parties explore

their various interests and options. If the disputants can identify the ZOPA, there is a good chance that they will come to an agreement.

2.3.2 Foundations of ZOPA: BATNAs

In order for disputing parties to identify the ZOPA, they must first know their alternatives, and thus their "bottom line" or "walk away position."

✓ **Alternatives**: Parties must determine what alternatives they have to any agreement. For example, Mary might have two potential buyers. Georgio is willing to pay $6,950. Mary is now negotiating with Fred. If he will pay more than Georgio (Mary's BATNA), she'll sell to him. If he will not pay that much, she will sell to Georgio. Likewise, if Fred has found another car he likes for $5,500, then he won't pay more for Mary's car than that...maybe even a bit less. Fred's BATNA is $5,500.

✓ **Bottom Lines or Walk-Away Positions:** BATNAs determine each side's bottom lines. If you have an alternative car available for $5,000, $5,000 is your bottom line. If you can sell your car for $7,000, that is your bottom line. If you don't do better than that in the negotiation, you'll walk away.

Therefore, a zone of possible agreement exists if there is an overlap between these walk away positions. If there is not, negotiation is very unlikely to succeed.

2.3.3 Identifying ZOPA

If both sides know their BATNAs and walk away positions, the parties should be able to communicate, assess proposed agreements, and eventually identify the ZOPA. However, parties often do not know their own BATNAs, and are even less likely to know the other side's BATNA. Often parties may pretend they have a better alternative than they really do, as good alternatives usually translate into more power in the negotiations. This is explained more in the essay on BATNAs. The result of such deception, however, might be the apparent absence of a ZOPA, when one actually did exist. Shared uncertainties may also affect the parties' abilities to assess potential agreements because the parties may be unrealistically optimistic or pessimistic about the possibility of agreement or the value of alternative options.[18]

2.4. Value Creation Through Trades

Another key concept of negotiation is value creation through trades, the idea that negotiating parties can improve their positions by trading the values at their disposal.[19] Value creation through trades occurs in the context of integrated negotiations. Each party usually gets something it wants in return for something it values much less. For example, two collectors of rare books, Helen and John, are entering a negotiation. Helen is interested in purchasing a first-edition Hemingway novel from John to complete her collection. During their negotiation, John mentions that he is looking for a specific William Prescott book, which Helen happens to own and is willing to part with. In the end, John sells Helen the Hemingway book, completing her collection, for $100 plus her copy of the Prescott book. Both parties are

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[18]Watkins, M., Rosegrant, S. (2001), <u>Breakthrough International Negotiation: How Great Negotiators Transformed the World's Toughest Post-Cold War Conflict</u>, San Francisco, Jossey-Bass Publishers, p.p. 26-28.
[19]Lewick, et. al., (2003), op. cit.

satisfied. The goods exchanged had only modest value to their original holders, but exceptional value to their new owners.

Think for a moment about your own negotiations with customers, suppliers, and fellow employees. Are you pulling and tugging with each other in a win-lose framework? Now think of ways that you might be able to satisfy the other side with something that would cost you very little. The following are some cases from different perspectives:[20]

• **For a supplier**, that greater value might take the form of an extended delivery period. For the customer, having deliveries spread out during the month might be of no great consequence, but for a supplier with strained production facilities, it may be very important.

• **For a customer**, greater value at low cost might take the form of three months offer repair services if needed. For a vendor who has great confidence that its products will need no repairs during that period, free service is nothing of consequence. In providing it to the customer the vendor incurs little cost, even though the customer values the repair service highly.

• **For another department** in your company, greater value might be found in your offer of two high-powered workstations that your people rarely if ever use. That department may be able to offer something in exchange that you value more than it does.

• **For an employee**, the opportunity to work from a home office two days each week may produce great satisfaction while costing the employer nothing. Few of the things that others value highly will have little value to you, and vice versa. But they are

[20]*Ibid*

sometimes there, and a little thinking and probing can identify them. That's value creation. Just be sure that if you give something of value, then you ask for something in trade.

2.5. Best Alternative to A Negotiated Agreement (BATNA)

Any successful negotiation must have a fundamental framework based on knowing the following:[21]

• The alternative to negotiation

• The minimum threshold for a negotiated deal

• How flexible a party is willing to be, and what trade-offs it is willing to make.

Three concepts are especially important for establishing this framework: Best alternative to a negotiated agreement (BATNA), reservation price (RP), and zone of possible agreement (ZOPA).

BATNA is a term coined by Roger Fisher and William Ury in their 1981 book Getting to Yes: Negotiating Without Giving In. Fisher and Ury state the following:

"The reason you negotiate is to produce something better than the results you can obtain without negotiating. What are those results? What is that alternative? What

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[21] Lewicki, R, J., Saunders, D, M., Barry, B., Minton, J, W., (2004), <u>Essentials of Negotiation</u>, 3rd Ed, McGraw-Hilll Irwin, NY, USA.

is your BATNA - your Best Alternative To a Negotiated Agreement? That is the standard against which any proposed agreement should be measured."[22]

In negotiation theory, the best alternative to a negotiated agreement or BATNA is the course of action that will be taken by a party if the current negotiations fail and an agreement cannot be reached. A party should generally never accept a worse resolution than its BATNA. Care should be taken, however, to ensure that deals are accurately valued, taking into account all considerations, such as relationship value, time value of money and the likelihood that the other party will live up to their side of the bargain. These other considerations are often difficult to value, since they are frequently based on uncertain or qualitative considerations, rather than easily measurable and quantifiable factors.

The BATNA is often seen by negotiators not as a safety net, but rather as a point of leverage in negotiations. Although a negotiator's alternative options should, in theory, be straightforward to evaluate, the effort to understand which alternative represents a party's BATNA is often not invested. Options need to be real and actionable to be of value, however without the investment of time, options will frequently be included that fail on one of these criteria. A Project on Negotiation Executive Seminar experiment and other experiments have demonstrated that most managers overestimate their BATNA whilst simultaneously investing too little time into researching their real options. This can result in poor or faulty decision making and negotiating outcomes. Consider the following business example: Company one can choose to buy from companies two, three and four - but companies two, three and four can only sell to company one. Company one can use their powerful BATNA position to

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[22] Fisher, R., Ury, W. and Patton, B., (1991). <u>Getting to Yes: Negotiating Agreement Without Giving In</u>. Second Edition, Penguin Book, New York. p. 28.

leverage a better deal by playing companies two, three and four against each other. This is a common practice among purchasing and procurement managers.

Burgess and Burgess (1997)[23] adapted the concept of BATNA slightly to emphasize what they call EATNA - Estimated alternatives to a negotiated agreement instead of best alternatives. Even when negotiators do not have good options outside of negotiations, they often think they do. For example, both sides may think that they can prevail in a military struggle, even when one side is clearly weaker, or when the relative strengths are so balanced that the outcome is very uncertain. [24]

BATNA and EATNAs also affect what William Zartman (1989) and may others have called "ripeness," the time at which a dispute is ready or "ripe" for settlement.[25] When parties have similar ideas or "congruent images" about what BATNAs exist, then the negotiation is ripe for reaching agreement.

The allure of the EATNA often leads to last-minute breakdowns in negotiations. Disputants can negotiate for months or even years, finally developing an agreement that they think is acceptable to all. But then at the end, all the parties must take a hard look at the final outcome and decide, "is this better than all of my alternatives?" Only if all the parties say "yes," can the agreement be finalized. If just one party changes his or her mind, the agreement may well break down. Thus, knowing one's own and one's opponent's BATNAs and EATNAs is critical to successful negotiation.

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[23] Burgess, H., Burgess, M.., (1997), Encyclopedia of Conflict Resolution, Santa Barbara, CA.
[24] *Ibid.*
[25]Zartman, W., (1989), Ripe for Resolution, Oxford, New York.

Asking questions during the negotiation can help you to support your BATNA and learn about the other side's BATNA, but you can also learn in advance by doing the following[26]:

• Contacting sources within the industry

• Checking potentially relevant business publications

• Reviewing annual reports (or public filings)

• Asking questions informally of the negotiator or others within the company

• Imagining what your interests, preferences, and needs would be if you were in their position

2.6. Worst Alternative to A Negotiated Agreement (WATNA)

If the other party has more power than you do, a worst alternative to a negotiated agreement (WATNA) may also be wise. A WATNA is an option you may have to accept if

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[26]*Ibid, p.p.16-18.*

you and the other party do not reach an agreement and your BATNA falls through for some reason. It's the worst outcome you would be able to bring about if negotiations fail.

For example, suppose you want to have an air conditioner installed in your office. You have a coupon from the newspaper that offers instalment within one week for $1,500. This could be your BATNA as you enter into negotiations with another provider.

You know that, should the negotiations fail, you can always have the air conditioner installed for $1,500 within one week. You are negotiating with the other provider to come to a better agreement than this.

In terms of WATNA, suppose you have a coupon from another provider offering installation within one week for $1,500. However, your WATNA might be that this offer comes with strings attached that raise the price well above $1,500. The provider might be too busy to install your air conditioner within a week. Therefore, your WATNA might be that you are left with a hot office for weeks and then have to pay more than $1,500 anyway.

The point of having a WATNA is so that you know the worst case scenario if negotiations aren´t successful.

Your BATNA and WATNA together identify likely envelopes for what you will do and what you will get if your negotiation fails. They are different from your minimum acceptable outcome, anticipated outcome and ideal outcome that were covered on the last

page. Your BATNA and WATNA relate to what is likely to happen if your negotiation fails. The three outcomes relate to what may happen if you negotiate an outcome.

2.7. Anchoring and Counter Anchoring

Anchoring or vocalism is a cognitive bias where an individual depends too heavily on an initial piece of information offered (considered to be the "anchor") to make subsequent judgments during decision making.[27] Once the value of this anchor is set, all future negotiations, arguments, estimates, etc. are discussed in relation to the anchor. Information that aligns with the anchor tends to be assimilated toward it, while information that is more dissonant or less related tends to be displaced. This bias occurs when interpreting future information using this anchor.[28]

For example, the initial price offered for a used car, set either before or at the start of negotiations, sets an arbitrary focal point for all following discussions. Prices discussed in negotiations that are lower than the anchor may seem reasonable, perhaps even cheap to the buyer, even if said prices are still relatively higher than the actual market value of the car.

The term "anchoring" describes both a psychological-behavioural effect (known as the anchoring effect) as well as the tactical approach making use of this effect.[29] The anchoring

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[27] https://en.wikipedia.org/wiki/Anchoring_(cognitive_bias) /Retrieved 10.9.2020.
[28] Investopedia, retrieved September 2020.
[29] Simmons, J., P.; LeBoeuf, Robyn A.; Nelson, Leif D., (2010). The effect of accuracy motivation on anchoring and adjustment: Do people adjust from provided anchors?. Journal of Personality and Social Psychology. 99 (6): 917–932.

effect is where we set our estimation for the true value of the item at hand.[3] In the negotiation process anchoring serves to determine an accepted starting point for the subsequent negotiations. As soon as one side states their first price offer, the (subjective) anchor is set. The counterbid (counter-anchor) is the second-anchor.[30]

Anchoring affects everyone, even people who are highly knowledgeable in a field. Northcraft and Neale (1987) conducted a study to measure the difference in the estimated value of a house between students and real-estate agents. In this experiment, both groups were shown a house and then given different listing prices. After making their offer, each group was then asked to discuss what factors influenced their decisions. In the follow-up interviews, the real-estate agents denied being influenced by the initial price, but the results showed that both groups were equally influenced by that anchor.[31]

As for the question of setting the first or second anchor, the party setting the second anchor has the advantage in that the counter-anchor determines the point midway between both anchors.[32] Due to a possible lack of knowledge the party setting the first anchor can also set it too low, i.e. against their own interests. Generally negotiators who set the first anchor also tend to be less satisfied with the negotiation outcome, than negotiators who set the counter-anchor.[33] This may be due to the regret or sense that they did not achieve or rather maximize the full potential of the negotiations. However, studies[34] suggest that negotiators who set the first offer frequently achieve economically more advantageous results.

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[30] *Jung, S.; Krebs, P., (2019).* The Essentials of Contract Negotiation. *pp. 28–29.*

[31] Northcraft, G. B; Neale, M, A., (1987). Experts, amateurs, and real estate: An anchoring-and-adjustment perspective on property pricing decisions. Organizational Behavior and Human Decision Processes. 39 (1): 84–97.

[32] Jung, S.; Krebs, P., (2019). *Op cite.*

[33] Rosette, A, S; Kopelman, S; Abbott, Jeanna L., (2014). Good Grief! Anxiety Sours the Economic Benefits of First Offers. Group Decision and Negotiation. 23 (3): 629–647.

[34] Galinsky, A, D.; Mussweiler, T., (2001). First offers as anchors: The role of perspective-taking and

2.7.1. Factors Influencing Anchoring

1- **Mood**: A wide range of research has linked sad or depressed moods with more extensive and accurate evaluation of problems.[35] As a result of this, earlier studies hypothesized that people with more depressed moods would tend to use anchoring less than those with happier moods. However, more recent studies have shown the opposite effect: sad people are more likely to use anchoring than people with happy or neutral mood.36

2- Experience: Early research found that experts (those with high knowledge, experience, or expertise in some field) were more resistant to the anchoring effect.37 Since then, however, numerous studies have demonstrated that while experience can sometimes reduce the effect, even experts are susceptible to anchoring. In a study concerning the effects of anchoring on judicial decisions, researchers found that even experienced legal professionals were affected by anchoring. This remained true even when the anchors provided were arbitrary and unrelated to the case in question.[38]

3- Personality: Research has correlated susceptibility to anchoring with most of the Big Five personality traits. People high in agreeableness and conscientiousness are more likely to be affected by anchoring, while those high in extraversion are less likely to be affected.[39] Another study found that those high in openness to new experiences were more susceptible to the anchoring effect.

4-Cognitive ability: The impact of cognitive ability on anchoring is contested. A recent study on willingness to pay for consumer goods found that anchoring decreased in those with greater cognitive ability, though it did not disappear.[40] Another study, however, found that cognitive ability had no

negotiator focus. Journal of Personality and Social Psychology. 81 (4): 657–669**.**

[35] Bodenhausen, G. V.; Gabriel, S.; Lineberger, M. (2000). Sadness and Susceptibility to Judgmental Bias: The Case of Anchoring. Psychological Science. 11 (4): 320–323.

[36] Englich, B.; Soder, K. (2009). Moody experts: How mood and expertise influence judgmental anchoring. Judgment and Decision Making. 4: 41–50.

[37] Wilson, T, D.; Houston, C, E.; Etling, K, M.; Brekke, N., (1996). A new look at anchoring effects: Basic anchoring and its antecedents. Journal of Experimental Psycholog. 125 (4): 387–402.

[38] Englich, B.; Mussweiler, T., Strack, F., (2006). Playing Dice With Criminal Sentences: The Influence of Irrelevant Anchors on Experts' Judicial Decision Making. Personality and Social Psychology Bulletin. 32 (2): 188–200.

[39] Eroglu, Cuneyt; Croxton, Keely L. (2010). Biases in judgmental adjustments of statistical forecasts: The role of individual differences. International Journal of Forecasting. **26** (1): 116–133.

[40] Bergman, Oscar; Ellingsen, Tore; Johannesson, Magnus; Svensson, Cicek (2010). Anchoring and cognitive

significant effect on how likely people were to use anchoring.[41]

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Chapter Two Questions

1-True/False Questions

Question	True	False
– Negotiation is universal. It has a quite new history and a newer pre-history.		✓
– A Reservation Price (RP) is sometimes called the anchor point because it is the many favorable price that two parties - a buyer and seller - agree to after negotiating a contract.		✓
– If the disputants can identify the ZOPA, there is a good chance that they will come to an agreement.	✓	
– In value creation, for the customer, having deliveries spread out during the month might be of no great consequence.	✓	

2- Multiple Choices Questions

1- A Reservation Price (RP) is sometimes called:

A. Anchor point   B. Psychological anchor point

C. Walk-away point   D. It can be all the above

2- A Reservation Price (RP) is sometimes called:

A- WATNA   B- BATNA

C- EATNA   D- PAP

3- A Zone of Possible Agreement (ZOPA) exists if:

A. there is a potential agreement.
B. there is a potential agreement that would benefit both sides more than their alternative options do.
C. there is a potential agreement that would be less more than their alternative options do.
D. None of the above.

4 - The BATNA is often seen by negotiators not as a safety net:

A. but rather as a point of anchoring in negotiations.
B. but rather as a point of EATNA in negotiations.
C. but rather as a point of leverage in negotiations.
D. All of the above.

3 - Essay Questions.

- Discuss the Foundations of ZOPA: BATNAs?
  (Duration: 10 mint, Mark: 10 /100, Question guide: 5-5-2)

- Give an examples about Value Creation Through Trade?
  (Duration: 10 mint, Mark: 10 /100, Question guide: 5-6)

Chapter Three:

Negotiation Approaches and Types

- **Chapter Summary**

This chapter defines the main aspects of negotiation, which help later on to explore different streams of negotiation theory and its approaches. Distributive negotiation and integrative negotiation lenses will be explored and we will takes a particularly close look at them.

- **Intended Learning Objectives/Outcomes**

1) Understand the Aspects of Negotiation
2) Explore different Streams of Negotiation Theory
3) Recognize Different Aspects Negotiation Approaches
4) Distinguishes Thoughts on Distributive Negotiation
5) Consider Thoughts on Integrative Negotiation

- **Key Words**

Streams **-** Approaches **-** Distributive Negotiation **-** Integrative Negotiation**.**

- **Chapter Structure**

Chapter Three:
Negotiation Approaches and Types

3.1 Introduction

Negotiation can be seen from different lenses: Confrontational or cooperative, distributive or integrative, to see a wide range of interests to be addressed and served. This chapter define the main aspects of negotiation, which help later on to explore different streams of negotiation theory and its approaches. Distributive negotiation and integrative negotiation lenses will be explored and we will takes a particularly close look at them.

3.2. Aspects of Negotiation

The various definitions of negotiation spotlight its different facets, a concept at first sight very simple, but in fact wide and complex: A collection of behaviors that involves communications, sales, marketing, psychology, sociology, assertiveness, and conflict resolution.[42]

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[42]Acuff, F. L.,(1993), How to Negotiate Anything with Anyone Anywhere Around the World, <u>American Management Association</u>, New York, p. 23

There is a more opportunistic vision, leading the negotiation exclusively to obtain an advantage, trying to conquer people to have control of the situation, seeing negotiation as a field of knowledge and endeavor that seeks the conquest of persons from whom we want something, mainly using information and power to influence behavior in a net of tension.[43]

Stressing another of its facets, negotiation may be defined as a bilateral process of communication with the objective of reaching a shared decision[44]. The suitable way of communication and the correct moment for it, to know how to hear, to listen and talk objectively, may be decisive for a good negotiation process. And it should be bilateral, satisfying both sides involved in the process.

Another definition stresses the pursuit of an agreement: "Negotiation is the process of communicating back and forth for the purpose of reaching a joint agreement about differing needs or ideas"[45]. Here the importance of persuasion emerges, showing that not only power is decisive, as many authors want to demonstrate. Besides this, we can feel the importance that should be given to a clear understanding of motivation (ours and of the other side involved in the process), as well as to trying to ensure that the other side feels well with the results of the negotiation, because its needs were satisfied.

For Matos (1985), negotiation means agreement and thus assumes the existence of affinities and an initial base of common interests that approximate people and establish relationships and dialogue to improve the search for common targets. It is from common targets that an agreement arises, managing the needed concessions.[46]

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[43] *Ibid.*

[44] Fisher, R., Ury, W., (2011), Getting to Yes: Negotiating Agreement Without Giving In, 3rd Ed, Penguin Books, New York.

[45] Acuff, F. L. (1993),*op. cit.*

[46] Matos, F. G. (1985) in: Dante P., Almeida, A., (1998), Negotiation, Management, and Systems Thinking, Systemic Practice and Action Research, Vol. 11, No.3,.

Mills (1993) observes that a negotiation is justified only if there are both common and conflictual interests. If all interests are common, the negotiation has no significance. If they are completely conflicting, negotiation is almost impossible, as both sides seek to achieve exactly the same result: winning. An example would be that of a syndicate starting a strike (forcing the enterprise to see the need for negotiating) instead of trying to begin negotiating immediately, believing that a strike would bring more results than conversations. And enterprises tend to trouble their workers' lives, nations fight each other, and people involved in a dispute fight in court for analogous reasons.

From the stream strongly concerned with human relationships, we can quote Nierenberg (1981) negotiation is a process that could profoundly affect every type of human relationship and produce lasting benefits for all participants. [47]

So we can see that we all negotiate all the time. Negotiation is an efficient way of reaching what we want: we negotiate to solve the differences between people; we negotiate for our individual interests, to satisfy individual or collective needs.

3.3 Streams of Negotiation Theory

Traditional negotiation research typically has been grounded in models from game theory, distributive and integrative bargaining, and principled negotiation. Game theory emerged in the 1940s from mathematics and emphasized the way that individuals made decisions within communication situations such as negotiation. Game theory typically portrays individuals as rational actors who, when presented with various options in a particular scenario, will select those options that achieve the optimal solution or gain, allowing

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[47] *Nierenberg, G. I. (1981),* The Art of Negotiating, Simon & Schuster Publications*, New York.*

them to maximize the material, economic, or socioemotional rewards that they receive from the situation.[48] Game theory is strongly associated with the Prisoners' Dilemma, a multiplayer game in which players make choices as to what course of action to take based on a matrix of anticipated payoffs, which will be discussed in detail in chapter five.

The concepts of integrative and distributive bargaining emerged from Richard Walton and Robert McKersie's classic book, The Behavioral Theory of Labor Negotiations, an extensive treatment of collective bargaining among labor and management. Subsequent negotiation theory and research has paid great attention to the elements of distributive and integrative bargaining. Negotiation situations in general are characterized by interdependence, and distributive and integrative bargaining can be distinguished by the way interdependence is approached. Distributive bargaining emphasizes a zero-sum form of interdependence where a person can achieve his or her goals at the expense of the other, generating win-lose outcomes. Integrative bargaining represents a variable-sum form of interdependence that accentuates mutual gains or win-win outcomes, the notion that the accomplishment of a person's goals can also help others achieve their goals.

The principled negotiation model originated in Roger Fisher and William Ury's seminal work, Getting to Yes, originally published in 1981[49]. Fisher and Ury distinguished between positional bargaining and principled negotiation. Positional bargaining emphasizes individuals acting in ways to achieve their goals or objectives. Their positions are solutions or proposals that they will subsequently have to defend and that address their needs, desires, or wants. Individuals can enact positional bargaining in one of two ways. They can engage in hard positional bargaining where they use tough hardball tactics to achieve their desired goals,

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[48]Barge, K., (2009), Negotiation Theory, SAGE Publications, , London, UK.
[49]Fisher, R., Ury, W., (1981), op. cit.

or they can adopt soft positional bargaining, where they tend to sacrifice their needs, desires, or wants in order to maintain the relationship they have with the other party. Either approach leads to win-lose outcomes as hard positional bargaining emphasizes achieving one's own goals at the expense of the other, and soft positional bargaining leads to a failure of achieving one's own goals while allowing others to achieve theirs.

Beginning in the late 1990s, alternative models of negotiation began to emerge that shifted the view of communication from a process of exchange to a process of co-construction emphasizing dramaturgical, narrative, and linguistic theory. They theorize negotiation as a process of mutual inquiry emphasizing collaborative learning that fosters self-knowledge and mutual understanding as opposed to traditional models that view negotiation as an exchange process of proposal and concession making intended to achieve enlightened self-interest and mutual gain.

3.4. Negotiation Approaches

Theorists differ on the question of how to categorize the main schools of thought in negotiation. For example Druckman (1997) describes the main schools of thought in negotiation theory as corresponding to four approaches to negotiation:[50] Negotiation as puzzle solving, negotiations as a bargaining game, negotiation as organizational management and negotiation as diplomatic politics. Alternatively, Raiffa (1982) puts forward a typology of 'approaches' crafted around the dimensions of symmetry-asymmetry and prescription-

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[50] Druckman, D., (1997), <u>Negotiating in the International Context</u>: In Alfredson, T., Cungum, A. (2008), Negotiation Theory and Practice: A Review of the Literature, <u>Food and Agriculture Organization of the United Nations</u>,(FAO), Rome, Italy.

description.[51]

The following subsections summarize the main negotiation approaches.[52]

3.4.1. Structural approach

Structural approaches to negotiations consider negotiated outcomes to be a function of the characteristics or structural features that define each particular negotiation. These characteristics may include features such as the number of parties and issues involved in the negotiation and the composition (whether each side is monolithic or comprises many groups) or relative power of the competing parties.[53]

In structural approaches to negotiation theory, analysts tend to define negotiations as conflict scenarios between opponents who maintain incompatible goals. One of the main theoretical contributions derived from the structural approach is the theory that power is the central determining factor in negotiations.[54]

3.4.2. Strategic approach

Strategy can be defined as a plans , method, and series of maneuvers for obtaining a specific goal or result. Strategic approaches to negotiation have roots in mathematics, decision

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[51] Raiffa, H., (1982), The Art and Science of Negotiation, Harvard University, Press, Cambridge, MA.
[52] Alfredson, T., Cungum,A. (2008), Negotiation Theory and Practice: A Review of the Literature, Food and Agriculture Organization of the United Nations (FAO), Italy.
[53] Raiffa, H., (1982),Op cit.
[54]Bacharach, S., Lawler E., (1981), Power and Tactics in Bargaining, Industrial & Labour Relations Review, 34(2): 219-233.

theory and rational choice theory, and also benefit from major contributions from the area of economics, biology, and conflict analysis. Whereas the structural approach focuses on the role of means (such as power) in negotiations, the emphasis in strategic models of negotiation is on the role of ends (goals) in determining outcomes. Strategic models are also models of rational choice. Negotiators are viewed as rational decision makers with known alternatives who make choices guided by their calculation of which option will maximize their ends or "gains", frequently described as 'payoffs'. Actors choose from a 'choice set' of possible actions in order to try and achieve desired outcomes.

Strategic models tend to be normative in nature. Because they are grounded in the belief that there is one best solution to every negotiation problem. The strategic approach is the foundation for negotiation theories such as game theory and critical risk theory[55], described below.

3.4.3. Behavioral approach

Behavioral approaches emphasize the role of negotiators' personalities or individual characteristics play in determining the course and outcome of negotiated agreements. Behavioral theories may explain negotiations as interactions between personality 'types' that often take the form of dichotomies, such as shopkeepers and warriors or 'hardliners' and 'soft liners' where negotiators are portrayed either as ruthlessly battling for all or diplomatically conceding to another party's demands for the sake of keeping the peace. The tension that arises between these two approaches forms a paradox that has been termed the "Toughness

[55]Snyder, G.H., Diesing, P., (1977), Conflict Among Nations Bargaining: Decision Making and System Structure in International Crises, Princeton University Press, Princeton, USA.

Dilemma" or the "Negotiator's Dilemma".[56] The dilemma states that though negotiators who are 'tough' during a negotiation are more likely to gain more of their demands in a negotiated solution, the tradeoff is that in adopting this stance, they are less likely to conclude an agreement at all.

3.4.4 Concession exchange approach

Though concession exchange theories share features of both the structural approach (power) and the strategic approach (outcomes), they describe a different kind of mechanism that centers on learning. According to Zartman, this approach (which Zartman calls the processual approach) looks at negotiation "as a learning process in which parties react to each other's concession behavior"[57].

3.4.5 Integrative approach

Integrative approach, in sharp contrast to distributive approaches, frames negotiations as interactions with win-win potential. Whereas a zero-sum view sees the goal of negotiations as an effort to claim one's share over a "fixed amount of pie", integrative theories and strategies look for ways of creating value, or "expanding the pie," so that there is more to share between parties as a result of negotiation. Integrative approaches use objective criteria, look to create conditions of mutual gain, and emphasize the importance of exchanging

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[56]Lax, D.A., Sebenius, J.K., (1986),The Manager as Negotiator, Free Press, New York, USA.
[57]Zartman, W., (1989), Ripe for Resolution, Oxford, New York.

information between parties and group problem-solving.[58]

3.4.6 Summary of Approaches

Though the descriptions provided in previous sections aim to broadly summarize key analytical traditions in negotiation theory, precise categorizations of existing theoretical frameworks differ.

Numerous theorists have also commented on the value of using various insights complementarily and the lack of neatness in the space between the various approaches (except perhaps when applied in ideal form). Alfredson and Cungum (2008) summarizes the main points discussed thus far in the following table. It is an attempt to systematize the information presented, though readers should bear in mind that clear-cut categorizations are difficult, and that important overlaps among approaches often exist with respect to assumptions, as well as to the use of strategies and tactics.

- Table (3-1): A Comparison between negotiation approaches.

[58]Lewicki, R.J., Barry, B., Saunders, D.M., and J.W. Minton, (2003), <u>Negotiation</u>, 4th Ed., McGraw-Hill, Boston.

Approach	Basic features	Assumptions	Limitations
Structural	Focus on means, positions and power	Win-Lose	• Lock into positions might lead to lost opportunity for mutually beneficial agreement. • Over-emphasis on power
Strategic (e.g., Game Theory)	Focus on ends, rationality, positions	Win-Lose, existence of optimal solutions and rationality of players	• Excludes use of power, players undifferentiated (apart from differences in the quality of options open to each)
Behavioral (e.g., diplomatic treatises, personality types)	Focus on personality traits	Win-Lose, role of perceptions and expectations	• Emphasis on positions
Consession Exchange (Processual)	Focus on concession making behavior, positions	Win-Lose, moves as learned (reactive) responses	• Emphasis on positions • Lack of predictiveness
Integrative (e.g., phase theories, process models, principled negotiations)	Focus on problem solving, creating value, communicating, win-win solutions.	Win-Win potential	• Parties should still recognize and be prepared for encounters with non-integrative bargainers • Time consuming

(Source: Alfredson, T., Cungum, A., 2008, Negotiation Theory and Practice: A Review of the Literature, Food and Agriculture Organization of the United Nations (FAO), p. 17)

3.5. Negotiation Categories

3.5.1. Distributive Negotiation

Distributive negotiation is also sometimes called positional or hard-bargaining negotiation. In a distributive negotiation, each side often adopts an extreme position, knowing that it will not be accepted, and then employs a combination of guile and bluffing, in order to cede as little as possible before reaching a deal. Negotiators in a distributive situation fight hard for their positions (specific prices or amounts) because their loss is the other side's gain. The

negotiators believe there will be a clear winner and loser, but not multiple winners.[59] Distributive bargainers conceive of negotiation as a process of distributing a fixed amount of value- some people refer to this type of negotiation as zero-sum or constant-sum negotiation. The term distributive implies that there is a finite amount of the thing being distributed or divided among the people involved. Sometimes this type of negotiation is referred to as the distribution of a "fixed pie." There is only so much to go around, but the proportion to be distributed is variable. Distributive negotiation is also sometimes called win-lose because of the assumption that one person's gain results in another person's loss. A distributive negotiation often involves people who have never had a previous interactive relationship, nor are they likely to do so again in the near future. Classic examples include the following:

• The sale of a car, where the buyer and the seller do not know one another. There is no relationship; all that matters is the price, and each side haggles for the best deal. Every gain by one party represents a loss to the other.

• Wage negotiations between business owners and their union employees. The owners know that any amount conceded to the union will come out of their own pockets-and vice versa.

In a purely distributive negotiation, the value at stake is fixed, and each side's goal is to get as much of it as possible. Consider the example of two people negotiating over shares of a freshly baked apple pie. Each aims to negotiate for as large a portion of that pie as possible, knowing that any concession made to the other party will reduce his or her share by an equal

[59] Metcalf, L., Bird, A., Peterson, M., (2007), Cultural Influences in Negotiations: A Four Country Comparative Analysis, International Journal of Cross Cultural, August Issue.

amount. For example, when negotiating for a used car - the buyer either gets that extra $2,500 or the dealership does. If the buyer feels that he got a good deal, he "won." If he walks away feeling like he paid too much money for that car, he "lost."

To achieve success in a distributive negotiation, Lewicki and others (2003) suggest the following points:[60]

✓ The first offer can become a strong psychological anchor point, one that sets the bargaining range. Studies show that negotiation outcomes often correlate with the first offer. So start at the right place.

✓ Do not disclose any significant information about your circumstances- including why you want to make a deal, your real interests or business constraints, your preferences among issues or options, or the point at which you'd walk away from the table. It is advantageous, however, to let the other side know that you have good options if this deal falls through.

✓ Information about the other side can benefit you. Learn as much as possible about the other side's circumstances and preferences- including why they want to make a deal, their real interests and business constraints, and their preferences among issues or options.

✓ Exploit what you learn about the other side in setting your first offer or demand.

✓ Don't overshoot. If you claim aggressively or greedily, the other side may walk away. You will have lost the opportunity to make a deal.

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[60] *Ibid*

3.5.2. Integrative Negotiation

Integrative negotiation is also sometimes called interest-based or principled negotiation. It is a set of techniques that attempts to improve the quality and likelihood of negotiated agreement by providing an alternative to traditional distributive negotiation techniques. While distributive negotiation assumes there is a fixed amount of value (a "fixed pie") to be divided between the parties, integrative negotiation often attempts to create value in the course of the negotiation "expand the pie"[61]. It focuses on the underlying interests of the parties rather than their arbitrary starting positions, approaches negotiation as a shared problem rather than a personalized battle, and insists upon adherence to objective, principled criteria as the basis for agreement in integrative negotiations you have to be good at both creating value and claiming it. Consider the following typical business example of an integrative negotiation:

A Trade Union is negotiating with the employers demanding an increase in 2.5% of wages every year with bonus on every Christmas or they would go for strike. The employers proposed that the wages can be increased with 1.5% but on every two years and bonus will be given if the workers increase their working hours by 2 hours per day. Therefore, the proposition is profitable by both parties. Workers can get good wages and bonus by only giving an extra two hours. The company's work operation will be increased that can lead to increase in sales, and hence increase in profit.

In an integrative negotiation, your task is twofold[62]: (1) to create as much value as possible for you and for the other side and (2) to claim value for yourself. Many use the term win-win in referring to this type of arrangement.[63] Unfortunately, that term implies that all

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[61] Brazeal, G., (2009), Against Gridlock: The Viability of Interest-Based Legislative Negotiation, Harvard Law & Policy Review, (3) p. 1- 28.
[62] Lewicki.et al., (2003), op. cit.
[63] Metcalf, et al., (2007), op. cit.

parties get everything they want, which is rarely the case. More likely, each makes trade-off's to get the things they value most, while giving up other, less critical factors.

Unlike the distributive situation, in which you deliberately play your cards close to the vest, an integrative negotiation encourages negotiators to do the following:

- Provide significant information about their circumstances.
- Explain why they want to make a deal.
- Talk about their real interests or business constraints.
- Reveal and explain in general terms their preferences among issues or options.
- Consider and reveal any additional capabilities or resources they have that might meet the other side's interests and could be added to the deal.
- Use what they learn to find creative options that will meet the interests of both parties to the greatest extent possible.

3.5.3. Principled Negotiation

It is another phase theory of negotiations that falls in the integrative school. In their book Getting to Yes: Negotiating Agreement Without Giving in Roger Fisher and William Ury argued the merits of "win-win" problem solving as an approach to negotiations[64]. They frame negotiation as a three-phase process, whose efficiency depends on how negotiators treat four essential elements: Interests, people, options, and criteria. In a later work, these four pillars were refashioned into the "seven elements" of negotiation comprising interests, relationships, options, legitimacy, alternatives, commitments and communication. In the

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[64] Fisher, R., Ury, W.,(1991), *Getting to Yes*, Penguin Books, New York.

principled negotiations model, the "essential elements" serve as prescriptive components for negotiations modeled on an integrative approach.

Principled negotiation is grounded in four principles:

First, separate the people from the problem. Rather than view the person as the problem and attack the person, the goal of principled negotiation is to collectively attack the joint problem that both parties are confronting and to work cooperatively with one another.

Second, focus on interests, not positions. A position is a specific solution that meets a party's needs, desires, or wants. However, these needs, desires, or wants are the interests that underlie people's positions that inform and guide their positions. Given that many different interests can underlie a single given position, Fisher and Ury contend that agreements can be generated by focusing on common interests.

Third, invent numerous options before making a decision. Principled negotiation emphasizes generating a wide variety of alternatives through processes such as brainstorming to create a rich pool of possible actions that one may draw on to craft an agreement.

Fourth, use objective standards to assess the result. The negotiation process needs to be grounded in some kind of objective criteria to ensure that all standards to assess the result. The negotiation process needs to be grounded in some kind of objective criteria to ensure that all parties are treated fairly.

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Chapter Three Questions

1- True/False Questions

Question	True	False	

− Traditional negotiation research typically has been grounded in models from principled negotiation.	✓	
− Negotiation can be theorized as a process of mutual inquiry emphasizing difficult learning that disrupt self-knowledge		✓
− If the disputants can identify the ZOPA, there is a good chance that they will come to an agreement.		✓
− In structural approaches to negotiation theory, analysts tend to define negotiations as conflict scenarios.	✓	

2- Multiple Choices Questions

1- One of the following is Not one approaches to negotiation:

A- Negotiation as puzzle solving,

B- Negotiations as a bargaining game,

C- Negotiation as organizational management

D- Negotiation as organization by objectives

2-The Cod Wars: when the weak prevail- the value of ends:

A. Spain and Britain

B. Britain and Iceland

C. Iceland and France

D. France and Iceland

3 - Though concession exchange theories share features of both the structural approach (_____) and the strategic approach (_____),

A. Principled- Structural
B. Power- Outcomes
C. Outcomes – Power
D. None of the above

4- This approach, which _____calls the processual approach.

A. Lewicki et al   B. Zartman   C. Lax and Sebenius   D. Porter

3- Essay Questions.

– Compare between structural and strategic approaches of negotiation?

(Duration: 10 mint, Mark: 10 /100, Question guide: 3-3)

– Identify the meanings of Distributive approach and Integrative approach?

(Duration: 10 mint, Mark: 10 /100, Question guide: 3-4)

Chapter Four

Components of Negotiation

- **Chapter Summary**

   This chapter describes the different styles of people in negotiation processes. Elements of negotiation will be defined after that we are going to gain an overview of the multiple phases and multiple parties of negotiation process.

- **Intended Learning Objectives/Outcomes**

   1) Explore different styles of people in negotiation
   2) Recognize elements of negotiation
   3) Gain an overview of the multiple phases negotiation
   4) Recognize multiple parties of negotiation process

- Key Words

   People Styles **-** Legitimacy - Alternatives - Commitment **-** Multiple Phases Negotiation **-** Multiple Parties Negotiation.

- **Chapter Structure**

   4.1 Introduction

   4.2. People Styles in Negotiation

   4.3 Elements of Negotiation

   4.4 Multiple Phases and Multiple Parties Negotiation

Chapter Four
Components of Negotiation

4.1 Introduction

Negotiation can be defined as back-and-forth communication designed to reach an agreement between two or more parties with some interests that are shared and others that may conflict or simply be different.[65] This chapter describes the different styles of people in negotiation processes. Elements of negotiation will be defined after that we are going to Gain an overview of the multiple phases and multiple parties of negotiation process.

4.2 People Styles in Negotiation Process

Many studies[66] identified five styles/responses to negotiation. Individuals can often have strong dispositions towards numerous styles; the style used during a negotiation depends on the context and the interests of the other party, among other factors. In addition, styles can change over time.

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[65]Menkel. M., (1984),Toward Another View of Legal Negotiation: The Structure of Problem-Solving, *UCLA Law Review*, 31, p.p. 754-840.

[66] Some of these studies:

1. Russell K., Negotiation: Theory and Strategy, Wolters Kluwer Law and Business, E-Book. Aspen Casebook Series(Retrieved: 25.8.2020).

2. Shell, R.G., (2006), Bargaining for Advantage, Penguin Books, New York.

3. Katie, S., (April 27th, 2020 / negotiation skills)
(https://www.pon.harvard.edu/daily/negotiation-skills-daily/what-is-negotiation/)

1. **Accommodating**: Individuals who enjoy solving the other party's problems and preserving personal relationships. Accommodators are sensitive to the emotional states, body language, and verbal signals of the other parties. They can, however, feel taken advantage of in situations when the other party places little emphasis on the relationship.

2. **Avoiding**: Individuals who do not like to negotiate and do not do it unless warranted. When negotiating, avoiders tend to defer and dodge the confrontational aspects of negotiating; however, they may be perceived as tactful and diplomatic.

3. **Collaborating**: Individuals who enjoy negotiations that involve solving tough problems in creative ways. Collaborators are good at using negotiations to understand the concerns and interests of the other parties. They can, however, create problems by transforming simple situations into more complex ones.

4. **Competing**: Individuals who enjoy negotiations because they present an opportunity to win something. Competitive negotiators have strong instincts for all aspects of negotiating and are often strategic. Because their style can dominate the bargaining process, competitive negotiators often neglect the importance of relationships. Like competitors, avoiders also have a difficult time sustaining strong working relationships. Others see them as apathetic or indifferent. [67] Each of these problematic interactions highlights the importance of being able to both empathize and assert as needed in a given negotiation.

5. **Compromising**: Individuals who are eager to close the deal by doing what is fair and equal for all parties involved in the negotiation. Compromisers can be useful when there is limited time to complete the deal; however, compromisers often unnecessarily rush the negotiation process and make concessions too quickly.

Russell K., *Op Cit.*[67]

4.3 Elements of Negotiation

There is no one right way to organize ideas, but some approaches work better than others for specific purposes. In defining a set of core variables or elements of negotiation to be of help to a negotiator, a framework should help us define our goals and prepare effectively to minimize surprises and to identify and take advantage of opportunities. It should also help us appreciate and wisely evaluate the consequences of available process choices. It should be simple enough to remember and robust enough to incorporate any insight or learning we might have about negotiation. And ideally, such a framework should operate at a basic human level underneath cultural or even gender differences, so that the same framework can be used in different contexts. The seven elements framework for understanding and analyzing negotiation was developed at the Harvard Negotiation Project to meet these criteria.[68] It is one way to define comprehensively the terrain of negotiation that needs to be understood and managed (whatever procedural tactics or strategies a negotiator might adopt). Each of the seven elements - interests, legitimacy, relationship, alternatives, options, commitments, and communication - is described in the following sections.

1- Interests

A party's basic needs, wants, and motivations are commonly referred to as its interests. For example, a negotiator seeking to settle a dispute might care about getting enough money to cover expenses, not setting a bad precedent, and getting the negotiation over with before leaving for vacation. Interests are the fundamental drivers of negotiation. People negotiate

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[68] Katie, S., *Op Cit.*

because they are hoping to satisfy their interests better through an agreement than they could otherwise. The measure of success in negotiation is how well your interests are met, which is also the criterion you use to compare and choose among different possible outcomes. Interests are not the same as the positions or demands that people typically stake out and argue for in negotiation. A position is a proposed outcome that represents merely one way among many that issues might be resolved and interests met.

The notion of interests encompasses a wide range of possibilities, from substantive goals such as money, deadlines, or guarantees to emotional desires such as respect, recognition, feeling fairly treated, or even seeing another person happy. One can think in terms of levels of interests, with something like Maslow's basic human needs at the root of a tree of interests that may include a wide range of needs and motivations beyond the purely instrumental.[69]

Between the parties, interests can be shared (neither of us wants to spend too much time negotiating; both of us want to set a good precedent), differing (I care about net present value; you care about cash flow), or conflicting (price, credit, ownership, who gets the corner office). While negotiation is often assumed to be an adversarial battle focused on conflicting interests, this assumption overlooks two important points:

1. First, some of the most intense conflicts are often fueled by identical interests - both parties want to feel fairly treated. Negotiators are often shocked to discover this, which usually leads them to explore why their perceptions of fairness differ.

2. Second, the potential value inherent in shared or differing interests may be as large or larger than the value in dispute. In one commercial litigation, for example, the parties'

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[1] Maslow. A., (1954), <u>Motivation and Personality</u>, Harper and Row, New York.

anger about something that had happened in the past caused them not to realize that, as circumstances had developed, the potential value of a continuing relationship was more than ten times greater than the amount in dispute. When an outsider pointed this out, the parties suddenly found the motivation to find a settlement.

2- Legitimacy

Fairness or legitimacy is one of the most powerful of human motivations, and thus constitutes a special category of interests. It routinely plays a major role in negotiation, too often (and unwisely) overlooked. It is not uncommon for negotiations to fail, for example, not because the option on the table is unacceptable, but because it does not feel fair to one or both parties. In effect, people pay to avoid accepting a solution that feels illegitimate. In experiments, for example, one person is told that he or she has $10 to split with another (unknown) person and that he or she can specify who gets how much but will only get the money if the other person agrees to accept the split (otherwise neither person gets any money). Logically, the second person should be willing to accept any split of the $10, even $9.99 to the splitter and 1¢ for them, but in fact most people would rather get nothing than approve a split that feels too unfair[70]. Often this interest in legitimacy and feeling fairly treated is the main driver in a dispute, though parties with divergent views on what is fair may fail to realize that beneath their conflicting positions is the same interest. In many business contexts, the issues at stake in any given dispute are less important than the precedent set for future dealings. For example, an airline company fired many air traffic controllers for undertaking an illegal strike, even though the controllers had legitimate grievances and replacing them

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[70] Thaler, R., (1991), The Winner's Curse: Paradoxes and Anomalies of Economic Life, Free Press, New York.

was far more costly than working out a settlement.

3- Relationship

A third important variable in negotiation is the relationship a negotiator has or wants with other parties. This includes the negotiator's relationship both with those across the table and with anyone else who might affect the negotiation or be affected by the negotiator's reputation coming out of it. Having a fond or trusting relationship may make dispute resolution easier, while hostile feelings can make it much harder. Perhaps more important, the conduct and outcome of a negotiation have the potential to either damage or strengthen a relationship in a variety of ways. As a result, the prospect of a dispute can be very stressful in an important ongoing relationship, such as that between a boss and an employee, or between sales and marketing. (Such a prospect should therefore motivate extra attention to the choice of negotiation process.) Sometimes, as with a family member or a business partner, maintaining a certain kind of relationship may be a much more important interest than the particular substantive issues in dispute. In other contexts, the parties may lack any personal or formal connection but nevertheless face the prospect of ongoing dealings, including occasional disputes, in which they would prefer to have a way of working things through (a working relationship) that entails lower rather than higher transaction costs (an afternoon of tough negotiation rather than a year of litigation). However, even when there is neither a prior nor likely a future relationship with the other side, a negotiator still has to weigh the impact on the outcome of this negotiation of the working relationship between the parties during the negotiation. If that relationship becomes heated and hostile, the chances of agreement decline, and the chances of a creative value-maximizing agreement decline precipitously.

Finally, a negotiator also has an ongoing relationship with himself or herself that can influence the conduct of negotiation. Psychological drives to avoid inconsistency "cognitive

dissonance", to preserve key values that define one's identity, or to "do the right thing" (conscience) may shape a negotiator's choices[71]. For example, a competitive type who believes "I'm someone who wins, no matter what it takes" may operate with few scruples, while someone deeply committed to fairness and to ethical values may proceed quite differently.

4- Alternatives

When we turn to thinking about how a negotiator can satisfy her or his interests, a critical question is what the negotiator could do in the absence of a negotiated agreement. That is, if the negotiation fails, what will each negotiator do - what are the alternatives to agreement or possible "walk-away" courses of action? By definition, an alternative to agreement must be a course of action that the negotiator can implement without the consent of the other negotiator(s). In trying to negotiate the resolution of a business dispute, for example, one party's alternatives might include doing nothing, suing the other party, trying to sell out to a third party, holding a press conference, and so on.

Since a negotiator unable to reach agreement will have to choose one of his or her various alternatives to pursue, a key question is which one? Among the various alternative courses of action a negotiator could pursue, which would best satisfy that negotiator's interests? This alternative is commonly referred to as the negotiator's Best Alternative To a Negotiated Agreement, or BATNA. A negotiator always has some BATNA, even if he or she has not figured out what it is or it is not very attractive. For example, in negotiating with attacker who puts a gun to your head and demands your money, your BATNA might be to refuse, to try to fight, or perhaps to do nothing. In many cases, there will be uncertainty

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[71]Stone, D., Patton, B., and Heen, S. (1999), <u>Difficult Conversations: How to Discuss What Matters Most</u>, Viking, Penguin, New York.

involved in various of your alternatives (such as the outcome of litigation, for example) that may require probabilistic assessment to calculate expected values and thereby determine your likely BATNA, but this doesn't change the concept. Your counterpart also has a BATNA, as well as perceptions of its relative attractiveness, one or the other of which you may be able to affect. Further discussion about BATNA will be presented in Chapter Five.

5- Options

A major reason to negotiate, of course, is to seek an outcome that offers more value than one's BATNA, enough more to justify the investment of time and effort in negotiating. Options are possible agreements or pieces of a potential agreement upon which negotiators might possibly agree. Options can include substantive terms and conditions, procedures, contingencies, even deliberate omissions or ambiguities - anything parties might agree on that might help to satisfy their respective interests. The most basic form of option is a trade. I give you money, you give me a car. We create value by an exchange of something that I have that I value less than you do for something you have that I value more than you do. In general, options create value in negotiation by maximizing the satisfaction of shared interests (for example, we pool our efforts and exploit economies of scale) or by exploiting differences in interests (such as different capabilities, resources, valuations, risk preferences, time horizons, or predictions).

6- Commitments

Possible options for agreement are one thing. Actual decisions and agreements, even offers and demands, are quite another. A commitment is an agreement, demand, offer, or promise by one or more parties, and any formalization of that agreement. Commitment is commonly signaled by words such as "I will offer," "I demand," "We agree," or "I promise

not to . . .". Commitments can occur at any point in a negotiation and encompass anything from a minor procedural point (for example, a shared understanding of an agenda) to final and complete agreement, and anything in between (agreement to meet again; agreement on some terms, but not all).

7- Communication

Finally, there is the communication process by which parties discuss and deal with the preceding six elements of negotiation. For example, do they begin by trading commitments or information about interests? Do they approach the process as adversaries or colleagues, beseech or threaten, trade concessions or brainstorm without commitment? Do they focus on advocacy, inquiry, or both?

To insure good communication, CMG-Mercy Corps recommends adhering to four rules[72]:

1. Listen actively to both verbal and nonverbal cues.

2. Get beneath the surface – ask questions to learn.

3. Describe your "Data".

4. Inquire, don't try to persuade.

There are myriad ways to approach the process of negotiation, and many have predictable effects on the likely outcomes. Collectively, these seven elements are one proven and useful way to organize the landscape of negotiation. However, it is not the only

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[72]Food and Agriculture Organization of the United Nations,(FAO), (2006), <u>A Mercy Corps Negotiation Skills Workshop: Building on the Ideas of Roger Fisher and his Colleagues</u>. Mercy Corps Civil Society and Conflict Management Group, Rome, Italy.

possibility, and it subsumes concepts to which others might give greater prominence. For example, some might include "parties" as a fundamental descriptive component of negotiation. In the seven-element model the question of who the parties are is subsumed under interests and left open. We look at our interests and those of others whose interests might enable the most attractive options for us. "Issues" is another concept that can be helpful, as well how issues are "framed." In this model, issues are seen as more derivative of the parties' interests than an independent element, while framing is an important aspect of legitimacy and communication. "Perceptions", "doubts", and "emotional neediness" have also been raised as important concepts.[73]

A very different descriptive framework, however, has been proposed by Mnookin and others (2000). [74] They argue that the essential challenges of negotiation are rooted in three "tensions": between creating and distributing value, between empathy and assertiveness, and between the interests of principals and agents. These three tensions are indeed important, and deserving (among other things) of much thought in determining how to conduct a negotiation (or in the case of principals with their agents, a set of linked negotiations).

4.4 Multiple Phases and Multiple Parties Negotiation

When thinking about negotiating, most people envision one person or one team of people sitting across the table from another. Although it seems obvious that the parties must be the people sitting at the negotiation table, in fact, in some negotiations, decision makers

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[73] Karrass, C. L. (1974), <u>Give and Take: The Complete Guide to Negotiating Strategies and Tactics</u>, Thomas Crowell, New York.

[74] Mnookin, R., Peppet, S. R., and Tulumello, A., (2000), <u>Beyond Winning: Negotiating to Create Value in Deals and Disputes</u>, Belknap Press of Harvard University Press, Boston.

are not at the table[75]. The individual parties eventually hammer out their differences or walk away. This characterization is often accurate. It describes how bosses and their direct reports deal with performance and pay issues, how an individual negotiates for the purchase of a new car, and so forth. Such negotiations are one-on-one and focus on a clear issue, and they are usually handled in a single meeting. In reality, many negotiations are not so simple. They involve more than two parties, and they sometimes take place in phases, each devoted to one of several important issues. Though these more complex situations are beyond the scope of this book, you need to be aware of them. Each represents a "type" of negotiation.

4.4.1 Multiphase Negotiations

Multiphase transactions and the prospect of future dealings offer important advantages for parties who are trustworthy and who would like to foster cooperative behavior. In these situations, early phases allow the parties to build trust by performing their agreements as promised.[76] A failure to perform warns the other side to be careful and to create enforcement mechanisms for agreements. Early phases also allow the parties to become familiar with each other's communication and negotiation styles. That familiarity often makes subsequent phases more productive.

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[75]Brett, J, M. (2007), <u>Negotiating Globally How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries</u>, 2nd Ed, John Wiley and Sons Inc, USA, p.8

[76] Sagi, E; Diermeier, D., (2015). "Language Use and Coalition Formation in Multiparty Negotiations". <u>Cognitive Science.</u> 41 (1): 259–271.

4.4.2 Multiparty Negotiations

Business and professional negotiations commonly involve more than two parties, and certainly more than two people. Such multiparty negotiations can differ significantly from two-party negotiations in one important respect: Coalitions can form among the parties. The outcomes of multiparty negotiation are almost always strongly shaped by coalitions. [77] So one of the first orders of business is to look for existing and potential alliances, both supportive and antagonistic[78].

Coalitions make it possible for weaker parties to gather the strength to push through their preferred proposals, or at least to block those they find unacceptable. There are at least two types of coalitions: A natural coalition of allies who share a broad range of common interests, and a single-issue coalition, in which parties that differ on other issues unite to support or block a single issue (often for different reasons).

Multiparty negotiations have additional challenges and occur when more than two stakeholders or parties represent their interest to resolve a conflict[79]. These include union management negotiations, citizen groups' negotiation for policy changes or on a larger sense, diplomatic negotiations at the global level. Some examples include[80]:

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[77]Young, P., (1991), Negotiation Analysis, Ann Arbor, University of Michigan Press, USA.

[78]Watkins, M., (2002), Breakthrough Business Negotiation A Toolbox for Managers, John Wiley & Sons, Inc, USA, p.p. 9-10.

[79] Wang, J., & Gong, J., Team Negotiation Based on Solidarity Behavior: A Concession Strategy in the Team. Retrieved 14 , 8, 2016, from: http://ieeexplore.ieee.org/stamp/stamp.jsp?arnumber=7515883.

[80] Carrell, M. R., Heavrin, C.,(2008). Negotiating Essentials: Theory, Skills, and Practices, Pearson Education, New Jersey.

a) Coalitions – the merging of subgroups to represent interest with a larger bargaining group

b) Trade-Offs – negotiations within subgroups to build alliances

c) Majority Rule – a simple decision-making process that results in majority opinions taking the win

d) Finding Consensus – finding agreements within subgroups to come closer to a larger consensus

e) Communications- using information and communication strategies to clarify statements and bring all parties closer to agreeing with restatements.

The challenge of multiparty negotiation is managing coalitions, breaking them apart or keeping them together depending on your own interests. Just as in a two-party negotiation, you must understand the goals, interests, and relationships of the many parties, and work from there. A natural coalition of allies is hard to break. For example, an environmental agency and a citizen's nature conservation group share basic agendas and will often act in concert to block development initiatives, even without explicit agreement to do so. A single-issue coalition of otherwise disassociated parties, in contrast, is generally more vulnerable. For example, a labor union and a nature conservation group might form a coalition to block an antiunion developer from building a shopping mall in a wooded area. Each has very different reasons for joining the blocking coalition, which makes it feasible for the other side to put a wedge between them. For example, if the property owner finds a different developer with a better track record in its dealing with unions, the union is likely to withdraw its opposition, leaving the conservationists to fight alone. Or, if the original developer agrees to move the project to a different location, the nature conservation group is likely to pull out, leaving the union as the sole opponent.

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  (http://ieeexplore.ieee.org/stamp/stamp.jsp?arnumber=7515883.)

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Chapter Four Questions

1- True/False Questions

Question	True	False
– Negotiation can be defined as back-and-forth communication.	✓	
– When negotiating, avoiders tend to defer and dodge the confrontational aspects of negotiating	✓	
– Compromisers can be unsuitable when there is limited time to complete the deal		✓
– The notion of interests encompasses a wide range of possibilities, from substantive goals such as money, deadlines, or guarantees to emotional desires such as respect	✓	

2 - Multiple Choices Questions

1- Individuals who do not like to negotiate and do not do it unless warranted.:

    A. Accommodating

    B. Avoiding

    C. Collaborating

    D. All of the above

2- Individuals who are eager to close the deal by doing what is fair and equal for all parties involved in the negotiation.

    A. Accommodating

B. Avoiding

C. Collaborating

D. Compromising

3- The notion of interests encompasses a wide range of possibilities on is a constructive, positive alternative to haggling or arguing; it is aimed at:
   A. Money, deadlines, or guarantees
   B. Emotional desires
   C. Respect, recognition
   D. All of the above

4- Negotiations within subgroups to build alliances:
   A. Coalitions
   B. Trade-Offs
   C. Majority Rule
   D. Communications

3-Essay Questions.

- Define the following terms:
  Accommodating – Avoiding - Collaborating
  (Duration: 10 mint, Mark: 9 /100, Question guide: 4-2)
- Explain the meaning legitimacy?
  (Duration: 10 mint, Mark: 10 /100, Question guide: 4-3)

Chapter Five

Negotiation Models and Games

- ## Chapter Summary

This chapter describes the different models of negotiation processes, and it explores the Negotiation Support Systems. A zero-sum game and Prisoner Dilemma as two-person games will be discussed. Some issues between negotiation and management will be considered. Finally, we identify what makes a good negotiator?.

- ## Intended Learning Objectives/Outcomes

2- Recognize models of negotiation

3- Explore Negotiation Support Systems

4- Distinguish the two-person games

5- Consider issues between negotiation and management

6- Identify what makes a good negotiator?

- **Key Words**

Negotiation Support Systems (NSS), A Zero-Sum Game, Prisoner's Dilemma Game (PD)，Good Negotiator.

- **Chapter Structure**

Chapter Five

Negotiation Models and Games

5.1. Introduction

A variety of modeling approaches have been used as tools for analyzing aspects of negotiation and related interactions. Many models represent the mixed-motive feature of negotiation where parties are torn between cooperating to get an agreement and competing to get an acceptable agreement close to their own

preferences. This chapter describes the different models of negotiation processes, and it explores the Negotiation Support Systems. A zero-sum game and Prisoner Dilemma as two-person games will be discussed. Some issues between negotiation and management will be considered. Finally, we what makes a good negotiator?.

5.2. Models of Negotiation

Negotiation is defined as a discussion among individuals to reach to a conclusion acceptable to one and all. It is a process where people rather than fighting among themselves sit together, evaluate the pros and cons and then come out with an alternative which would be a win-win situation for all.

Tim wanted to purchase a mobile handset, he tried his level best to buy it at the lowest possible rate and the shopkeeper also ensured that he could earn his profits as well. Thus the negotiation benefited Tim who did not have to shell out loads of money and the shopkeeper was also satisfied because even he earned his profits.

Negotiation helps in reducing conflicts and disputes among each other. Negotiation is not only essential for business but for every walk of life for a peaceful and stress free living. Let us go through various models of negotiation:

1. **Win-Win Model:** In this model, each and every individual involved in negotiation wins. Nobody is at loss in this model and everyone is benefited out of the negotiation. This model is possibly the most useful and it contains the elements of most of the others. The following diagram illustrates the win-win model.

   - **Figure (5-1): The win-win model.**

Win – win negotiation model

You in the above diagram can't successfully negotiate aggressively unless the other party capitulates. Similarly, **The other party** in the diagram can't negotiate aggressively successfully unless you capitulate. In between these two extremes that suit only one of the parties is an area the model calls **win-win**. It's where the parties work together to achieve mutually advantageous outcomes. Let us understand it with the help of an example:

Adam wanted to buy a laptop but it was an expensive model. He went to the outlet and negotiated with the shopkeeper to lower the price. Initially the shopkeeper was reluctant but after several rounds of discussions and persuasion, he quoted a price best suited to him as well as Adam. Adam was extremely satisfied as he could now purchase the laptop without burning a hole in his pocket. The negotiation also benefited the store owner as he could earn his profits and also gained a loyal customer who would come again in future.

2. Win-Lose Model: In this model one party wins and the other party loses. In such a model, after several rounds of discussions and negotiations, one party benefits while the party remains dissatisfied. Please refer to the above example once again where Adam wanted to

buy a laptop. In this example, both Adam and the store owner were benefited out of the deal. Let us suppose Adam could not even afford the price quoted by the storeowner and requests him to further lower the price. If the store owner further lowers the price, he would not be able to earn his profits but Daniel would be very happy. Thus after the negotiation, Adam would be satisfied but the shopkeeper would not. In a win lose model, both the two parties are not satisfied, only one of the two walks away with the benefit.

3. Lose-Lose Model: As the name suggests, in this model, the outcome of negotiation is zero. No party is benefited out of this model.

> Had Adam not purchased the laptop after several rounds of negotiation, neither he nor the store owner would have got anything out of the deal. Adam would return empty handed and the store owner would obviously not earn anything.

In this model, generally the two parties are not willing to accept each other's views and are reluctant to compromise. No discussions help.

Let us understand the above three models with an example from the corporate world.

Mike got selected with a multinational firm of repute. He was called to negotiate his salary with Sara- the HR Head of the organization.

> **Case 1-** Sara quoted a salary to Tim, but Tim was not too pleased with the figure. He insisted Sara to raise his salary to the best extent possible. After discussions Sara came out with a figure acceptable to Tim and she immediately released his offer letter. Tim got his dream job and Sara could manage to offer Tim a salary well within the company's budgets – A Win-win Situation (Both the parties gained)

> **Case 2-** Sara with her excellent negotiation skills managed to convince Tim at a little lower salary than he quoted. Tim also wanted to grab the opportunity as it was his

dream job and he was eyeing it for quite some time now. He had to accept the offer at a little lower salary than expected. Thus in this negotiation, Tim was not completely satisfied but Sara was – A win lose negotiation

Case 3- Tim declined the offer as the salary quoted by Sara did not meet his expectations. Sara tried her level best to negotiate with Tim, but of no use.-A lose-lose model of negotiation. Nobody neither Tim nor Sara gained anything out of this negotiation.

4. RADPAC Model of Negotiation

RADPAC Model of Negotiation is a widely used model of negotiation in corporates. Let us understand it in detail. Every alphabet in this model signifies something:

R – Rapport   A – Analysis   D – Debate

P – Propose   A – Agreement   C – Close

R – Rapport: As the name suggests, it signifies the relation between parties involved in negotiation. The parties involved in negotiation ideally should be comfortable with each other and share a good rapport with each other.

A - Analysis: One party must understand the second party well. It is important that the individual understand each other's needs and interest. The shopkeeper must understand the customer's needs and pocket, in the same way the customer mustn't ignore the shopkeeper's profits as well. People must listen to each other attentively.

D - Debate: Nothing can be achieved without discussions. This round includes discussing issues among the parties involved in negotiation. The pros and cons of an idea are evaluated in this round. People debate with each other and each one tries to convince the

other. One must not lose his temper in this round but remain calm and composed.

P - Propose: Each individual proposes his best idea in this round. Each one tries his level best to come up with the best possible idea and reach to a conclusion acceptable by all.

A- Agreement: Individuals come to a conclusion at this stage and agree to the best possible alternative.

C- Close: The negotiation is complete and individuals return back satisfied.

Let us again consider Tim and Sara's example to understand RADPAC Model.

R- Rapport between Tim and Sara. They must be comfortable with each other and should not start the negotiation right away. They must first break the ice. The discussions must start with a warm smile and greetings.

A- Both Tim and Sara would try their level best to understand each other's needs. Tim's need is to grab the opportunity while Sara wants to hire an employee for the organization.

D- The various rounds of discussions between Tim and Sara. Tim and Sara would debate with each other trying to get what they want.

P- Tim would propose the best possible salary he can work on while Sara would also discuss the maximum salary her company can offer.

A- Both Tim and Sara would agree to each other, where both of them would compromise to their best possible extent.

C- The negotiation is complete and probably the next course of action is decided, like in this case the next step would be generation of the offer letter and its acceptance.

5.3. Negotiation Support Systems

Negotiation support systems (NSS) A range of software applications and platforms designed to aid parties in conducting negotiations. Different platforms stress different aspects of negotiation. Some manage the communication process, and stress keeping inter-party communication simple and structured by providing dedicated fields, formats, and forms. Others provide multiple communication venues for parties to utilize, according to their own comfort and choice, such as secure e-mail, instant messaging, or chat channels. Certain **NSS** focus on the decision-making process, and assist parties in analyzing their needs and preferences. If parties so choose, these platforms can also conduct an independent analysis of both parties' needs and preferences and suggest solutions that the software considers optimal.

Negotiation support systems (NSS) operate in electronic environments that facilitate the execution of negotiating or mediating functions. An example is the current work on e-mediation. This R & D project consisted of developing, implementing, and evaluating a conception of mediation that includes the functions of diagnosis, analysis, and advice.[81] These functions are intended to facilitate the resolution of negotiating impasses. What is the analytical tool? The key analytical tool takes the form of a sequence of computer-aided decisions: A diagnostic grid that answers the question, Where are we now?; an analysis that identifies the source of the impasse; and advice that answers the question, What should we do? These decisions are based on negotiators' answers to questions organized into five sections defined by a framework: Issues, parties, delegations, situations, and process. The questions derive from research findings about negotiating flexibility. This NSS tool is

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[81]Hariz, A, M.; Fadzil, H; Izzatdin,A., (2018), Business Level Objectives of Customer for Autonomous Cloud Service Negotiation, Advanced Science Letters. 24 (10): 7524–7528.

intended to mediate bilateral disputes over multiple issues.

5.4. The Two-Person Games

A variety of modeling approaches have been used as tools for analyzing aspects of negotiation and related interactions. Many models represent the mixed-motive feature of negotiation where parties are torn between cooperating to get an agreement and competing to get an acceptable agreement close to their own preferences.[82] This feature is highlighted in the two-person games - particularly the Prisoner's Dilemma- constructed and analyzed in the game theory tradition.

5.4.1. A Zero-Sum Game?

Some authors describe negotiation as a zero-sum transaction- what one gains the other loses - in which their version of the art of the deal is to give less than they receive. Without denying the existence of zero-sum negotiations, how truly do they represent the wide range of the trillions of negotiations that occur daily all over the world?. [83]

Consider why people negotiate. One reason is that they value things differently. This is sometimes obscured because the common denominator of many transactions is their money

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[82] Druckman, D., Negotiation Models and Applications, *Diplomacy Games*, pp: 83-96**.**

[83] Kennedy, G., (2004)**,** E s s e n t i a l Negotiation**,** The Economist Newspaper Ltd.

value: A million dollars is a million dollars. But the value of the deal can still be different for each party even though its price in money is the same. Why? Because value and price are not always the same. Value is to do with motivation - why we want something - whereas price only measures its transaction cost - what we have to pay to get it. Most negotiators talk prices; they seldom talk motivations.

For example, you are in a second-hand goods store and spot a wooden chair. Its price tag says $15. You pass by and look at a pile of books while thinking about it. A middle-aged woman stops and looks at the chair. Is she thinking it would suit her student son's new apartment as a bedside chair for his alarm clock (he is bad at getting up early) and double as a clothes rack for his shirts (his room at home is always untidy)? A young girl, perhaps a drama student, looks at it and considers its possibilities as a stage prop. A bearded, serious type inspects it, checking underneath the seat, and evaluates its potential as the fourth of

a set of three he already has at home. An antique dealer recognizes it as an early example of the work of Joshua Prendergast, an early 20th century art-deco legend. Meanwhile, the seller may be indifferent to whether he sells the chair or may be short of cash and eager to get whatever he can for it. And so on. The motivations of negotiators differ never forget that. This leads to the next point. We cannot compare what something is worth to both sides in a transaction by the price they settle upon because the agreed price measures the acceptability of the deal, not the worth of the item bought or sold by the parties. In short, the valuations of the transacted items cannot be compared easily. What to you is a deal from which you gained enormously cannot be assumed to be a deal from which I therefore lost enormously; we may both have gained enormously from it but in completely different terms. It is seldom a zero sum.

For example, while Hamish was celebrating in a hotel the sale of his waterlogged boat,

semi-sunk by the side of the loch, for $6,000 to a young woman from America, she, the prop manager for a film production company, was sitting with her friends in the hotel restaurant drinking juice and celebrating the purchase of the boat for $14,000 less than the amount in her budget for an old boat. Hamish celebrated his gain of $6,000 (the hulk was worthless to him) and Fiona celebrated her saving of $14,000 (anticipating the delight of her boss, the film's producer – the director was going to burn the boat in one of the scenes). [84]

That is why even the notion of zero-sum bargaining can be misleading and why those who seek to achieve win-win outcomes, where both parties gain from their agreement, have the right idea.

5.4.2. Prisoner's Dilemma Game (PD)

One of the best-known games to treat negotiations is the Prisoner's Dilemma Game (PD). In January 1950 Melvin Desher and Merrill Flood carried out, at the RAND Corporation, the experiment which introduced the game now known as the Prisoner's Dilemma (PD). Raiffa (1982) independently conducted experiments with the Prisoner's Dilemma.[85]

Prisoner's Dilemma Game (PD) reflects the following scenario. Two prisoners are awaiting trial for a crime they committed. Each must decide between two courses of action: confess or not. If neither person confesses, in other words, they cooperate with each other; each prisoner will have to serve a prison term of two years. On the other hand, if both prisoners chose to 'defect' and turn evidence against one another, both prisoners will be faced with a

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[84] Gavin, K., (2004), *Ibid.*

[85] Raiffa H., (1982), <u>The Art and Science of Negotiation</u>, Harvard University. Press, Cambridge, MA.

four-year prison term. If the game ended here cooperation by the two prisoners would be likely, but in the classic version of the PD game there is another set of alternatives. The prisoners learn that if one party cooperates and the other defects the one who defects will not serve time, leaving the one who refused to testify against his partner to serve the full five-year sentence. Because each player is seeking to maximize his own outcomes, and neither knows what the other will do, the PD game demonstrates that the rational player will choose defection every time because he realizes that by choosing to defect he will fare better in the game, no matter what his opponent does. The figure below provides a graphical representation of the PD game.

- Figure(5-2): The Prisoner's Dilemma.

		A	
		Cooperate	Defect
B	Cooperate	2 years/2 years	5 years/0 years
	Defect	0 years/5 years	4 years/4 years

Negotiators face a similar challenge in their decision-making as they also have

incomplete information about the other negotiator's intentions. In bargaining scenarios, this formulation suggests that agreements are unlikely because each party has an incentive to defect in order to maximize his own gains. However, such an outcome is sub-optimal because players would be better-off if they both cooperated. In real life, cooperation does occur. To account for this, Axelrod (1984) used a repeated version of the PD game to demonstrate that individuals who pursue their own self-interest may cooperate with each other when they realize that they may meet again.[86] Moreover, Axelrod used computer simulations of a repeated PD game to show that, even when met with an uncooperative opponent, a player can maximize his gains by using a tit-for-tat strategy, a strategy that involves starting out the game as cooperative and then punishing one's opponent (defecting) whenever she fails to cooperate. Alternatively, when the second party responds positively to a cooperative opening by the first party employing the tit-for tat strategy in a repeated game, Axelrod demonstrated that cooperation may then arise as an equilibrium outcome.

5.5. Negotiation and Management

Negotiation is "a vital part of the manager's job," "resource trading in real time"[87]. Following Mintzberg, we can sketch the negotiation process as the coupling of two initially independent paths of decision and action, where the final choice must be common to both paths and parties. Both paths comprise four basic and recursive phases-identifying the decision, developing objectives and constraints, searching for alternatives, and evaluating

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[86]Axelrod, (1984): in: Alfredson, T., Cungum,A. (2008), Negotiation Theory and Practice: A Review of the Literature, <u>Food and Agriculture Organization of the United Nations</u> *(FAO),* Italy.

Mintzberg, H., (1973),<u>The Nature of Managerial Work</u>, Harper & Row, New York, p. 91.[87]

alternatives. If an alternative proves unacceptable, the decision-maker searches for new alternatives or reviews objectives and constraints. In the negotiation process, the two decision-makers test for agreement. If none is found, the parties simultaneously review constraints, develop new offers, and negotiate again. This continues until an agreement is reached-either by synthesizing the opposing arguments or by negotiating a compromise, or until one of the parties decides to search for a different alternative. "If disputes persist ... and an impasse is reached, external mediators or arbitrators may be called upon to help," who need "to be able to recognize the interests of both parties and not be unduly swayed by either sets of offered facts".[88]

When performing their negotiator role, managers tend to follow their overall personal and professional profiles, which may be characterized by one of Kinston and Algies' seven types-namely, the rationalist, empiricist, pragmatist, dialectic, systemic, structuralist, and intuitionist, or a combination of some of them. Realistic assessment of the negotiators' profiles against this frame of reference may helpfully orient the negotiation path and clarify possibilities of the use or avoidance of different negotiation styles, in conjunction with the identification of the managerial context in which the negotiation will take place or the identification of the managerial contexts from where the negotiators come whether unitary, pluralist, or radical/coercive. This is crucial to any decision about the convenient negotiation style.

In close relation to the various contexts, the five basic conflict-handling modes might be remembered: avoiding, accommodating, competing (all leading to situations with losers), collaborating (aiming at win-win), and compromising (halfway between the other four modes, necessarily a temporary solution, or even a pseudo-solution).

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[88] Kinston, W., Algie, J., (1989), Seven Distinctive Paths of Decision and Act, <u>Systems Research</u>, 6(2): 117 -132.

5.6. What Makes A Good Negotiator?

What are the traits of an effective negotiator? Do attorneys, politicians, realtors, car salesmen, or other professions automatically make a person a good negotiator? Not necessarily. Do certain professions receive specific negotiation training? Not always. Listen to what attorney and author Leo Reilly had to say about negotiation training in his book, how to out negotiate anyone (Even car dealer), "I negotiated the mergers of businesses, the dissolution of partnerships, and how much audited taxpayers would pay to the IRS. And, like almost every lawyer or businessperson I have ever met, I did this with no formal instruction on how to negotiate." Reilly goes on to say, "Negotiating is a fundamental business skill, yet most of us are ignorant of how to handle the most basic negotiations."

This brings us back to the question, "What makes a good negotiator?" The truth is you will find negotiators in all shapes and sizes. Negotiators will use different strategies, tactics, and traits to successfully negotiate various conflicts, deals, purchases, and anything else negotiable. There is no one size fits all. In fact, you may find successful negotiators that dislike other successful negotiators' practices. While both may be successful, they may use completely different styles, strategies, and tactics to get the job done.

We are still left with the initial question. To supply an answer and provide something that we can all benefit from regarding our own negotiation styles and practices, we looked to three opinion polls that Chester L. Karrass wrote about in his book "The Negotiating Game."[89] These polls looked at attorneys, accountants, retail buyers. Nearly five hundred negotiators

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[89]Karrass, C, L., 1994, <u>The Negotiating Game</u>, 2nd Ed, HarperCollins Publishers, USA.

took part in the survey, and it not surprising that there were significant differences between the answers of the various groups. Industrial negotiators, such as salespeople, engineers, buyers and contract-management people differed in their responses compared to commercial negotiators such as attorneys, accountants, real-estate brokers and retail-clothing buyers. As a group, those in commercial activities placed greater emphasis on analytical ability, self-esteem, and patience. Attorneys and accountants see negotiation as a problem-solving affair rather than as a quest for reaching objectives. No other professions surveyed were so emphatic on these points.

Karrass reports that this study provides two clear lessons: 1) the difference in opinion between various professionals is significant, and 2) when members of different professions assist one another at the bargaining table they are likely to view negotiations traits in diverse ways. We are now back where we started; acknowledging that there are many ways to negotiate and successful negotiators come in all shapes and sizes and possess various traits.[90]

However, the professionals that were surveyed, and who should know the most about negotiation, collectively believe that the following seven traits are most important:

1. Planning Skill

2. Ability to think clearly under stress

3. General practical intelligence

4. Verbal ability

5. Product knowledge

6. Personal integrity

7. Ability to perceive and exploit power

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[90]*Ibid*

Besides the list above, it would be beneficial to examine all the traits and how they were ranked by attorneys in the survey. The traits are ranked from highest importance to lowest among each group.

1. Task-performance group: Planning, Problem-solving, Product Knowledge, Initiative, Reliability, Goal-striving, Stamina.

2. Aggression group: Power exploitation, Persistence, Team leadership, Competitiveness, Courage, Risk-taking, Defensiveness.

3. Social group: personal integrity, open-mindedness, tact, patience, personal attractiveness, trust, compromising, appearance.

4. Communication group: Verbal clarity, Listening, Warm rapport, Coordinating, Debating, Role-playing, Nonverbal.

5. Self-worth group: gain opponent's respect, self-esteem, self-control, ethical standard, personal dignity, risk being disliked, gain boss's respect, organizational rank

6. Thought group: Clear thinking under stress, Analytical ability, Insight, General practical intelligence, Decisiveness, Negotiating experience, Broad perspective, Education.

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Chapter Five Questions

1- True/False Questions

Question	True	False
− A single model approach has been used as tool for analyzing aspects of negotiation and related interactions.		✓

– A zero-sum game and Prisoner Dilemma are two-person games	✓	
– RADPAC Model of Negotiation is a only used model of negotiation in small business.		✓
– Negotiation is "a vital part of the manager's job," "resource trading in real time".	✓	

2- Multiple Questions

1- Many models represent:
   A. the mixed-motive feature of negotiation
   B. parties are torn between cooperating to get an agreement
   C. competing to get an acceptable agreement close to their own preferences
   D. All of the above

2- Negotiation is defined:
   A. a discussion among individuals to reach to a conclusion
   B. a process where people rather than fighting among themselves sit together uncertainty of information patterns
   C. A and B

3- In this model, each and every individual involved in negotiation wins.
   A. Win-Win Model
   B. Win-Lose Model
   C. RAPORT Model

4- This round includes discussing issues among the parties involved in negotiation. The pros and cons of an idea are evaluated in this round.

A. Rapport
B. Analysis
C. Debate
D. All of the above

3- Essay Questions.

- Discuss the " Win-Win Model"?

  (Duration: 8 mint,   Mark: 8 /100, Question guide: 2-5)

- Discus the "Lose-Lose Model"?

  (Duration: 8 mint,   Mark: 8 /100, Question guide: 2-5)

Chapter Six

Negotiation Process and Stages

- **Chapter Summary**

In this chapter we will explore the main features of negotiation process, then we will discuss in detail the

distinct stages of negotiation process ; the purpose of each stage will be identified with illustrating the most effective ways to accomplish the objectives underlying each stage. the DNA of negotiation will be identified. Finally, we find out listening skills and its role in making successful negotiation.

- **Intended Learning Objectives/Outcomes**

1) Recognize the features of negotiation process
2) Understand the main stages of negotiation process
3) Realize the DNA of Negotiation
4) Understand role listening skills in making successful negotiation

- **Key Words**

Sequence of Activities **-** Unstructured **-** Joint Returns **-** Preliminary Stage **-** Cooperative Stage**.**

- **Chapter Structure**

6.1 Introduction

6.2. Features of Negotiation Process

6.3 The Main Stages of Negotiation Process

6.4 The DNA of Negotiation

6.5. Listening Skills: One Key to Successful Negotiation

Chapter Six

Negotiation Process and Stages

6.1. Introduction

Negotiation is a process where parties with differences which they need to resolve are

trying to reach agreement through exploring for options and exchanging offers and an agreement. However, it is unlikely that a settlement will be reached if the two parties have conflicting goals with each party wishing to gain everything for themselves in the outcome. This chapter, we will explore the features of negotiation process then we will discuss in detail distinct stages of the negotiation process; , the purpose of each stage will be identified with illustrating the most effective ways to accomplish the objectives underlying each stage. the DNA of negotiation will be identified. Finally, we discuss listening skills and its role in making successful negotiation.

6.2. Features of Negotiation Process

Negotiation is the process whereby interested parties resolve disputes; agree upon courses of action, bargain for individual or collective advantage, and/or attempt to craft outcomes, which serve their mutual interests. It is usually regarded as a form of alternative dispute resolution. Negotiations happen in everyday life. Both individuals and businesses do contain negotiations in the everyday life and everyday business.

In this context, we can recognize the following points:

Firstly, negotiation is a process– a sequence of activities, perhaps with an underlying pattern. It is not a single event - choices are made along the way. It is not mechanical or deterministic - the choices negotiators make affect how agreement is achieved and what the agreement will be.

Secondly, we need two parties for a negotiation. Having more than two parties does not alter the fundamental duality of the process. A negotiation becomes more complex when constituencies or other parties have an interest in the outcome of the negotiation.

Thirdly, there must be differences. If there are no differences there is no need to negotiate and because there are differences, we can expect some conflict and competition. The parties must need to resolve their differences. It is this need that generates cooperation between the parties. The need to settle their differences also helps negotiators understand their power. That negotiation involves trying to reach agreement suggests that negotiators might not always succeed and also that reaching a good agreement takes some effort.

Finally, negotiations result in an agreement, which might be an agreement to walk away. The notion of 'agreement' sounds positive but nothing about negotiation guarantees that an agreement is a positive outcome; the parties might agree but only reluctantly.[91] While the focus of a negotiation is on reaching agreement the most important aspect of any negotiation is not the agreement itself, but how it is implemented. The agreement is only a part of the outcome to any negotiation.

6.3 The Main Stages of Negotiation Process

When people prepare for bargaining encounters, they spend hours on the factual issues, the legal issues, the economic issues. They spend no more than ten to fifteen minutes on their negotiation strategy. When they begin their interaction, they have only three things in mind relating to their negotiation strategy:[92] (1) where they plan to begin; (2) where they hope to end up; and (3) their bottom line. Between their opening offer and the conclusion of their encounter, most individuals "wing it" thinking of the interaction as wholly unstructured. If

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[91] Barge, K., (2009), <u>Negotiation Theory</u>, SAGE Publications, Inc.

[92] Dietmeyer, B, J., Kaplan, R.(2004), <u>Strategic Negotiation: A Breakthrough Process for Effective Business Negotiation</u>, Dearborn Trade Publishing, USA.

they only understood how structured bargaining transactions are, they would know what to do during each stage of the process.

In the following subsections, we will discuss in detail the six distinct stages of the negotiation process. The purpose of each stage will be explored and the most effective ways to accomplish the objectives underlying each. [93]

6.3.1 Preparation

People must know the relevant facts, economic issues, and, where applicable, any legal or political issues. Someone negotiating the salary for a new job should do his or her homework. What are similar positions paying? By asking friends in the industry or looking on-line at monster.com or careerbuilder.com the candidate can get a good idea of what similar positions are paying. When in doubt, negotiators should always spend extra time making sure they have generated as much information as they can about the matter to be addressed.

When bargainers have gathered all of the relevant information, they have to ask themselves some critical questions. First, what happens to their side if no agreement is reached? Roger Fisher and William Ury, in their best-selling book Getting to Yes, call this your BATNA for your Best Alternative to a Negotiated Agreement, which we can simply call it "bottom line," recognizing that we don't wish to enter into any agreement that would be worse than this point.

Once a negotiator has determined his/her own and his/her opponent's bottom lines, he has to establish her own aspiration level. How well does he think he can do in this negotiation? There is a direct correlation between negotiator goals and bargaining outcomes.

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[93] This sections depends heavily on: Craver **,** C, B., (2003), The Negotiation Process, American Journal of Trial Advocacy, Vol. 27, p. 271-297.

After listing all possible issues and alternatives, it is often helpful to set priorities. This can be achieved by one of several methods, or a combination thereof: (1) ranking all the issues from the highest priority to the lowest priority; (2) assigning percentage weights (relative importance) to the items-the total must be 100% and throwaway items can be given a zero weight; or (3) dividing the items into four broad categories, as follows[94]:

1. Level I. Essential items that MUST be gained or you will resort to your BATNA.
2. Level II. Important items that you want to gain but are willing to trade for the level I items.
3. Level III. Desirable items that have only secondary value but that can be exchanged as leverage.
4. Level IV. Throwaway items that you will concede, but that the other party perceives to have value.

Once negotiators have established their bottom lines, their aspiration levels, and their opening offers, they should take time to choreograph their impending interaction. How do they visualize moving from where they begin to where they hope to conclude their interaction? Do they plan to make several larger position changes or a number of smaller position changes? Which negotiation techniques do they anticipate using? The more they plan their impending interaction, the more they are likely to achieve their objectives. Bargainers who fail to plan adequately are likely to give in to their more prepared adversaries.

6.3.2 Establishment of Negotiator Identities and Tone for Interaction

Once people have thoroughly prepared for their bargaining encounters, they begin to

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[94]Carrell, M.R., Heavrin, C. (2008), Negotiating Essentials: Theory, Skills, and Practices, Pearson Prentice Hall, New Jersey.

interact with their counterparts. Americans tend to be impatient persons who don't like small talk. We like to get to the heart of the matter quickly and begin the exchange of items, forgetting the personal nature of the process.[95] When people commence bargaining encounters, they are generally anxious, because they have no way of knowing whether their efforts will be successful. If they begin the substantive discussions in this frame of mind, their anxiety may adversely affect their relationship with the other side and undermine the actual discussions.

Carrell and Heavrin (2008) suggest establishing "Ground rules" to reduce anxieties and streamline the process. Ground rules should not be "skipped" or seen as unnecessary. In general, the (5) Ws' of negotiation ground rules often address the following:[96]

- **Who**: speaks for the party and is authorized to negotiate?
- **What**: form of agreement is acceptable and legitimate (handshake, nod, or contract)?
- **Where**: will the negotiation take place including the seating arrangements?
- **When:** will negotiations begin and end (length of sessions)?
- **How:** will formal presentations be made and issues be presented?

Proficient negotiators use this "Preliminary Stage" to exchange small talk and get to know each other. They may discuss sports, politics, weather, mutual acquaintances, or other seemingly innocuous topics.

The final portion of the Preliminary Stage is used to establish mutually beneficial bargaining atmospheres. Cooperative/problem-solving negotiators tend to cooperate with others, while competitive/adversarial negotiators tend to compete with others. Difficulties are

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[95] Craver, C, B. (2001), <u>Effective Legal Negotiation and Settlement</u>, 4th Ed, Lexis.
[96]Carrell and Heavrin, (2008), op. cit. p. 36.

likely to arise when cooperative/problem-solvers interact with competitive/adversarial opponents. If the cooperative people are too open and trusting, they will give an advantage to their less open and more manipulative adversaries. To avoid such exploitation, the naturally cooperative negotiators must behave more strategically, i.e. be less open and less trusting – until they are certain their openness is being reciprocated.

6.3.3 Information Exchange

As the small talk declines and the parties begin to think about the substantive issues to be negotiated, they move from the Preliminary Stage into the Information Exchange. Each side focuses on the other as they try to determine what terms should be addressed. The best way to obtain information from others is to ask questions. Individuals who issue declarative sentences give up information, they do not obtain it. The best way to accomplish this objective is through the use of broad, open-ended questions that can't be answered by short responses.

What should bargainers do when asked about areas they would prefer not to disclose? They can use blocking techniques similar to those used by politicians on talk shows to avoid the need to answer sensitive inquiries.

- **First**, they can simply ignore the question and focus on what they would like to discuss. If they can get the other participant caught up in the area they are addressing, he may forget to restate the original question.

- **Second**, if they are asked a two or three part question, they can focus on the part they like and ignore the other parts.

- **Third**, they can over or under answer a question. In response to a specific inquiry, they can provide a general answer, and in response to an expansive question, they can provide a narrow

reply.

 - **Fourth**, they can misinterpret the inquiry and answer their reframed question. During the Information Exchange, participants should try to discover what items each side prefers to obtain. A common error made by less proficient negotiators is to assume a fixed pie to be divided by the parties.

6.3.4 Distributive Stage.

Near the conclusion of the information exchange, the focus changes from the other side back to our own sides. Negotiators stop asking the other party what it wants and begin to state what they must obtain or what they are willing to give the other side. At this point they enter the Distributive Stage. The Information Exchange involves value creation, as the parties try to determine what they have to divide up, while the Distributive Stage involves value claiming,[97] as the parties try to obtain items for themselves. This is a highly competitive part of bargaining exchanges, with both sides seeking to advance their own interests. Individuals who naively ignore the competitive aspect of this stage are likely to lose to manipulative opponents who seek to maximize their own returns.

It is important for people to have firm goals and set bottom lines before they enter the Distributive Stage. They should have planned concession patterns they think will lead them to the results they desire. During the Distributive Stage, the participants should go behind the stated positions and look for the interests underlying those positions. Why does one side want a particular item? If it could not obtain this term, are there other ways this side could satisfy

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[97] Chris, H., Andrea, K S., (2017), The Negotiator's Handbook , Dispute Resolution Institute Press, International Negotiation. Jossey Bass.

that party's real needs? When emotional disputes are involved, the participants often demand extreme terms to satisfy their desire for revenge. What they really want is recognition from the other side for the plight they have suffered.

During the Distributive Stage, bargainers should focus on the concession patterns. They should avoid two tendencies of less proficient negotiators. First, the willingness to bid against themselves through unreciprocated concessions. Once a position change has been made, it is the other side's turn to respond. If it fails to do so, this side should not make another concession. Second is the tendency of less skilled participants to make excessive position changes. Negotiators should always monitor concessions to be sure their position changes are not larger than those being made by the other side. If they have initially "bracketed" their goal and move in similar increments toward the center of their current positions, they will often obtain the final terms they desire.

6.3.5 Closing the Deal

Near the end of the Distributive Stage the parties see an agreement on the horizon, and they enter the most delicate part of their interaction. Less competent bargainers want so badly to conclude the transaction that they move quickly toward agreement and close most of the gap remaining between the parties. The Closing Stage is the time for calm and deliberate action. Both sides want to solidify the deal, and the party that is more anxious tends to close more of the remaining gap. During this part of the interaction, participants should be careful not to make unreciprocated concessions. They should try, however, to induce their opponents to do so by making it seem that the only way to conclude the deal is for the other party to move toward them. By exuding an inner patience that disconcerts a less patient opponent, this side may generate consecutive position changes by the other party.

6.3.6 Cooperative Stage.

Once many parties conclude the Closing Stage and reach a tentative agreement, they shake hands and end their interaction. Individuals who do so often make a critical mistake. They fail to be certain that they have maximized the joint return achievable by the parties. During the Information Exchange and the Distributive and Closing Stages, the parties have over and under stated the value of items for strategic purposes. As a result, different terms may have ended up on the wrong side of the bargaining table. The Cooperative Stage is the time to rectify these inefficiencies

To maximize the effectiveness of cooperative bargaining, negotiators must follow two basic rules.

First, if someone wants certain items, they must inform the other side of their desires in this regard. If they are so coy that they fail to apprise the their opponent of their wish to obtain these terms, the other party may never appreciate their interest in this regard.

Second, if the other side has requested items this side does not particularly value, before the negotiators conclude their interaction, this side should ask the other party what it would trade for the terms in question. The negotiators want to be sure they have not left party satisfaction on the bargaining table by failing to maximize their joint returns.

6.4 The DNA of Negotiation

What makes a negotiation 'work'? There are several elements that might be regarded as the 'DNA of negotiation'[98], elements that are 'hard-wired' into the process of reaching an

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[98] Fells, R., (2016), Effective Negotiation, 3rd Ed, University of Western Australia, Perth.

agreement. They are integral to the strategies negotiators can employ and so need to be understood to manage the process more effectively. They can be used, or abused. Describing negotiation in terms of DNA creates an image that helps our understanding of the process. The DNA helix represents two parties who seem to be jostling for position yet are inextricably linked, an indication of the competitiveness and yet cooperation inherent in any negotiation. The twists reflect that negotiation is not straightforward. The links between the two strands of the DNA can be viewed as the key elements or 'links' which give life and structure to a negotiation - reciprocity, trust, power, information exchange, ethics and outcome[99].

A. **Reciprocity** is a feature of many social interactions including negotiation. What one party does tend to be matched or reciprocated by the other. This does not happen all the time but often enough to influence the pattern and progress of the negotiation. It is an aspect of the process that can be managed.

B. **Trust** is an expectation that the other party will act in a beneficial rather than exploitative way. A lot of emphasis is placed on building trust, particularly when trying to create a cooperative negotiation, but trust is fragile and is easily overestimated.

C. **Ethics:** Thinking about trust leads to thinking about the behavioral ethics in negotiation.

D. Power: Another important feature of a negotiation is power. Paradoxically this has a great deal to do with the consequence if the parties were not negotiating. The power that negotiators have relates to the alternatives open to them - ways other than negotiation to achieve their desired objectives.

E. Information exchange: Information, or more often the lack of it, is central in reaching an

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[99]Craver, C. B., (2002), The Intelligent Negotiator, Prima, Crown.

agreement and so forms another link in the negotiation DNA. No matter how much negotiators prepare, there are always things that they do not know (but wish they did). Many of the strategies and tactics are designed to improve the negotiators' understanding of what is and is not possible as an outcome. Because of this, negotiation can be viewed as a process of information exchange, particularly information about possible solutions on the one hand and walk-away alternatives on the other.

F. Outcome: Finally, as suggested in the definition of negotiation, the reason for entering into a negotiation is to reach an agreement and so the outcome is another part of negotiation's DNA. The better the negotiation, the better the outcome. Negotiators are often encouraged to achieve a 'win-win' agreement but the notion of a 'win-win' agreement is not as clear (or as achievable) as we would like to think. None of these elements - reciprocity, trust, ethics, power, information and outcome - are clear-cut, they are not mechanistic or precise. This is why negotiation is complex, relatively difficult and unpredictable[100].

To be a good negotiator means having a practical understanding of a negotiation's DNA which helps a negotiator manage the process while recognizing that he can never eliminate all the uncertainty and difficulties. The DNA imagery has its limitations - the two strands never meet, perhaps signifying that the parties never reach agreement!

6.5. Listening Skills: One Key to Successful Negotiation

The best listeners almost always turn out to be the best negotiators. Why? Invariably, the best

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[100]Craver, C. B., (2001), Op Cite.

negotiators observe the communication skills, both verbal and nonverbal, of their counterparts; they note how other negotiators use word choice and sentence structure for effect; and they study vocal skills like pitch, tonal quality and rate of speech.

A. Common Listening Mistakes.

Negotiators tend to run into three pitfalls that hinder effective listening:

1. They think of negotiation primarily as a job of persuasion and to them, this means talking. They seem to forget that it is difficult to persuade other people when you don't know what motivates them!

2. They tend to over prepare for what they are going to say next, and use their listening time just waiting for their next opportunity to speak. In doing so, they may miss information vital to the negotiation.

3. They fail to hear what they do not want to hear. They may not even be good enough listeners to know when people have no intention of buying their product or using their service and thus they waste their time in fruitless negotiations.

B. Attentive Listening Skills.

Learning to be a great listener is hard work, but the rewards make it worth the effort.[101] The following rules of attentive listening will help you become a successful negotiator.

1. **Be motivated to listen.** Realize that the person with the most information usually receives the better outcome in a negotiation. This fact should be incentive enough to be a better listener! The more you can learn, the better off you will be.

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[101] Callahan, J; Besterfield-Sacre, M.E.; Carpenter, J.P.; Needy, K.L.; Schrader, C.B. (2016). Listening and Negotiation. ASEE Annual Conference & Exposition, New Orleans, Louisiana.

2. **If you must speak, ask questions.** Your questions should have two goals: to get more specific and better refined information, and to uncover your counterpart's needs and wants.

3. **Be alert to nonverbal cues.** A negotiator doesn't usually put his entire message into words. His verbal message may convey honesty and conviction while his gestures, facial expressions and tone of voice convey doubt.

4. **Let the other party tell his/her story first**. A printing salesperson once explained how he had tried to impress a new prospect by mentioning that his company specialized in two- and four-color printing. The prospect then told the salesperson that her primary need was for one-color printing. The salesperson replied that, of course, his company also did one-color printing, but the prospect had already made the decision not to give him her business.

5. **Do not interrupt when the other party is speaking.** When you interrupt a speaker, you are not only being rude, you may also be cutting off information that could help you later in the negotiation.

6. **Fight off distractions.** Try to create a situation in which you can think clearly and avoid interruptions. Interruptions tend to prevent negotiations from proceeding smoothly, and may even cause a setback.

7. **Write everything down.** It is amazing how much conflicting information will come up later in the negotiation. If you are able to correct your counterpart or refresh his memory with facts and figures from earlier in the session, you will earn both credibility and power.

8. **Listen with a goal in mind.** Know what you want to find out, and then listen and look for verbal and nonverbal cues that provide the information you are seeking. When you hear specific bits of information, such as your counter part's willingness to concede on the price, proceed to more specific questions.

9. **Give the other party your undivided attention.** Your goal is to create a win/win

outcome so your counterpart will be willing to negotiate with you again. Thus, he needs to think you are fair, honest and decent. One way to help achieve this goal is to pay close attention to your counterpart. Look him in the eyes when he is speaking. Also observe his nonverbal behavior--what message is it sending? Careful observation will help you determine the true meaning behind your counterpart's words.

10. **React to the message, not the person.** If you are going to react to something the other party says or does, attack the message, not the person. If you offend your counterpart's dignity, he will not be willing to negotiate with you again.

11. **Don't get angry.** In the angry mode, you tend to shut out your counterpart, and you are probably not in a frame of mind to make the best decisions. Emotions of any kind hinder the listening process.

12. **Remember, it is impossible to listen and speak at the same time.** If you are speaking, you are tipping your hand and not getting the information you need from your counterpart.

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Chapter Six Questions

1- True/False Questions

Question	True	False
− Only business does contain negotiations in the everyday life and everyday business.		✓

− After conducting great negotiations a negotiator ask what happens to their side if no agreement is reached?		✓
− Once people have thoroughly prepared for their bargaining encounters, they begin to interact with their counterparts.	✓	
−During the Information Exchange, participants should try to discover what items each side prefers to obtain.	✓	

2- Multiple Choices Questions

1- Near the conclusion of the information exchange, the focus changes from:

    A. Your side into other side back

    B. the other side back to our own sides

    C. C- None of the above

2- During the Distributive Stage, bargainers should focus on:

    A. the concession patterns
    B. the counter patterns
    C. the action patterns
    D. None of the above

3 - DNA can be viewed as the key elements or 'links' which give life and structure to a negotiation:

  A. reciprocity,
  B. trust, power,

C. information exchange,

D. ethics and outcome

E. <mark>All of the above</mark>

4-A Negotiator thinks of negotiation primarily as a job of persuasion and to them, this means talking; it is:

A. A great deal with his other side

B. <mark>A big mistake with his other side</mark>

C. None of the above

3- Essay Questions.

− Discus briefly the term "DNA of Negotiation"?

(Duration: 8 mint,   Mark: 8 /100, Question guide: 6-4)

− Identify the main common mistakes in terms of listening?

(Duration: 6 mint,   Mark: 8 /100, Question guide: 6-5)

Chapter Seven
Tactics and Strategies of Negotiation Process

- **Chapter Summary**

This chapter explore the meaning of tactics and strategy concepts. Then, tactics and strategy of both distributive and integrative negotiation will defined and we will have an overview over them which help to become an effective negotiator.

- ## Intended Learning Objectives/Outcomes

  1) Identify the meaning of tactics concept
  2) Recognize the meaning of strategy concept
  3) Explore strategy of integrative negotiation
  4) Recognize tactics of integrative negotiation
  5) Explore strategy of distributive negotiation
  6) Identify tactics of distributive negotiation

- ## Key Words

Deployment of Troops - Maneuvers - Ultimatum – Nibbling - Walk away-   Utilization – Commonality - Terminating negotiations.

- ## Chapter Structure

  7.1. Introduction
  7.2. Tactics Concept
  7.3 Strategy Concept
  7.4 Strategy and Tactics of Integrative Negotiation
  7.5 Strategy and Tactics of Distributive Negotiation
  7.6. Tactics When Buyer Makes the First Offer

Chapter Seven

Negotiating Strategies and Tactics

7.1. Introduction

Negotiations are about changing the status quo. Parties must receive value beyond the status quo or one party will walk away.[102] Successful negotiator can better plan and implement the strategies and tactics to reach specific desired outcomes. Strategies and tactics are specialized tools you must know how to recognize, use, and defend against. They need to be learned and practiced until they become an effective part of your negotiating activities. This chapter explores the meaning of tactics and strategy concepts. Then, tactics and strategy of both distributive and integrative negotiation will be defined and we will have an overview over them which help to become an effective negotiator.

7.2. Tactics Concept

Tactics are simply the means by which you carry out your strategy. In the military tactics deals with the use and deployment of troops in actual combat, more specifically, it is the military science that deals with securing objectives set by strategy, especially the technique of deploying and directing troops, ships, and aircraft in effective maneuvers against an enemy. One must be very careful not to focus upon activity, means, or tactics at the expense of accomplishment, achieving goals, or desired outcomes.[103] Above all else, obtaining one's objectives in negotiations should be paramount. Of course, the tactics, activities or means we use should always be appropriate and ethical, but we must remember they are merely the ways to attain desired outcomes. Examples of negotiation tactics include things such as:

[102] Barge, K., (2009), Negotiation Theory, SAGE Publications, Inc.

[103] Muhamad, A, H; Mohd, F,H., Izzatdin, A, (2018). Business Level Objectives of Customer for Autonomous Cloud Service Negotiation. Advanced Science Letters. October 24 (10): 7524–7528.

1. Giving ultimatum: A Final proposition, condition, or demand; especially**:** one whose rejection will end negotiations and cause a resort to force or direct action

2. Nibbling: Ask for small things, one at a time. Get agreement on each. Frame the request as being very easy for the other person to give. Be appreciative when they give. Reward them with kind words and thanks. You can leave a delay between each one. You can also ask a short sequence of nibbles and then give it a rest before asking for more. This can be particularly effective near the end of the negotiation, when the other person is seeking to reach a final agreement. It can also work near the beginning, to get the ball rolling.

3. Good guy/ Bad guy: The good guy/ bad guy ploy is an internationally used strategy. One member of a negotiating team takes a hard line approach while another member is friendly and easy to deal with. When the bad guy steps out for a few minutes, the good guy offers a deal that under the circumstances may seem too good to refuse. There are many versions of "bad guys". They may be lawyers, spouses, personnel representatives, accountants, tax experts, sales managers, or economists.

One danger in using this strategy is that it will be recognized for what it is. Here are some ways to deal with it if you feel it is being used on you.

- Walk out.

- Use your own bad guy.

- Tell them to drop the act and get down to business.

4. Walk away: Walk away is the alternative that a negotiator will act on if they are not successful in a negotiation. A walk away may be an alternative supplier or buyer, to

manufacture the product or deliver the service in-house, to wait or simply do nothing i.e. to go without. The walk away answers the negotiation question: "What will you do if you don't agree this deal?"

There are many tactics people use while negotiating. There is nothing wrong with using certain tactics to carry out your strategy and obtain your objectives. We should always be appropriate and ethical, but there is nothing wrong with being competitive.[104]

7.3 Strategy Concept

Strategy is the overall, big picture, plan, which includes goals or desired outcomes. In the military, strategy is the utilization, during both peace and war, or all of a nation's forces, through large-scale, long-range planning and development, to ensure security or victory. Another definition would be a plan, method, or series of maneuvers or stratagems for obtaining a specific goal or result.

Strategic negotiation is simply the act of devising and carrying out a well thought out plan to achieve your desired outcomes. Often, it is your plan to convince another party to give you something that you want and on your terms. The first thing you must determine when developing a negotiation strategy is what do you really want? What is the purpose of the negotiation? Do you want to purchase a house or commercial building? Do you want a raise in your salary? Do you want to settle a matter that is being litigated? Once you know what you want, and have devised a strategy, you can implement the tactics that will help you

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[104] Chris H., Schneider, K., (2017), The Negotiator's Handbook, Dispute Resolution Institute Press, Jossey Bass.

achieve your desired outcome.

7.4. Strategy and Tactics of Integrative Negotiation

In many negotiations there no need to be winners and losers; all parties can be winner.[105] In integrative negotiation- which known as cooperative, collaborative, win-win, or problem solving- the goals of the parties are not mutually exclusive. The fundamental structure of an integrative negotiation situation is such that it allows both sides to achieve their objectives.

Integrative negotiation requires a process fundamentally different from that of distributive negotiation. Those wishing to achieve integrative results find that they must manage both the context and the process of the negotiation in order to gain the willing cooperation and commitment of all parties.[106] The following processes tend to be central to achieving almost all integrative agreements:[107]

1) creating a free flow of information
2) attempting to understand the other negotiator's real needs and objectives
3) emphasizing the commonalities between the parties and minimizing the difference
4) searching for solutions that meet the goals and objectives of both sides

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[105] Wheeler, M., 2020, The Art of Negotiation: How to Improvise Agreement in a Chaotic World, Harvard Business School, Simon & Schuster eBook.

[106] Fisher, R.; Ury, W.; Patton, B. (2012). Getting to yes: Negotiating agreement without giving in. Penguin: New York.
[107] Lewicki, R, J., Saunders, D, M., Barry, B., Minton, J, W., (2004), Essentials of Negotiation, 3rd Ed, McGraw-Hilll Irwin, NY, USA.

There are four major steps in the integrative negotiation process:[108]

1. Identifying and defining the problem,

    a) define the problem in a way that is mutually acceptable to both sides

    b) keep the problem statement clean and simple

    c) state the problem as a goal and identify the obstacles to attaining this goal

    d) depersonalize the problem

    e) separate the problem definition from the search for solution

2. understanding the problem and bringing interests and needs to the surface (focusing on interests will allow the parties to move beyond opening positions and demands to determine what the parties really want, what needs truly must be satisfied)

3. generating alternative solutions to the problem (tactics such as expand the pie, logroll, nonspecific compensation, cut the costs for compliance, find a bridge solution

4. Evaluating those alternatives and selecting among them:

    a) narrow the range of solution options

    b) agree to the criteria in advance of evaluating options

    c) evaluate solutions on the basis of quality and acceptability

    d) be willing to justify personal preferences

    e) be alert to the influence of intangibles in selecting options

    f) use subgroups to evaluate complex issues

    g) take time out to cool off

    h) explore different ways to logroll

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[108]*Ibid.*

i) keep decisions tentative and conditional until all aspects of the final proposals are complete

j) minimize formality and record keeping until final agreements are closed Authors identified seven fundamental preconditions for successful integrative negotiation: some form of shared or common goal, faith in one's own ability to solve problems, a belief in the validity and importance of the other's position, the motivation and commitment to work together, trust in the opposing negotiator, the ability to accurately exchange information in spite of conflict conditions, and an understanding of how the process works

7.5. Strategy and Tactics of Distributive Negotiation

In a distributive bargaining situation, the goals of one party are usually in fundamental and direct conflict with the goals of the other party. Resources are fixed and each party will use a set of strategies to maximize their share of resources to be obtained. While distributive strategies are useful, they can also be counterproductive and costly. Often they cause the negotiating parties to focus so much on their differences that they ignore what they have in common. These negative effects notwithstanding, distributive bargaining strategies are quite useful when a negotiator wants to maximize the value obtained in a single deal and when the relationship with the other party is not important.

Negotiators by employing strategies attempt to influence each other perceptions of what is possible through the exchange of information and persuasion.[109] Regardless of the

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[109] McKersie, R.B. (2012). The Day-to-Day Life of a Dean: Engaging in Negotiations and negotiations. Negotiation Journal , 28 (4): 475–488.

general strategy taken, two tasks are important in all distributive bargaining situations: discovering the other party's resistance point and influencing the other party's resistance point. The negotiator's basic goal is to reach a final settlement as close to the other party's resistance point as possible. Four tactical tasks are suggested for a negotiator in a distributive bargaining: [110]

(1) to assess the other party's outcome values and the costs of terminating negotiations,

(2) to manage the other party's impressions of the negotiator's outcome values,

(3) to modify the other party's perception of his or her own outcome values, and

(4) to manipulate the actual costs of delaying or aborting negotiations.

The other decision to be made at the outset of distributive bargaining concerns the stance to adopt during negotiations. A reasonable bargaining position is usually coupled with a friendly stance and an extreme position is usually couple with a tougher, more competitive stance.

A key concept in creating a bargaining position is that of commitment. The purpose of a commitment is to remove ambiguity about the actor's intended course of action. There are several ways to create a commitment: public pronouncement, link with an outside ally, increase the prominence of demands, reinforce the treat or promise.

There are a set of hardball tactics to beat the other party. Such tactics are designed to pressure targeted parties to do things they would not otherwise do, and their presence usually disguises the user's adherence to a decidedly distributive bargaining approach. Some of them are: good guy/bad guy, highball/lowball, the nibble, intimidation, aggressive behaviour. The

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[110] Lewicki, R, J., Saunders, D, M., Minton, J, W, (2001), Essentials of Negotiation, 2nd Edition, McGraw-Hill Irwin, New York.

author suggested three ways for responding to typical hardball tactics, including ignore them, discuss the man respond in kind.

7.6. Tactics When Buyer Makes the First Offer

One frequently discussed issue by negotiation experts is when should you make the first offer in a negotiation? Conventional wisdom is never make the first offer in a negotiation. After all, by making the first offer you risk "showing your cards" too early and leaving money on the table. On the other hand, there are many cases where it is to your advantage to make the first offer. So how do you know? This answer depends on information.

The benefit of making the first offer is that it acts like an anchor**.** Anchoring is a well-documented cognitive bias that describes the human tendency to rely too heavily on the first piece of information offered (the "anchor") when making decisions. This initial piece of information biases our expectations subconsciously.

A classic case of anchoring is the sticker price of a new car. It's common knowledge that the price you actually pay for a car is less than the price on the window sticker. So why do car dealerships even bother posting the sticker price? The answer is simple: anchoring. For example, let's say you are willing to pay SP 1800,000 to SP 1900,000 for a particular car. You go to a car dealership and see that the sticker price is SLP000,000, but then after some negotiating the sales person offers to sell it to you for SP 1900,000. Because of the anchoring effect, you will be convinced you are getting a much better deal than if the car was initially priced at SP 1900,000. The initial price, whether we like it or not, tends to act as an anchor or

reference point for all subsequent discussions regarding price, shifting the discussion (in this case) toward the higher end of your price range.

So, given the power of an anchor, isn't it always better to make the first offer? No, sometimes it's better to let the other party make the first move. The danger of going first is that you could start with a price that is less than what the other side was willing to pay. In this case, you have inadvertently anchored the negotiations but to the other side's "lowball" price.

The deciding factor on whether to go first in a negotiation is how much information you have regarding the other side's willingness to pay. If you believe you have sufficient information about the other side's willingness to pay, then go first to avoid being anchored. If you suspect that you have relatively minimal information about the other side's willingness to pay, let the other side open the negotiations and collect more information.

In many cases, based on your lack of information regarding the other side's willingness to pay, the conventional wisdom is correct: don't make the first offer. The risk, however, is that you may fall for the effects of anchoring. Here are a five counter negotiation tactics that you can use to help protect yourself from the worst effects of a buyer's anchor:

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Tactic 1: Ignore the Anchor

When confronted with an aggressive opening position the best thing is to deflect it and not to respond directly by suggesting you either agree or disagree. Obviously, you have to acknowledge hearing their opening. Here's an example of how you can respond:

"… I think we may be looking at this contract renewal in very different ways. Let's try and find some common ground by discussing….."

In this way, you shift away from this topic and allow you get back some control of the negotiation.

Tactic 2: Counter-Anchor

Alternatively, you can counter offer quickly to offset the anchoring effect of the buyer's first offer.

For example:

"Ten percent discount? Actually, we just implemented a five percent price increase on all contract renewals based on our increased costs"

Tactic 3: Separate Leverage from Information

Every buyer's opening includes attempts to use "leverage" and provides "information". The buyer tells you what they want (information) and why you should accept it (leverage). In cases where the buyer takes an extreme position, it is easy to let the buyer's attempt to use leverage distract you from the information they are providing. The key here is to carefully listen for what is information and what is leverage.

For example:

"XYZ Corp has offered the same thing for 20% less."

In this case you should not dwell on the buyer's implicit demand for a discount to match the competitor but rather focus on how to best differentiate your offering from the competition. If you are unsure test your understanding. For example, "Could you go over that again?" "I am not sure what it is you are asking for..." or " What commitment have you made to XYZ Corp?"

Tactic 4: Clarify

Sometimes the best response to a buyer's attempt to anchor is to ask clarifying questions rather than to counter-anchor. Probing for more information regarding the buyer's position and motivations behind it can help you develop creative options that you can offer later in the discussions. After asking clarifying questions, it is essential that you don't dwell on the buyer's anchor and change the subject. Why? Their anchor will be doing its job – keeping you on their agenda not yours.

Tactic 5: Reject the Anchor

Finally, if the buyer's position is so extreme that it is far outside your planned positions. Here, you have to be prepared to say that this opening position is not even a basis to negotiate. In other words, you are telling the buyer that you reject their anchor. Naturally, you have to

back this position up with one or two reasons and propose what would be an acceptable basis to negotiate (Counter-Anchor).

In any negotiation thorough preparation and research is essential to determining when to make the first offer. In order to avoid the effects of anchoring or use them to your advantage, you must first understand your buyer and his or her willingness to pay. If you let the buyer go first and make the first offer, it is essential that you manage the effects of anchoring.

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Chapter Seven Questions

1- True/False Questions

Question	True	False	
– Negotiations are about keeping the status quo.		✓	
– In the military tactics deals with the use and deployment of troops in actual combat.	✓		
– Strategic negotiation is simply the act of devising and carrying out a well thought out plan to achieve your desired outcomes.	✓		
– Integrative negotiation requires a process fundamentally similar to that of distributive negotiation.			✓

2- Multiple Choices Questions

1- Giving ultimatum means:

    A. Ask for small things, one at a time

    B. Final proposition, condition, or demand

    C. One member of a negotiating team takes a hard line approach

    D. All of the above

2- The good guy/ bad guy ploy is::

    A. A local used strategy in Syria

    B. A domestic term at business level

    C. An internationally used strategy

    D. None of the above

3 - Walk away is the alternative that a negotiator will act on if:.:

    A. they are not engaged in a negotiation
    B. they are successful in a negotiation
    C. they are not successful in a negotiation
    D. All of the above

4- Integrative negotiation requires a process fundamentally:

    A. different from that of distributive negotiation
    B. different from that of integrative negotiation
    C. similar to that of distributive negotiation
    D. None of the above

3- Essay Questions.

– Define the meaning of the following terms: Tactics- Strategy?

    (Duration: 8 mint, Mark: 8 /100, Question guide: 7-2 and 7-3)

– Discus tactics when buyer makes the first offer?

    (Duration: 6 mint, Mark: 8 /100, Question guide: 7-6)

Chapter Eight

Negotiation Skills

- Chapter Summary

This chapter discusses the main skills of negotiation and its phases. We shed light on nonverbal communication, what is communicated in a negotiation, and what makes a good negotiator after identifying some methods to enhance negotiation skills. Finally, we identify compromising process in negotiation skills.

- Intended Learning Objectives/Outcomes

1) Explore communication skills in negotiation
2) Consider nonverbal communication in negotiation
3) Discuss phases of negotiation skills
4) Explore ways of enhancing negotiation skills
5) Identify compromising process in negotiation skills

- Key Words

Communication skills - Enhancing Negotiation - Compromising Process - Offers and Counteroffers **-** Opponent.

- Chapter Structure

8.1. Introduction

8.2. Communication Skills In Negotiation

8.3. Nonverbal Communication in Negotiation

8.4. Phases of Negotiation Skills

8.5. Enhancing Negotiation Skills

8.6. Compromising in Negotiation Skill

Chapter Eight
Negotiation Skills

8.1 Introduction

In a way, both business relationships and personal relationships are shaped through the process of negotiation. Success in both business life and personal life depends on having good negotiation skills. In practice, personal negotiations require essentially the same skills as business negotiations. Negotiation skills are not limited to business or ambassadors and secretaries of state; we negotiate in our everyday lives. Therefore, this chapter discusses the main skills of negotiation and its phases. We shed light on nonverbal communication, what is communicated in a negotiation, and what makes a good negotiator after identifying some methods to enhance negotiation skills. Finally, we identify compromising process in negotiation skills.

8.2. Communication Skills in Negotiation

Although all people communicate all the time, most have difficulties communicating effectively in negotiation situations. Practicing communication skills can have a very beneficial effect on conflict management and resolution processes.

8.2.1 What is Communicated During Negotiation?

One of the fundamental questions that researchers in communication and negotiation have examined is: What is communicated during negotiation? This work has taken several

different forms but generally involves audio taping or videotaping negotiation role-plays and analyzing the patterns of communication that occur in them. In one study, researchers videotaped executives who participated in a 60-minute, three-person negotiation involving two oil companies." The videotapes were classified into 6,432 verbal units, which were then coded into 24 different response categories. The researchers found that over 70 percent of the verbal tactics that buyers and sellers used during the negotiation were integrative. In addition, buyers and sellers tended to behave reciprocally-when one party used an integrative tactic, the other tended to respond with an integrative tactic.

Most of the communication during negotiation is not about negotiator preferences. The blend of integrative versus distributive content varies as a function of the issues being discussed, but it is also clear that the content of communication is only partly responsible for negotiation outcomes. We highlight five categories of communication that take place during negotiations.[111]

1. Offers and Counteroffers
2. Information about Alternatives
3. Information about Outcomes
4. Social Accounts
5. Communication about Process

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[111]Lewicki, R, J., Saunders, D, M., Barry, B., Minton, J, W., (2004), <u>Essentials of Negotiation</u>, 3rd Ed, McGraw-Hilll Irwin, NY, USA, p. 122.

8.2.2 Communication Skills Improvement

Roger Fisher and William Ury list four skills that can be learned which will improve communication in negotiation situations.[112]

The first is **active listening**. The goal of active listening is to understand your opponent as well as you understand yourself. Pay close attention to what the other side is saying. Ask the opponent to clarify or repeat anything that is unclear or seems unreasonable (maybe it isn't, but you are interpreting it wrong). Attempt to repeat their case, as they have presented it, back to them. You just need to indicate that you do understand them.

The second rule is to **speak directly to your opponent**. This is not considered appropriate in some cultures, but when permitted, it helps to increase understanding. Avoid being distracted by outside parties or other things going on in the same room. Focus on what you have to say, and on saying it in a way that your opponent can understand.

The third rule is to **speak about yourself**, not about your opponent. Describe your own feelings and perceptions, rather than focusing on your opponent's motives, misdeeds, or failing. By saying, "I felt let down," rather than "You broke your promise," you will convey the same information. But you will do so in a way that does not provoke a defensive or hostile reaction from your opponent. (This is often referred to as using "I-statements" or "I-messages," rather than "you messages."

Fisher and Ury's fourth rule is **speak for a purpose**. Too much communication can be counter-productive, they warn. Before you make a significant statement, pause and consider

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[112] *Fisher, R., Ury, W., 1983,* <u>Getting to Yes: Negotiating Agreement Without Giving in</u>, *Penguin Books, New York.*

what you want to communicate, why you want to communicate that, and how you can do it in the clearest possible way.

A number of other rules might be added to these. One is to avoid inflammatory language as much as possible when dealing with people on the other side. Inflammatory language just increases hostility and defensiveness–it seldom convinces people the speaker is right. Actually, it usually does just the opposite.

8.3. Nonverbal Communication in Negotiation

Participants in a negotiation will communicate information not only verbally but also non-verbally through body language and gestures. By understanding how nonverbal communication works, a negotiator is better equipped to interpret the information other participants are leaking non-verbally.[113]The followings are some examples of non-verbal communication in negotiation.

A. Non-verbal "anchoring" in a negotiation, a person can gain the advantage by verbally expressing his/or her position first. By "anchoring" your position, you establish the position from which the negotiation will proceed. In a like manner, one can "anchor" and gain advantage with nonverbal (body language) ques.

- Personal Space: The person at the head of the table is the apparent symbol of power.

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[113]Zhou, H., Zhang, T. (2008), Body Language in Business Negotiation, International, <u>Journal of Business Management</u>, 3. (2), p.p. 90-96.

- First Impression: Begin the negotiation with positive gestures and enthusiasm. Look at the person in the eye with sincerity. If you cannot maintain eye contact, the other person might think you are hiding something or that you are insincere. Give a solid handshake.[114]

B. Reading non-verbal communication By being aware of inconsistencies between a person's verbal and non-verbal communication and reconciling them, negotiators will be able to come to better resolutions. Examples of incongruity in body language include: [115] [116]

- Nervous Laugh: A laugh not matching the situation. This could be a sign of nervousness or discomfort. When this happens, it may be good to probe with questions to discover the person's true feelings.

- Positive words but negative body language: If someone asks their negotiation partner if they are annoyed and the person pounds their fist and responds sharply, "what makes you think anything is bothering me?".

- Hands raised in a clenched position: The person raising his/her hands in this position reveals frustration even when he/she is smiling. This is a signal that the person doing it may be holding back a negative attitude.

- If possible, it may be helpful for negotiation partners to spend time together in a comfortable setting outside of the negotiation room. Knowing how each partner non-verbally communicates outside of the negotiation setting will help negotiation partners to sense incongruity between verbal and non-verbal communication within the negotiation setting.

C. Conveying receptivity: The way negotiation partners position their bodies relative to

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[114]Donaldson, M., 2004, Indianapolis, Indiana: Wiley Publishing, Inc.
[115]Pease, B., 2006, The Definitive Book of Body Language, Bantam Dell. New York.
[116]Ibid

each other may influence how receptive each is to the other person's message and ideas.

- Face and eyes: Receptive negotiators smile, make plenty of eye contact. This conveys the idea that there is more interest in the person than in what is being said. On the other hand, non-receptive negotiators make little to no eye contact. Their eyes may be squinted, jaw muscles clenched and head turned slightly away from the speaker
- Arms and hands: To show receptivity, negotiators should spread arms and open hands on table or relaxed on their lap. Negotiators show poor receptivity when their hands are clenched, crossed, positioned in front of their mouth, or rubbing the back of their neck.
- Legs and Feet: Receptive negotiators sit with legs together or one leg slightly in front of the other. When standing, they distribute weight evenly and place hands on their hips with their body tilted toward the speaker. Non-receptive negotiators stand with legs crossed, pointing away from the speaker.
- Torso: Receptive negotiators sit on the edge of their chair, unbutton their suit coat with their body tilted toward the speaker. Non-receptive negotiators may lean back in their chair and keep their suit coat buttoned.

Receptive negotiators tend to appear relaxed with their hands open and palms visibly displayed.[117]

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[117]Donaldson, M C., Donaldson, M., (1996), <u>Negotiating for Dummies</u>, New York.

8.4. Phases of Negotiation Skills

The expert negotiator does not have to hypnotize or swindle the opposition. However, such an individual will have superior negotiation skills such that they consistently get the best possible deal, all the time, even under less-than-ideal circumstances. It can be theorized that successful negotiators follow a four step process of; preparation, information exchange, explicit bargaining, and commitment. There is a pre-bargaining phase, bargaining phase, and closure phase. Understanding each of these phases is critical to successful negotiation and implementing the different negotiation skills required.

There are so many different negotiation skill sets that can be developed; lines of communication, listening carefully, attitude, cooperation, planning, goals, concession, mediation, and so on. In the end, what you really want is a mutually acceptable compromise where both sides get as much as they want. That is the ideal; if the other person must give way, then some sort of compensation should be offered. Over time, through hard-won experience, your negotiation skills may lend you the title of Master Negotiator!

8.5. Enhancing Negotiation Skills

Negotiation is one of the most important subjects to learn because we are constantly negotiating. Whether we are at work negotiating with our boss, clients, employees and peers or at home negotiating with our spouses, children and parents, it is skill that should be taught to everyone regardless of their profession. Here are some tips to enhance your negotiating efforts: [118]

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[118]Wachtel, D., (2004), Improving Your Negotiating Skills: Tips learned in the Trenches, Hautacam Consulting, Incorporated.

1. Negotiating is not merely a series of compromises

Most people negotiate using a zero sum process. They look at what they want, raise that 10 or 15 percent, and then engage in a series of compromises to get to a result. The effort is on the position they take, and getting as much of that position for themselves as possible. Their mission is not to get a satisfactory deal for both parties. It is to win. Many call that, "being a tough negotiator." It is extremely stressful. The tendency is to negotiate from the standpoint of positions. Most negotiators never really stop to ask why they want, what they want, or even consider why the other side is negotiating.

Fisher and Ury define negotiating as back and forth communication where some **interests** are shared and some are opposed. The purpose of negotiating is seeing if you can get your **interests** met through an agreement. An interest is why you want something, not what you want. When negotiators begin working from the standpoint of interests, they can begin to work with the other party to explore alternative solutions. Negotiating does not have to be arguing over who gets the most. At its best, it is two parties working to solve a problem. The problem cannot be solved to everyone's satisfaction unless all parties understand it. Why the parties want something is where the process of problem solving begins.

2. People skills can make the difference

First, you need to know how your behavior impacts others. Next, understand that everyone has their own preferred way of communicating and it may not be your way. Third, Effective negotiators are the ones that can alter their communication style to meet the needs of the listener. Hautacam Consulting utilizes Inscape Publishing's Disc product. It is designed to describe a person's behavior when their personality interacts with a selected environment, like negotiating on behalf of your company or organization. Using this program, students

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identify their natural negotiating style and begin to understand how others may view them. You begin to see why you may be more comfortable with one person and less with another. It is easier to talk to people who have similar styles. We focus most of our time learning how to talk to people with less compatible styles. The first step is to build a level of understanding of the four DISC Dimensions of Behavior attributes, and how they interact. They are:[119]

A. **Dominant**: Dominant people are good at making decisions. They want to control their environment, and do so by solving problems and meeting challenges. They are very direct and they are good at telling. They are self-confident but can sometimes be perceived as intimidating and arrogant. Questioning and listening does not come naturally to dominants. They tend to move toward goals without considering multiple solutions or outcomes. For that reason, others often find them impatient and uncaring. They use a bottom line approach.

B. **Influence**: Like a person who is Dominant, influencers are good at telling but they use a less direct method. They want to convince and motivate you, rather than forcing you to do something. Rather than being task focused like a Dominant, they are focused on completing the task with people. Influencers see the possibilities in a plan or idea, rather than the pitfalls. At their best, they can be viewed as visionaries. The influencer may view the Dominant as "negative" and the Dominant may view the influencer as "unrealistic" or even "political". Influencers are social, and usually know a lot of people. They want to get results, but their focus is on motivating people to get the results, together.

C. **Steadiness**: Steadiness people, like influencers when looking at new ideas will see the positive aspects. Unlike the influencer, they do not like change even if it is positive. They perceive themselves as less powerful than their environment and feel that all will be well

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[119]Ibid.

if everyone will just work harder, together, on the status quo. They are excellent listeners, and consider things before responding. High Dominant and influence styles that negotiate with people who are in the Steadiness style have to be careful as they like immediate responses. The Steadiness style likes to think before responding. They are very methodical, and reserved.

D. **Conscientious**: Like Steadiness, they are introverted and reserved. But, like the dominant, they are task and control focused. When negotiating, your statements must be factual and have a point. They are perfectionists. Their approach is indirect, reserved, business-like, and diplomatic. Unless you can give them reasons supported by facts, they do not readily accept change. They believe that if people will follow processes and procedures, many problems will be solved and change becomes unnecessary. Facts and processes are most important and people are a secondary consideration.

Regardless of the intensity of one or two of the attributes that an individual may have, everyone possesses some of all of them. This is identified through the Classic Profile. This profile examines the intensity of each attribute in comparison to the others. The negotiator gets a complete picture on how they tend to behave, and how to effectively communicate with different types of people. To maximize your efforts, not only recognizing the style of others, but fully understanding your own tendencies and being flexible when necessary is important.

3. Listening: A Powerful negotiating skill

You learn the interests of the other party through listening. Some styles are better at this than others, but the fact is that we are typically not good listeners. Most listen to reply, not to understand. To illustrate this, refer to the study that Mehrabian, of UCLA, did on the ways we communicate:

- Words: 7%
- Tone of Voice: 38%
- Body Language: 55%

Even good listeners are asking questions and attempting to listen to the words. But words only comprise 7% of how we communicate. Communication is 93% non-verbal. It is no wonder that so much gets lost between the speaker's lips and our ears.

In order to be effective at asking questions, three things must take place:

1. Know where your questions are going. Most people find randomly asked questions to be unnerving and it makes them distrust you.
2. Ask the other party if it is all right with them if you ask questions.
3. Then tell them what information you are seeking.

Use the three levels of listening to get information:

1. **Selective**: we hear things that we believe are important.
2. **Responsive**: this lets the other party know that you are, indeed, paying attention. It involves verbal and physical feedback, nodding, or asking, "Tell me more about that."
3. **Playback**: restating what you think you heard and asking for confirmation. It is also good to follow up with a confirming question. An example would be, "Have I gotten everything, or might there be something I missed?"

Effective questioning and listening can provide solutions to the problem. By getting the other party to talk, and listening to their responses, a positive message is sent. This greatly increases trust and keeps tension low. People will do business with you because you are

perceived as:

- Trustworthy
- An adequate problem solver
- Adding value to the relationship

Effectively seeking information through questioning and listening will help develop these perceptions.

4. Develop a plan before beginning to negotiate

Your plan should include the following:

a) Try to determine the negotiating style of the other party (DISC style). This helps you think through how best to communicate and then go through the process of confirming if you were correct.

b) What are our/my interests? This is not what you want, but why. Make sure that you examine all of your interests as there may be more than one.

c) What are the interests of the other side? This goes back to Fisher and Ury's definition of negotiations…where some interests are shared and some are opposed. Opposing interests are what you negotiate.

d) What do I have that I can trade that is low value to me and of high value to the other side? In the give and take phase of the negotiation process, having considered these options ahead of time can make this less stressful.

What is the very least that is acceptable? You must determine:

1. What do we aspire to?
2. What will we be content with?

3. What can we live with?

e) What is my <u>B</u>est <u>A</u>lternative <u>to</u> a <u>N</u>egotiated <u>A</u>greement? (BATNA)

Your BATNA is what you can or will do if an agreement cannot be reached.

Ask yourself what the other side's BATNA may be. Why are they talking to you? What is preventing them from doing it with someone else, or on their own?

5. The Top 10 Factors for Successful Negotiating

Tony Nagle of A.G. Nagle Company, Inc identify the following open factors to achieve successful negotiation:[120]

1. **Know what you want**: The clearer you are on your interests and goals, the better your chance of success.

2. **Know the other side**: Learn as much as you can about the people with whom you will be negotiating. Know their negotiating style, their backgrounds, hopes, fears, aspirations, and their interests. Little things do not mean a lot, they can mean everything.

3. **Consider the timing and method of negotiations**: Change the game to win-win problem solving by negotiating from interests, not positions.

4. **Prepare point by point**: Negotiators who prepare outperform those that do not.

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[120] For further reading:
  - Chavi C-Y Fletcher-Chen, William W. Baber, 2020, <u>Practical Business Negotiation</u>, 2nd ed. (e-book): (https://www.researchgate.net/publication/340544397, 17 April 2020.)
  - *Lewicki, R, J., Barry, B., Saunders, David M., (2016),* <u>Essentials of Negotiation</u>*, 6th Ed, McGraw Hill, NY, USA.*

5. **Offer benefits for accepting your offer**: You are much more likely to close if you offer the benefit…the "what's in it for them?" test.

6. **Frame your negotiation around one or two key points**: Keep it as simple as possible by framing and reframing to keep things on track and reach agreements more efficiently.

7. **Know your BATNA**: Your personal power comes from the ability to walk away if you are not able to reach an agreement. Effective negotiators not only know when to walk away, but how to walk away leaving the relationship intact.

8. **Prepare options for mutual gain**: Be creative. Find innovative ways for both sides to get their interests met. "What if we tried this?"

9. **Listening is the most powerful negotiation skill**: It will help you learn where your interests are shared with the other side, where they are opposed, and get a satisfactory outcome.

10. **Use the power of the draft**: Always put your agreements in writing.

Changing the way you think about negotiating (joint problem solving versus a series of compromises where one party may win and one may lose) is the first step toward better results. Recognizing the reasons why people act the way they do, and having the ability to communicate to a broad range of behavioral styles gives the negotiator the ability to be reach satisfactory outcomes more consistently.

8.6. Compromising in Negotiation Skills

Most people react negatively to ultimatums and inflexibility "Take it or leave it", so a more productive negotiation skill is compromise, give and take, give a little, gain a lot. Think more like a lawyer, rather than a corporate predator, such as portrayed in the movie "American Psychopath". Successful negotiation will be a series of tradeoffs and exchanging acceptable alternatives. It's about building relationships with those you are negotiating with. You want it to be more of a "win-win" result, so that all parties are positive at the outcome; you got what you wanted, I got what I wanted, we are both happy and satisfied.

In fact, strength and force could be considered a negotiation skill. Many times when there is a hostile take-over in the business world, the company or corporation with superior leverage, more market shares, greater cash flow, etc., can negotiate a better bargain in the company buy-out due to a stronger financial base. However, in real life, an equitable negotiation may in fact be more of a compromise, rather than "I'm bigger and worse than you are, eat it!" There are such things as business ethics.

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Chapter Seven Questions

1- True/False Questions

Question	True	False	
– Both business relationships and personal relationships are shaped through the process of negotiation.	✓		
– People communicate all the time, all have no difficulty communicating effectively in negotiation situations.		✓	
– The goal of active listening is to understand you opponent as well as you understand yourself.	✓		
– By being aware of inconsistencies between a person's verbal and non-verbal communication, negotiators will get more difficulties to come to better resolutions.			✓

2- Multiple Choices Questions

A. Forms communicated during negotiation:

B. audio taping

C. videotaping negotiation

D. role-plays

E. All of the above

2- Most of the communication during negotiation is:

    A. about negotiator preferences

    B. not about negotiator preferences

    C. An internationally used preferences

    D. None of the above

3 - Inflammatory language just:

    A. increases hostility and defensiveness–

    B. they are not engaged in a negotiation

    C. it seldom convinces people the speaker is right.

    D. they are successful in a negotiation

    E. Only A and C

4 - The way negotiation partners position their bodies relative to each other may influence how receptive each is to the other person's message and ideas, it is:

    A. Reading non-verbal communication

    B. Conveying receptivity

    C. Non-verbal "anchoring"

    D. None of the above

3- Essay Questions.

1-Discuss briefly improvement in communication skills?

        (Duration: 8 mint, Mark: 8 /100, Question guide: 8-2)

2-What is meant by Non-verbal Communication in a negotiation?

        (Duration: 6 mint, Mark: 6/100, Question guide: 8-3)

Chapter Nine

Cultures Issues and Negotiation

- **Chapter Summary**

This chapter will define the meaning of culture concept. Some negotiation outcomes across cultures will be discussed along with a variety of examples showing cross cultural negotiation training. Finally, international approaches to negotiation will be illustrated to communicate and negotiate effectively when we contact members from contrasting cultures.

- **Intended Learning Objectives/Outcomes**

1) Explore the meaning of culture.
2) Recognize some negotiation outcomes across cultures.
3) Define cultural approaches to negotiation.
4) Distinguishes some international approaches to negotiations.

- **Key Words**

Culture - Genetically Inherited - Facial gazing - Explicit communication- Masculinity and Femininity – Confianza.

- **Chapter Structure**

9.1 Introduction.

9.2 What Is Culture?.

9.3 Negotiation Outcomes Across Cultures.

9.4 Cultural Approaches to Negotiation.

9.5 International Approaches to Negotiations .

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Chapter Nine
Cultures Issues in Negotiation

9.1. Introduction

The literature on the use and effectiveness of negotiation strategies reveals intriguing yet unexplained patterns of cultural differences. Negotiators in some regions of the world rely on the questions and answers (Q&A) strategy, typically associated with high trust and high joint gains, while negotiators in other regions of the world rely on the substantiation and offers (S&O) strategy, and associated with low trust and low joint gains. This chapter will define the meaning of culture concept. Some negotiation outcomes across cultures will be discussed along with a variety of examples showing cross cultural negotiation training. Finally, international approaches to negotiation will be illustrated to communicate and negotiate effectively when we contact members from contrasting cultures.

9.2. What is Culture

Culture has many definitions, and it affects everything people do in their society because of their ideas, values, attitudes, and normative or expected patterns of behaviour. Culture is not genetically inherited, and cannot exist on its own, but is always shared by members of a society. Culture is a technical term used by anthropologists to refer to a system for creating, sending, storing, and processing information developed by human beings, which differentiates them from other life forms[121]. Hofstede (1980) defines culture as "the collective

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[121]Hall, E.T., (1976), <u>Beyond Culture</u>, Anchor Books, Doubleday, New York.

programming of the mind which distinguishes the members of one group from another"[122]; which is passed from generation to generation, it is changing all the time because each generation adds something of its own before passing it on. It is usual that one's culture is taken for granted and assumed to be correct because it is the only one, or at least the first, to be learned. Culture is a complex concept, and no single definition of it has achieved consensus in the literature. In his context, cross-cultural differences often result in behaviour that is interpreted by a person from another culture as strange, if not insulting or offending. However, as cross-cultural expert Paul Pedersen likes to say, "Behaviours have no meaning until they are placed into a cultural context." [123] Unfortunately, almost all of us interpret the behaviours of people from other cultures as if those people were from our own culture. It is proposed that the interaction between trust and tightness-looseness can explain cultural differences in the use of negotiation strategies, while the interaction of these strategies with holistic versus analytic mindset can explain cultural differences in the effectiveness of negotiation strategies.[124] The result is that cross-cultural differences create a high degrees of friction and frustration. They make us question whether the other party is "playing fair" and whether we want to create or continue a business relationship with the person from the other culture.

[122]Hofstede, G., (1980), Culture's Consequences: International Differences in Work-related Values, Sage Publications, London, pp. 21-23.

[123]Barkai, J. L., (2000), Cross Cultural Negotiations: With a Focus on Negotiations with the Japanese & Chinese, Working paper, University of Hawaii, Manoa.

[124]William W. Baber and Chavi C-Y Fletcher-Chen, 2020, Practical Business Negotiation, Second Edition, Routledge, London, UK.

9.3. Negotiation Outcomes Across Cultures.

The cultural aspects related to outcomes in international negotiations are considered in this section. A negotiation outcome is the result of the interaction with the partners.[125] Usunier (1996) identified five outcome orientations that vary among different cultures. These include partnership, contract, profit, winning, and the time expectations of the negotiation. Specific cultures prefer a certain outcome orientation. For example, Chinese, Korean, and Japanese negotiators look for a relationship and an integrative approach rather than a distributive solution whereas American negotiators emphasized contracts and are concerned less with a win-win settlement. Americans consider a signed contract as a definitive set of requirements that strictly binds the two sides and determines their interaction. Japanese and Chinese negotiators often consider a relationship as the appropriate result of the process, not a signed contract.[126] A distributive orientation culture such as the US or UK usually emphasizes winning over the other party as the best result. Different cultures focus on specific outcomes to define the success of international business negotiations.

Negotiation performance is an evaluated outcome, usually based on a continuum of success to failure. Generally, in a successful negotiation a negotiator obtains something of greater value in exchange for something of a lower relative value. One possible outcome is a mutual settlement. Negotiations may end in an impasse, in which there is no settlement. Partners also compare their relevant outcomes. Who gains or loses affects the perception of the negotiator's success.

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[125]Thompson, L., (1998),The Mind and the Heart of Negotiation, Pearson Education, Canada, p.10.
[126]Salcuse, J.W., (1998). Ten Ways that Culture Affects Negotiating Style: Some Survey Results. Negotiation Journal, 14 (3), 221-239.

Successful negotiation does not end with the attainment of an agreement . Along with the completion of a contract, and the settlement of substantive issues, negotiators also consider the intangible aspects of negotiated outcomes, including overall satisfaction, status of the relationship, and the level of commitment. Negotiators may achieve a good deal but fail to sustain the relationship or develop positive feelings with their counterpart. In such a case, the negotiation can be considered successful if the agreement is the first priority. Conversely, it can be viewed as a failure if maintaining a good relationship is the higher priority.

9.4. Cultural Approaches to Negotiation

In this section, various ways of analyzing cultural differences will be discussed as they relate to negotiation. It must be emphasized that there is no one right approach to negotiations. There are only effective and less effective approaches, and these vary according to many contextual factors. As negotiators understand that their counterparts may be seeing things very differently, they will be less likely to make negative judgments and more likely to make progress in negotiations. The following subsections discuss some main dimensions of culture and their effect on negotiation process.[127]

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[127]In these subsections we heavily depend on:
- LeBaron, M., (2003), Culture-Based Negotiation Styles. Beyond Intractability, Eds., Guy Burgess and Heidi Burgess. Conflict Research Consortium, University of Colorado, Colorado, USA.
- Burgess, H., Burgess, M.., (1997), Encyclopedia of Conflict Resolution, Santa Barbara, CA.

A. Time Orientations

Two different orientations to time exist across the world: Monchronic and polychronic. Monochronic approaches to time are linear, sequential and involve focusing on one thing at a time. These approaches are most common in the European-influenced cultures of the United States, Germany, Switzerland, and Scandinavia. Japanese people also tend toward this end of the time continuum. Polychronic orientations to time involve simultaneous occurrences of many things and the involvement of many people. The time it takes to complete an interaction is elastic, and more important than any schedule. This orientation is most common in Mediterranean and Latin cultures including France, Italy, Greece, and Mexico, as well as some Eastern and African cultures.

Negotiators from polychronic cultures tend to:[128]

- start and end meetings at flexible times,
- take breaks when it seems appropriate,
- be comfortable with a high flow of information,
- expect to read each other's thoughts and minds,
- sometimes overlap talk,
- view start times as flexible and not take lateness personally.

Negotiators from monochronic cultures tend to:

- prefer prompt beginnings and endings,
- schedule breaks,

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[128]Ibid

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- deal with one agenda item at a time,
- rely on specific, detailed, and explicit communication,
- prefer to talk in sequence,
- view lateness as devaluing or evidence of lack of respect.

Another dimension of time relevant to negotiations is the focus on past, present, or future. Cultures like Iran, India, and the Far East are categorized by Carbaugh as past-oriented. The United States, he indicates, tends to be oriented to the present and the near-future. Latin America leans toward both present and past orientations. As detailed in some studies, indigenous people in North America combine a past- and future-oriented approach to time that stretches seven generations forward and back. Negotiators focused on the present should be mindful that others may see the past or the distant future as part of the present. Negotiators for whom time stretches into the past or the future may need to remember that a present orientation can bring about needed change.

B. Space Orientations

Space orientations differ across cultures. They have to do with territory, divisions between private and public, comfortable personal distance, comfort or lack of comfort with physical touch and contact, and expectations about where and how contact will take place. Based on international experience, North American and European people do not like to be close when talking, which makes them feel uncomfortable. On the other side of the coin, Midterianean and South American people like to be closer when they are talking, touching the other's shoulder or back when talking, in order to express ideas. Therefore, during a negotiation, space proximity could be an important factor to consider. "A minimum of two

feet away from the other person will do it."[129]

Certain cultures, including Mediterranean, Arab, and Latin American, are more tactile and allow more touching. Asian, indigenous American, Canadian, and U.S. cultures tend to discourage touching outside of intimate situations. Certain cultures allow cross-gender touching, including the United States, while same-gender touching is less acceptable. These rules change in Japan, where women are frequently seen holding hands, but not men. In the Mediterranean, it is common to see men holding hands or touching in public, but not women. Greeting rituals fit with these patterns, so awareness of local norms is important for negotiators.

Space also relates to comfort with eye contact and attributions related to eye contact or lack of eye contact. In United States and Canadian dominant culture settings as well as many Arab cultures, eye contact is taken as a sign of reliability and trustworthiness. In North American indigenous settings, eye contact may be seen as disrespectful and inappropriate. Similarly, in Asian settings, looking down is usually interpreted as a sign of respect. Beyond these generalizations is a great deal of complexity. Lederach (1995) observes, for example, that in Central America, a slight movement of the eyes may indicate embarrassment, showing respect, or disagreement."[130]

C. Nonverbal Communication

Closely related to notions of space is nonverbal communication. In intercultural studies,

[129]Novinger, T., (2001), Intercultural Communication: A Practical Guide. Austin, TX: University of Texas Press, p. 121: quoting from Baldrige, Letitia.(1993),Letitia Baldrige's New Complete Gudie to Executive Manners, Macmillan, New York, p. 121.
[130]Lederach, J. P.,(1995), Preparing for Peace. Syracuse, Syracuse University Press, NY, p. 43.

Japanese negotiators have been observed to use the most silence, Americans a moderate amount, and Brazilians almost none at all. Touching may convey closeness in some contexts and create offense in others. For example, in Mexico, a hug may reliably communicate the development of a trusting relationship, while a German negotiator might experience a hug as inappropriately intimate.[131] Facial gazing, or looking directly into the face of a negotiating counterpart, is more common in Brazil than the United States, and even more infrequent in Japan.

D. Power Distance

Hofstede (1980) uses the idea of power distance to describe the degree of deference and acceptance of unequal power between people. Cultures where there is a comfort with high power distance are those where some people are considered superior to others because of their social status, gender, race, age, education, birth, personal achievements, family background or other factors. Cultures with low power distance tend to assume equality among people, and focus more on earned status than ascribed status. Generally, the more unequally wealth is distributed, the higher will be the power distance in any national setting. According to Hofstede, national cultures with a high power distance include Arab countries, Guatemala, Malaysia, the Philippines, Mexico, Indonesia, and India. Negotiators from these countries tend to be comfortable with:[132]

- hierarchical structures,

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[131] Adler, N, (1997), <u>International Dimensions of Organizational Behavior</u>, (3rd Ed.) Cincinnati, South-Western College Publishing, OH, p. 219.
[132] LeBaron, (2003), op. cit.

- clear authority figures, and
- the right to use power with discretion.

Countries with a low power distance include Austria, Denmark, New Zealand, Ireland, Sweden, Norway, Finland, Switzerland, Britain, and Germany. Negotiators from these countries tend to be comfortable with:

- democratic structures and flat organizational hierarchies,
- shared authority,
- the right to use power only in limited circumstances and for legitimate purposes.

E. Uncertainty Avoidance

Another of Hofstede's categories has to do with the way national cultures relate to uncertainty and ambiguity, and therefore, how well they may adapt to change. Generally, countries that show the most discomfort with ambiguity and uncertainty include Arab and traditional African countries, where high value is placed on conformity and safety, risk avoidance, and reliance on formal rules and rituals. Trust tends to be vested only in close family and friends. It may be difficult for outsider negotiators to establish relationships of confidence and trust with members of these national cultures. Hofstede identified the United States, Scandinavia, and Singapore as having a higher tolerance for uncertainty. Members of these national cultures tend to value risk-taking, problem-solving, flat organizational structures, and tolerance for ambiguity. It may be easier for outsiders to establish trusting relationships with negotiating partners in these cultural contexts.

F. Masculinity-Femininity

Hofstede used the terms masculinity and femininity to refer to the degree to which a culture values assertiveness or nurturing and social support. The terms also refer to the degree to which socially prescribed roles operate for men and women. Hofstede rated countries and regions such as Japan and Latin America as preferring values of assertiveness, task-orientation, and achievement. In these cultures, there tend to be more rigid gender roles and "live to work" orientations. In countries and regions rated feminine such as Scandinavia, Thailand, and Portugal, values of cooperation, nurturing, and relationship solidarity with those less fortunate prevail, and the ethic is more one of "work to live." Of course, it is important to remember that associations with gender vary greatly across cultures, so that elements considered masculine in one culture might be considered feminine in another. Negotiators may find it useful to consider the way gender roles play out in the cultural contexts of their negotiating partners.

9.5 International Approaches to Negotiations

It is difficult to track the myriad starting points used by negotiators from different national settings, especially as cultures are in constant flux, and context influences behavior in multiple ways. Another complication is that much of the cross-cultural negotiation literature comes from the organizational area. While it cannot be applied wholesale to the realm of intractable conflicts, this literature may provide some hints about approaches to negotiation in various national settings.

Recognition of cultural differences can create in us a desire to understand those

differences and to communicate and negotiate effectively when we contact members from contrasting cultures.[133] Many cultural differences have been identified by negotiation scholars. Some of these differences are discussed in the following subsections, which concludes with negotiating styles associated with national and regional cultures.[134] As with all cultural patterns, these generalizations do not apply to every circumstance or individual. They are general patterns that will shift as cultures and contexts shift.

A. U.S.A. Approaches to Negotiation

U.S. negotiators tend to rely on individualist values, imagining self and other as autonomous, independent, and self-reliant. This does not mean that they do not consult, but the tendency to see self as separate rather than as a member of a web or network means that more independent initiative may be taken. Looking through the eyes of the Japanese negotiator who wrote "Negotiating With Americans", American negotiators tend to:

- be competitive in their approach to negotiations, including coming to the table with a fall-back position but beginning with an unrealistic offer;
- be energetic, confident, and persistent; they enjoy arguing their positions, and see things universally; i.e., they like to talk about broad applications of ideas;
- concentrate on one problem at a time;
- focus on areas of disagreement, not areas of commonality or agreement;
- like closure and certainty rather than open-endedness or fuzziness.

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[133] Lewicki, R, J., Barry, B., Saunders, David M., (2016), Essentials of Negotiation, 6th Ed, McGraw Hill, NY.
[134]LeBaron, (2003), *op. cit*.

Do these generalizations ring true? Clearly, it depends which Americans you are talking about, which sector they represent, and the context surrounding the negotiations. Is this a family matter or a commercial one? Is it about community issues, national policy, or a large public conflict? Strategies change according to context and many other factors.

B. African Approaches to Negotiation

Many African nations have indigenous systems of conflict resolution that have endured into the present, sometimes quite intact and sometimes fragmented by rapid social change. These systems rely on particular approaches to negotiation that respect kinship ties and elder roles, and the structures of local society generally. In Nigeria, for example, people are organized in extended families and lineage groups.[135] A belief in the continuing ability of ancestors to affect people's lives maintains social control, and makes the need to have formal laws or regulations minimal. Negotiation happens within social networks, following prescribed roles. Women in conflict with husbands, for example, are to defer and apologize, preparing a ritual meal to symbolize the restoration of harmony.

C. Japanese Styles of Negotiation

There is a great deal written about Japanese approaches to negotiation, and collisions between American and Japanese approaches are legendary.[136]The following values tend to influence Japanese communication: focus on group goals, interdependence, and a hierarchical orientation. In negotiations, these values manifest themselves in awareness of group needs

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[135]Offiong, D. A., (1997), Conflict Resolution Among the Ibibio of Nigeria. Journal of Anthropological Research, 53, 4, Winter , pp. 423-442.

[136]Adair, W. L., Okumura, T., Brett, J. M.,(2001), Negotiating Behavior When Cultures Collide: The United States and Japan. Journal of Applied Psychology. Vol 86(3).

and goals, and deference to those of higher status. Japanese negotiators are known for their politeness, their emphasis on establishing relationships, and their indirect use of power. Japanese concern with face and face-saving is one reason that politeness is so important and confrontation is avoided. They tend to use power in muted, indirect ways consistent with their preference for harmony and calm. In comparative studies, Japanese negotiators were found to disclose considerably less about themselves and their goals than French or American counterparts.

Japanese negotiators tend to put less emphasis on the literal meanings of words used in negotiation and more emphasis on the relationships established before negotiating begins. They are also less likely than their U.S. counterparts to make procedural suggestions.

D. European Styles of Negotiation

European styles of negotiation vary according to region, nationality, language spoken, and many other contextual factors. One study found the French to be very aggressive negotiators, using threats, warnings, and interruptions to achieve their goals. German and British negotiators were rated as moderately aggressive in the same study.

E. Latin American Styles of Negotiation

Role expectations influence negotiation in Latin American contexts. Responsibility to others is generally considered more important than schedules and task accomplishment. Their negotiation approach relates to the polychronic orientation to time and patterns of high-context communication and communitarianism, described earlier. Lederach reports that a common term for conflict in Central America is enredo, meaning "entangled" or "caught in a

net." He explains that enredo signifies the way conflict is part of an intimate net of relations in Guatemala and elsewhere in Central America. Thus, negotiation is done within networks, relationships are emphasized, and open ruptures are avoided.

In Central America, people think about and respond to conflict holistically. Lederach contrasts his natural (American) inclination to "make a list, to break story down into parts such as issues and concerns" with his Central American experience, where people tended to respond to requests for naming issues to be negotiated with "yet another story."[137] They preferred a storied, holistic approach to conflict and negotiation, rather than a linear, analytical one. When Central Americans needed help with negotiations, they tended to look to insider partials rather than outsider neutrals, preferring the trust and confidence of established relationships and cultural insight to other credentials or expertise. They referred to the concept of confianza to explain this preference. Confianza means "trustworthiness," that "they know us" and "we know them" and they will "keep our confidences." [138]

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[137]Lederach, J, P. , (1995), <u>Preparing for Peace</u>. Syracuse, Syracuse University Press, NY, p. 43.
[138]Ibid, p. 43.

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Chapter Nine Questions

1-True/False Questions

Question	True	False
• Negotiators in some regions of the world rely on the questions and answers (Q&A) strategy	✓	
• Negotiators in other regions of the world rely on the substantiation and offers (S&O) strategy	✓	
• Culture is genetically inherited, and can exist on its own		✓
• Polychronic approaches to time are linear, sequential and involve focusing on one thing at a time.		✓

2 Multiple Choices Questions

1- Culture affects everything people do in their society because of:

A. their ideas

B. values and attitudes

C. expected patterns of behaviour

D. All of the above

2- "The collective programming of the mind which distinguishes the members of one group from another":

A. Lewicki et al

B. Zamarman

C. Hofstede

D. None of the above

3 - approaches to time are linear, sequential and involve focusing on one thing at a time, it is:

    A. monchronic
    B. polychronic
    C. chronological
    D. phsycological

4 - Space orientations differ across cultures. They have to do with:, , ,, it is:

    A. territory
    B. divisions between private and public
    C. comfortable personal distance
    D. comfort or lack of comfort with physical touch and contact
    E. All of the above

3 - Essay Questions.

1-Identify the meaning of Culture and discus it?

          (Duration: 8 mint,   Mark: 8 /100, Question guide: 9-2)

2-Discus the term "time orientation" with an example?

          (Duration: 10 mint,   Mark: 10 /100, Question guide: 9-4)

Chapter Ten:

Negotiation and Crises

- ## Chapter Summary

This chapter will define the meaning of crises. negotiation steps during crises will be discussed along with a variety of examples. Negotiation steps during the Covid-19 Pandemic will be identified in addition to issues of social dilemma. Finally, this chapter will study some cases of anger and fear in negotiations.

- ## Intended Learning Objectives/Outcomes

5) Explore the meaning of crises.

6) Recognize some negotiation steps during crises.

7) Define negotiation steps during the Covid-19 Pandemic.

8) Identify the main issues of social dilemma.

9) Distinguishes some cases of anger and fear in negotiations.

- ## Key Words

Crisis - Change Management - Physical Distancing - the Covid 19 Pandemic - Collaborative Decision Making - Social Dilemmas- The Prisoner's Dilemma.

- ## Chapter Structure

10.1. Introduction

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Chapter Ten:
Negotiation and Crises

10.1. Introduction

All parties in a negotiation should benefit and walk away as satisfied as possible. Many negotiations, after all, come down to unsatisfactory compromises that leave no one happy in the end. In times of crises resolving special situations, whether it's business or personal, sometimes requires rapid, specific or unconventional actions. This chapter will define the meaning of crises. negotiation steps during crises will be discussed along with a variety of examples. Negotiation steps during the Covid-19 Pandemic will be identified in addition to issues of social dilemma. Finally, this chapter will study some cases of anger and fear in negotiations.

10.2. Meaning of Crises

Oxford dictionary identified Crisis as "a time of great danger, difficulty or doubt when problems must be solved or important decisions must be made".[139] Another dictionary defines Crisis as "a condition of instability or danger, as in social, economic, political, or international affairs, leading to a decisive change".[140]

Crisis is often linked to the concept of psychological stress and used to suggest a frightening or fraught experience. In general, crisis is the situation of a "complex system" (family,

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[139] https://www.oxfordlearnersdictionaries.com/definition/english/crisis_1
[140] https://www.dictionary.com/browse/crisis

economy, society). Note that simple systems do not enter crises. We can speak about a crisis of moral values, an economic or political crisis, but not a motor crisis when the system functions poorly (the system still functions, but does not break down), an immediate decision is necessary to stop the further disintegration of the system, but the causes of the dysfunction are not immediately identified (the causes are so many, or unknown, that it is impossible to take a rational, informed decision to reverse the situation).[141]

10.3. Negotiation During Crises

In times of crisis, a great deal of decision-making is done through negotiation. Some crises - market crashes, natural disasters, even wars - can, to a degree, be anticipated and prepared for. The speed and severity of its potential threats, uncertainty of information patterns, and, most importantly, its novelty, make it feel very different. These factors will lead many to panic. They also heighten the need for people to debate and decide on potential solutions together.[142]

A- Move From Definitive to Contingent Measures

Time warps in all crises, but during panics it tends to be counted in moments; thinking beyond the immediate can feel outright vulgar. Once I am convinced that a crisis is existential, I concentrate entirely on securing the immediate - even if that means hoarding water and food… etc - because tomorrow may not come. This is entirely expected and not at all unreasonable. Timeliness of action is paramount, especially in a crisis like Covid-19 where precaution and

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[141] Bundy, J.; Pfarrer, M. D.; Short, C. E.; Coombs, W. T. (2017). Crises and crisis management: Integration, interpretation, and research development. Journal of Management. 43 (6): 1661–1692.

[142] Najam, A., (2020), Avoid These Traps When Negotiating in a Crisis, Boston University, March, 2020. https://hbr.org/2020/03/avoid-these-traps-when-negotiating-in-a-crisis (Retrieved: October,2020).

early measures can make all the difference. However, standard negotiating advice is to think about the long term. What will be the impact, including unintended consequences, of what I decide today? Political scientist Robert Axelrod called this notion the "shadow of the future."

- **Possible Fix:** Difficult as it may seem, we do not have to choose between the immediate and the long term. We should not. It may be useful, for example, to identify what Lawrence Susskind would call "contingent measures.". For example, let's say that you are on a school board committee, and you've decided to transition to virtual instruction for the rest of the semester. Your immediate concerns are the health and safety of your students, faculty, and staff. Students and parents are wondering whether there will still be a graduation, what impact the change will have on grades, and how this might affect their future goals, such as college admissions or employment?.

  In your negotiation, the immediate goals are safety, and, despite the uncertainties, to plan the path to graduation. What are your contingent measures? If it is looking like a short lockout, maybe you close school for a week with homework. If it goes beyond two weeks, you gear up for remote teaching. If longer, you plan for remote exams and full-scale online classes. As you're weighing each of these moves, think about the short- and long-term implications.

B- Move Towards Collaborative Decision-Making

The concept of BATNA - the best alternative to a negotiated agreement - introduced in the seminal book Getting to Yes, has become a central touchstone of most win-win negotiation strategies. The idea is to get to an agreement that is better than the best you can do without an

agreement. This focuses the mind on how we can maximize potential gains. However, in times of grave crisis, decision-making is motivated much more by wanting to avoid the "worst" alternative (WATNA), than improving on the BATNA.

That is how it should be. A primary responsibility of any institution's Covid-19 response has to be to minimize risk and avoid catastrophic loss. But once the framework moves to concentrating on the worst that can happen, anxiety sets in, and our usual habits of negotiation can seem useless. Familiar tools of analysis - the impulse to maximize gains, analyze costs and benefits, distribute risks, bargain for advantage, trade across differently valued interests - are hard to employ in a climate of fear where the goal is not to seek mutual gain but to avoid mutual loss.

Possible Fix: Extracting ourselves from a negotiation mindset and moving into what Howard Raiffa calls "collaborative decision making," as well as helping others to do so, can be invaluable in panic situations. His call to approach negotiation "with full, open, truthful exchanges" in search of joint gains can sometimes seem like an unrealistically idealistic quest in everyday negotiations, but in times of crisis it is both useful and absolutely necessary. The situation is already stressful; adding doubt, distrust and distance does not help anyone. So we must continue to focus together on maximizing gains.[143]

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[143] Najam, A., (2020), Ibid.

10.4. Negotiating During the Covid-19 Pandemic

Many actions that could help alleviate the Covid-19 pandemic require us to change our behavior on a personal level, such as staying home from work and wearing a mask in public places. Others, such as making coronavirus-related research more widely available, require more organizational and systemic change.

But humans often resist change; we are negotiating change within ourselves every day, because it is in our nature to stick with the more comfortable and familiar status quo. Moreover, broad changes across groups with different motives and perspectives can be complicated by conflict.

Negotiation principles and change models may be able to help parties not just navigate the changes required by the crisis, but set the stage for a recovery that will leave us stronger, said Harvard Medical School professor Kimberlyn Leary: "We have been living some version of negotiated change for some time," Leary noted. "Now it's that much more accelerated." She and Cutcher focused on three specific public-health initiatives that require a coordinated approach:[144]

1. **Instituting physical distancing in society** with the goal of slowing the spread of the coronavirus to protect the healthcare system's ability to care for patients.
2. **Surging the production of personal protective equipment (PPE) and medical devices**, such as face shields and ventilators.

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[144] Shonk, K., (2020), Crisis Negotiation.

https://www.pon.harvard.edu/daily/crisis-negotiations/negotiating-change-during-the-covid-19-pandemic/(Retrieved: 20.9, 2020).

3. **Increasing the free and open sharing of scientific data** to facilitate research aimed at finding coronavirus treatments and therapies. Researchers, publishers, and other data gatekeepers are being called on to open up their data and models to help hasten the end of the pandemic.

A- Negotiating Change: 3 Principles from Negotiation Theory

These three negotiation principles may be especially helpful in efforts to negotiate solutions to the pandemic, according to Leary and Cutcher:

1. **Focus on interests.** Interest-based bargaining, which involves exploring the deeper interests underlying negotiators' stated positions, can help parties identify potential tradeoffs and opportunities for joint gains.
2. **Anticipate and address sources of bias.** Under the best of conditions, we are all prone to predictable biases and other cognitive errors. For instance, in-group bias can keep us from allocating resources, such as face masks, equitably across groups.
3. **Reach agreement within and across parties.** For every agreement we reach, a host of other agreements is often needed. Crisis negotiations often require multilateral bargaining.

B- Negotiating Change: 3 Change-Management Models

Several models from the realm of change management can be applied to problems posed by Covid-19:

1. **Top-down change.** In his top-down model of change, Harvard Business School professor John Kotter described a person in an authority role who drives change by enlisting people in a shared vision and empowering them to spread change. In Kotter's model, the goal is to move from the current state of affairs to a desired end state.

2. **Bottom-up change.** The second model of change, an outgrowth of a Ford Motor Company executive leadership program and psychiatrist Elizabeth Kübler-Ross's five-stage model of grief, acknowledges that people pass through a series of stages before accepting significant change. Shock is followed by denial, awareness that change is necessary, acceptance of reality, experimentation and testing of new approaches and skills, understanding, and finally by the integration of new skills and behavior into a new way of operating.

3. **Middle-across change.** In this model from Way Mark Analytics and the Stakeholder Alignment Collaborative, the various parties to a complex change effort maintain their separate identities while working together to negotiate issues of common interest. Middle-across change can help identify stakeholders and their interests, and bring them together.

C- Putting It All Together

The three challenges identified can all benefit from the application of negotiation principles and change-management models, according to Leary and Cutcher:

1. **Physical distancing:** Change-management models may be particularly helpful in ensuring people are getting the food and supplies they need. In the food services industry, where change occurs within a hierarchy, top-down styles leavened with elements of negotiation may be effective in driving processes to understand changes to the core business. Meanwhile, as we see protestors testing stay-at-home orders, it may be helpful to consider that some may still be at the shock and denial stages, focused more on the economic impact of the virus than on its threat to their health.

2. **Surging production of PPE and equipment:** In this realm, all three change models are coming into play. Ford, GM, and other manufacturers are transforming themselves from the top down. At fab labs, scientists and fabricators are moving at an accelerated pace, while

government officials struggle to regulate their efforts and at times issue cease-and-desist orders on their efforts, leading to the need for interest-based negotiations among stakeholders.

3. **Open sharing of data:** Data centers are relying on top-down models to prepare for a massive increase in the amount and diversity of information being shared, as well as the diversity of users. Prompted by the crisis, some are beginning to share what used to be viewed as proprietary, while others refuse to do so. Stakeholders will need to negotiate laterally to determine how intellectual property is used during and after the pandemic.

10.5. Social Dilemmas

Social dilemmas are situations in which collective interests are at odds with private interests. Such situations arise when faced with prioritizing either short-term selfish interests or the long-term interests of a group, organization, or society. Many of the most challenging issues, from the interpersonal to the intergroup, are at their core social dilemmas.[145] Conflicts arise when motives concerning the group are overcome by individual motives. When this happens, others will intervene to restore the balance of the group.

Social dilemmas describe situations in which the rational behaviour of an individual - defined in pure and simple economic terms - leads to suboptimal outcomes from the collective standpoint.[146] Researchers frequently use the experimental games method to study social

[145]Kerr, N.L., (1983), Motivation losses in small groups: A Social dilemma analysis. Journal of Personality and Social Psychology, 45: p. 819-828.

[146]Kollock, P., (1998).Social Dilemmas: The Anatomy of Cooperation, Annual Review Sociology, (24), p.p:183-214.

dilemmas in the laboratory. An experimental game is a situation in which participants choose between cooperative and non-cooperative alternatives, yielding consequences for themselves and others. These games are generally depicted with a pay-off matrix representing valuable outcomes for participants like money or lottery tickets. Social dilemmas are in fact a "conflict in which most beneficial action for an individual will, if chosen by most people have a harmful effect on everyone", or vice versa. Consider these examples. As individuals we are each better off when we make use of public services such as schools, hospitals, recreational grounds, and highway systems without contributing to their maintenance. However, if everyone acted according to their narrow self-interest then these resources would not be provided and everyone would be worse off.[147]

10.5.1. Types of Social Dilemmas

The literature on social dilemmas has historically revolved around three metaphorical stories: The Prisoner's Dilemma, the public good Dilemma, and the Tragedy of the Commons; each of these stories has been modeled as an experimental game.

The Prisoner's Dilemma Game was developed by mathematicians in the 1950s. The cover story for the game involved two prisoners who are separately given the choice between testifying against the other (non-cooperation) or keeping silent (cooperation). The pay-offs are such that each of them is better off testifying against the other but if they both pursue this strategy they are both worse off than by remaining silent.

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[147]Van Vugt, M., (2009), Averting the Tragedy of the Commons: Using Social Psychological Science to Protect the Environment. Current Directions in Psychological Science,18 (3): 169–173.

The Public Good Game has the same properties as the Prisoner's Dilemma Game but involving more than two individuals. A public good is a resource from which all may benefit regardless of whether they contributed to the good. For instance, people can enjoy the city parks regardless of whether they contributed to their upkeep through local taxes. Public goods are non-excludable: Once these goods are provided nobody can be excluded from using them. As a result, there is a temptation to enjoy the good without making a contribution. Those who do so are called free-riders, and while it is rational to free-ride, if all do so the public good is not provided and all are worse off. Researchers mostly study two public good dilemma games in the laboratory. Participants get a monetary endowment to play these games and decide how much to invest in a private fund versus group fund. Pay-offs are such that it is individually rational to invest in the private fund, yet all would be better off investing in the group fund because this yields a bonus. In the continuous game the more people invest in the group fund the larger their share of the bonus. In the step-level people get a share of the bonus if the total group investments exceed a critical (step) level.

The Commons Dilemma Game is inspired by the metaphor of the Tragedy of the Commons. This story is about a group of herders having open access to a common parcel of land on which their cows graze. It is in each herder's interest to put as many cows as possible onto the land, even if the common is damaged as a result. The herder receives all the benefits from the additional cows and the damage to the common is shared by the entire group. Yet if all herders make this individually rational decision, the common's carrying capacity is exceeded and it yields less in total or can even be permanently destroyed, and all will suffer. Compare this with the use of non-renewable resources like water or fish: When water is used at a higher rate than the reservoirs are replenished or fish consumption exceeds its reproductive capacity then we face a tragedy of the commons. The experimental commons

game involves a common resource pool (filled with money or points) from which individuals harvest without depleting it. It is individually rational to harvest as much as possible, but the resource collapses if people harvest more than the replenishment rate of the pool.

There are also fairness dilemmas, that involve conflicts arising in how groups making decisions about how their resources and payoffs get spread among the members of the group, and responsibility dilemmas, which involve conflicts arising after completing a group task and trying to determine who deserves credit and/or blame.

10.6. Anger and Fear in Negotiations

Undoubtedly the two most intense emotions that confront negotiators are fear and anger. Anger can flash white-hot at a moment's notice and fear can reduce one to paralysis. Although other emotions arise during the course of a negotiation, our experience strongly suggests that the two that affect negotiations most often and most dramatically are fear and anger.[148] Accordingly, we focus on them with the hope that addressing them can also provide insight into dealing with other emotions.

Because of the complexity of life and human interaction, the only rule that works in all instances is "it depends." Accordingly, an ability to read the situation at the moment helps enormously. Nonetheless, based on years of practice and confirmed by a number of studies, we believe that, in most situations, what we recommend will help negotiators deal with highly emotional settings.

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[148]Schoonmaker, A.N., (1989), Negotiate to Win: Gaining the Psychological Edge, Prentice Hall, Englewood Cliffs, N.J.

10.6.1 Anger in Negotiations

When we become truly furious, we may act in an utterly irrational way for a period of time. Anger springs from many sources. On one hand, it may arise from the perception that someone has violated written or unwritten rules of behavior. Anger arises when one encounters snubs, rudeness, or anything that provokes a feeling of being unfairly diminished - we get angry because we feel vulnerable and exposed. In similar fashion, shame may trigger anger. The evolutionary basis for anger seems clear: anger motivates us to retaliate when we are attacked and to defend ourselves against those whom we believe are doing us harm. As with other emotions, what one feels at any given moment is both physical and situational

In the negotiation context, a host of factors can contribute to anger and aggression. Citing a variety of studies, Barry and Oliver (1996) suggest the following examples where these negative emotions can arise in dyadic negotiations:[149] Where bargainers are accountable to angry constituents; where bargainers face time pressures; where they perceive the situation as win-lose with divergent goals between the parties; or, generally, where the parties are otherwise unconcerned with protecting a working relationship. In a study of anger in mergers and acquisitions, Daly (1991) found the following types of behavior likely to trigger anger: misrepresentation; making excessive demands; overstepping one's authority; showing personal animosity; questioning a representative's authority to negotiate; seeking to undermine a representative's authority by "going over his head"; and dwelling on unimportant details.[150]

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[149] Barry, B., Oliver, R., (1996), Affect in dyadic negotiation: A model and propositions. Organizational Behavior and Human Decision Processes, 67(2), p.p. 127-143.

[150]Adler, R. S., Rosen, B., Silverstein, E, M.,(1998), Emotions in Negotiation: How to Manage Fear and Anger, Negotiation Journal,14 (2), p.p.161–179.

There are occasions when anger, legitimately expressed, can play a positive role in producing an agreement - for example, when it helps persuade others because it demonstrates intensity and sincerity of a position. [151] On the other hand, this emotion often injects a sour note into the proceeding, impeding agreement. Anger does so in at least three ways: it clouds our objectivity because we lose trust in the other side; it narrows our focus from broader topics to the anger-producing behavior; and it misdirects our goals from reaching agreement to retaliating against the offender.

10.6.2 Fear In Negotiation

Without doubt, fear is a pivotal emotion. At extreme levels, fear mobilizes all of the body's resources to escape physical harm; at lesser intensities, it leads us to worry about looming problems or pending concerns. Worry serves a vital function when it is contained properly - it leads us to plan ways to deal with our daily challenges. For example, worries about an exam will prompt us to study to ensure a satisfactory performance. Fear in negotiations arises in a variety of circumstances. If we face an aggressive opponent, if we bargain without adequate preparation, if we sense that our opponent has superior bargaining power, if we feel insecure about our ability as a negotiator, we may experience moderate to extreme levels of fear. In extreme cases, we may simply fear the physical manifestations of fear itself - sweaty palms, shaky legs, queasy stomach, thumping heartbeat, trembling muscles, and even disrupted vision. This so-called "fear of fear"[152] syndrome can be particularly debilitating because those who suffer it will seek to avoid stressful situations, even those in which they otherwise might have the power to produce

[151]Ibid
[152]Williams, K. E., Chambless, D. L., & Ahrens, A.H., (1997), Are Emotions Frightening? An Extension of the Fear of Fear Concept. Behaviour Research and Therapy, 35, 239-248.

favorable outcomes for themselves.

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- https://www.dictionary.com/browse/crisis

Chapter Ten Questions

1 - True/False Questions

Question	True	False
• Crisis is a time of great times, goodness and doubt when problems are solved.		✓
• Crisis is a condition of instability or danger, as in social, economic, political.	✓	
• In times of crises we have to move from Contingent to Definitive Measures		✓
• In your negotiation, the immediate goals are safety, and, despite the uncertainties, to plan the path to graduation.	✓	

2- Multiple Questions

1- Crisis is a condition of instability or danger, as in:
   A. social
   B. economic
   C. political
   D. international affairs
   E. All of the above

2- Crises varies in accordance with:
   A. speed of its potential threats
   B. severity of its potential threats
   C. uncertainty of information patterns
   D. its novelty
   E. All of the above

3- Standard negotiating advice is to think about
    A. the long term
    B. the short term
    C. unintended consequences
    D. <mark>All of the above</mark>

4- In accordance with this models, the goal is to move from the current state of affairs to a desired end state.
    A. <mark>Top-down change</mark>
    B. Bottom-up change
    C. Middle-across change
    D. All of the above

3- Essay Questions.

1-Discuss the term " Physical distancing"?

        (Duration: 8 mint,   Mark: 8 /100, Question guide: 10-4)

2-Discus the case of " Fear In Negotiation"?

        (Duration: 6 mint,   Mark: 8 /100, Question guide: 10-6-2)

Chapter Eleven

Cases Studies in Negotiation

- Chapter Summary

This chapter discuss some negotiation cases. In the first case, we shed light on the importance of forming alliances and power within a multi-party negotiation. Then, we will recognize how a limited fixed pie distributive negotiation style can damage negotiations with labor unions. Some of the critical errors that can be made in a Management and Labor Union negotiation will be presented. After that, we discuss examples of cross cultural negotiation training. In the final case, we will realize negotiation skills in with Wal-Mart buyers' case.

- Intended Learning Objectives/Outcomes

1) Consider the importance and power of forming alliances within a multi-party negotiation

2) Recognize how a limited fixed pie distributive negotiation style can damage negotiations with labor unions

3) Identify some of the critical errors that can be made in a Management and Union Labor negotiation

4) discusses Examples of Cross Cultural Negotiation Training

5) Realize Negotiation skills in With Wal-Mart buyers' case.

- Key Words

Alliances - Multi-Party Negotiation - Labor Union- Fixed pie**.**

- Chapter Structure

11.1. Introduction
11.2. Case Study One
11.3. Case Study Two
11.4. Case Study Three
11.5. Case Study Four

Chapter Eleven
Cases Studies in Negotiation

11.1. Introduction

Negotiators can often fail to understand the real underlying issues of a problem. Meaning, these negotiators lack a key insight into what the basis for the negotiation really is. All too often, negotiators don't train themselves to identify and frame the issues in negotiation to resolve. Therefore this chapter discuss some negotiation cases. In the first case, we shed light on the importance and power of forming alliances within a multi-party negotiation. Then, we will Recognize how a limited fixed pie distributive negotiation style can damage negotiations with labor unions. Some of the critical errors that can be made in a Management and Union Labor negotiation will be presented. After that, we discuss examples of cross cultural negotiation training. In the final case, we will realize negotiation skills in with Walmart buyers' case.

11.2. Case Study One

Negotiation Alliances in Multiparty Negotiations

(This case study shows the importance and power of forming alliances within a multi-party negotiation.)[153]

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[153]http://www.negotiations.com/case/ (Retrieved: September, 2020)

In multiparty negotiations, the negotiation power, or the position of one negotiating party, can be enhanced or weakened by making alliances. The use of alliances is a powerful means whereby any member in a multiparty negotiation can strengthen their own BATNA (Best Alternative to a Negotiated Agreement), or weaken the BATNA of an opponent.

The advantage of forming an alliance allows two or more parties to come together on one more issues where they share a common interest. This allows the alliance to present a common front on positions of mutual interest in opposing the position of another party at the negotiation table.

The drawback to forming an alliance is that if a side agreement is reached which addresses some other issue of importance to a member of the alliance; they may simply withdraw their support and thereby weaken the alliance at any given moment. It is important to keep in mind that everybody involved in an alliance be fully aware of all the aims and goals of the parties with whom they are about to form an alliance. It is especially important to keep in mind the most important aims of the perspective partners, and be cognizant of any weak areas that can be exploited by their partners. Otherwise, you end up getting caught in their counterpart's gambit to divide and successfully exploit your weakened position in return.

Conocco, an American company, had developed plans to commence operations to drill for oil in a national park located in the rain forest of Ecuador. The government of Ecuador agreed to the Conocco's plans because it was in great need of the oil revenue that the drilling operations would produce. However, the plan was fiercely opposed by a number of human rights groups, and also by various environmental groups. These groups formed an alliance in a common cause to stop the drilling as this was their main intent.

The alliance of the environmental and human rights groups initiated a very powerful and public campaign against the oil drilling plan. As a result, public opposition had swelled against Conocco and the government. To counter what the opposing groups were doing to block their drilling in the rain forest, Conocco sought to break up the alliance formed against them.

Conocco began to hold secret negotiations with some of the more moderate members of the environmental groups by presenting them with what Conocco believed to be a very responsible and environmentally management plan. They were using a divide and conquer tactic in other words. Not to be outdone and perhaps realizing what Conocco was trying to achieve, the remaining environmental and human rights groups applied the same kind of divide and conquer tactic on their own. They took a different approach and applied pressure directly against the government of Ecuador to withdraw their support for the project. Conocco's tactics were ultimately and successfully nullified because in the end, Conocco withdrew from the drilling project.

This is a clear lesson in how effective an alliance can be in achieving a compatible objective. It also reveals how such tactics can be countered, and that the alliance members always had to be on guard for these diversionary maneuvers by the opponent.

11.3. Case Study Two

The Fixed Pie Syndrome in Union Negotiation

(This case study shows how a limited fixed pie distributive negotiation style can damage negotiations with labor unions.)[154]

The mythical fixed pie syndrome is one of those bizarre anomalies that still persistently seep stealthily into the minds of the largest corporations. It is not unlike a virulent pestilence that paralyzes its host into a rigid mindset, blurring the host's vision into a fixed stare where its hapless victim can see nothing more than what sits on the negotiation table. Many agreements fail to materialize because of this limited vision. The resulting loss of potential tradeoffs forces the opposing parties to squabble over a single bone while dozens more lay scattered about them. They are missed opportunities.

In late 1985, Frank Borman, the former renowned astronaut, was the acting president of Eastern airlines, based in the U.S. The airline was struggling through tough and trying economic times. Labor costs were a critical issue that Mr. Borman sought to address.

Imperiously, Mr. Borman tossed an ultimatum at the three unions like a gauntlet. Either they were to agree to give the airline hefty wage concessions or he would sell the airline. The union leaders were not impressed by the threat as they all had binding contracts that were not to be renegotiated for some time to come. They believed that the threat to sell off the airline had a hollow ring to it and called what they perceived to be a bluff. To add weight to his edict,

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[154] http://www.negotiations.com/case/union-negotiation/(Retrieved: September, 2020)

Mr. Borman began to initiate talks with Frank Lorenzo, an industry heavy weight who had previously crushed the unions at Continental airlines. Mr. Lorenzo was known as being ruthless. This obviously made the union become jittery. What the unions didn't know was that Mr. Borman was bluffing as he really didn't intend to sell the airline.

Lorenzo however, and not aware of Borman's slight of hand tactics, submitted such a significant proposal to the Board of Directors of Eastern Airlines, they began to seriously look at the offer with raised eyebrows and considerable interest. The unions, in the meantime, began to re think their position. As the negotiations progressed, Mr. Borman began to make some grudging but significant headway with his negotiations with two of the three unions. Both the flight attendants' and pilots' unions agreed to a 20% wage claw back. However, the machinists' unions, which were run by the hardnosed Charlie Bryan, would only agree to a 15% slash in wages. Borman did not accept their position. They argued voraciously over the dispute 5%, and both of them took the position that if either side were to fail to make a concession over the disputed amount, the airline would be ruined.

Like two drivers aiming head on at each other, eyes fixated and jaws squared, they steeled themselves, waiting for who would blink first. Neither did and they crashed headlong into each other, stubborn to the end as the ominous deadline for Lorenzo's offer arrived. The Board of Directors for Eastern Airlines accepted Lorenzo's offer. As a result, Borman was tossed, and out of a job. In the bitter end that followed, Lorenzo forced huge wage cuts on the hapless unions and eliminated so many jobs that Eastern Airlines was soon to go the way of the Dodo bird – just another extinct species. It filed for bankruptcy in March of 1989.

11.4. Case Study Three

Win-Win Negotiation Badly Executed

(This case study discusses some of the critical errors that can be made in a Management and Union Labor negotiation, where Management were trying to achieve a win-win negotiation)[155].

In trying to create win-win negotiation agreements, one of the biggest mistakes made by negotiators is to deal with the issues on an issue by issue basis. This often results in a breakdown in negotiations because invariably, conflicting monetary issues arise that result in a showdown between the two parties. Negotiating on an issue by issue agenda does not present the opportunity to make concessionary trade-offs between the different issues.

For example, in January, 1993, management and labor of Bayou Steel in Laplace, Louisiana, sat down to negotiate a new contract. Neither side dreamed that these talks would lead to a strike. Each side believed that they had built a solid relationship. Management went into the negotiations thinking and believing that if they used a win-win negotiation concept, they would increase and enhance the relationship between the shop floor and management. Even Ron Farraro, president of United Steel Workers of America did not conceive of the possibility that talks would collapse into a strike, and that a negotiated contract would be reached with little or no difficulty.

Management of Bayou Steel enlisted the help of two facilitators from the FMCS (Federal Mediation and Conciliation Services) to guide management through a win-win style negotiation with its workers. The president of Bayou said that the facilitators helped them identify each side's objectives and concerns, and led him to believe that they had in effect,

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[155]http://www.negotiations.com/case/win-win//(Retrieved: September, 2020)

resolved 90% of the contract issues.

The facilitators set up an issue by issue agenda. They left the economic issues such as incentives, base pay, overtime, and vacation time as the final issues to be discussed. Management believed that they had correctly addressed the employees' concerns about these pay issues. However, union members became suspicious about management's good intentions to take a win-win approach. They began to believe collectively that this negotiation approach by management was a disguised ploy meant to undermine their position, especially on the economic issues.

At first, negotiations went relatively well and as predicted. Yet, as the economic issues were placed on the table for discussion, the situation quickly turned upside down into a hardnosed bargaining negotiation. Management attempted to stay the course with a win-win approach, but this no longer washed with the union. Can you guess what happened? That's right – union members walked and went out on strike.

By using an agenda to address the format of the contract negotiations, Bayou Steel failed to consider that any single issue could be so divisive. As the economic issues rose to the foreground of the talks, Bayou Steel no longer had leeway in considering trade-offs. They literally painted themselves into a corner because of their structured of agenda items.

We need to be able to compare and contrast all the issues collectively, and by order of relative importance. Package or multiple offers offer a greater latitude in finding creative solutions as it gives us more to work with, as opposed to dealing with issues on a one-on-one basis through a pre-designed agenda. Planning and using a Concession Strategy effectively can give one side a big power advantage over the other. So be careful to plan your agenda wisely.

11.5.Negotiating With Walmart Buyers

1.Summary

Walmart buyers are trained to treat their vendors in a variety of ways, depending on where you fit into their plan. This case shares a story of a vendor called Sarah who negotiated a win-win outcome with Walmart. [156]

Walmart, the world's largest retailer, sold $514.4 billion worth of goods in 2019. With its single-minded focus on "EDLP" (everyday low prices) and the power to make or break; suppliers, a partnership with Walmart is either the Holy Grail or the kiss of death, depending on one's perspective.

There are numerous media accounts of the corporate monolith riding its suppliers into the ground. But what about those who manage to survive, and thrive, while dealing with the classic hardball negotiator?

In "Sarah Talley and Frey Farms Produce: Negotiating with Walmart" and "Tom Muccio: Negotiating the P&G Relationship with Walmart," HBS professor Jim Sebenius and Research

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[156] https://www.negotiations.com/case/negotiating-wal-mart//(Retrieved: September, 2020)

Associate Ellen Knebel show two very different organizations doing just that. The cases are part of a series that involve hard bargaining situations.

"The concept of win-win bargaining is a good and powerful message," Sebenius says, "but a lot of our students and executives face negotiation counterparts who aren't interested in playing by those rules. So what happens when you encounter someone with a great deal of power, like Walmart, who is also the ultimate non-negotiable partner?"

The case details how P&G executive Tom Muccio pioneers a new supplier-retailer partnership between P&G and Walmart. Built on proximity (Muccio relocated to Wal-Mart's turf in Arkansas) and growing trust (both sides eventually eliminated elaborate legal contracts in favor of Letters of Intent), the new relationship focused on establishing a joint vision and problem-solving process, information sharing, and generally moving away from the "lowest common denominator" pricing issues that had defined their interactions previously. From 1987, when Muccio initiated the changes, to 2003, shortly before his retirement, P&G's sales to Walmart grew from $350 million to $7.8 billion.

"There are obvious differences between P&G and a much smaller entity like Frey Farms," Sebenius notes. "Walmart could clearly live without Frey Farms, but it's pretty hard to live without Tide and Pampers."

2- Sarah Meets Goliath

Sarah Talley was 19 in 1997, when she first began negotiating with Wal-Mart's buyers for her family farm's pumpkins and watermelons. Like Muccio, Talley confronted some of the same hardball price challenges, and like Muccio, she acquired a deep understanding of the Walmart culture while finding "new money" in the supply chain through innovative tactics.

For example, Frey Farms used school buses ($1,500 each) instead of tractors ($12,000 each) as a cheaper and faster way to transport melons to the warehouse.

Talley also was skillful at negotiating a coveted co-management supplier agreement with Walmart, showing how Frey Farms could share the responsibility of managing inventory levels and sales and ultimately save customers money while improving their own margins.

"Two sides in this sort of negotiation will always differ on price," Sebenius observes. "However, if that conflict is the centerpiece of their interaction, then it's a bad situation. If they're trying to develop the customer, the relationship, and sales, the price piece will be one of many points, most of which they're aligned on."

Research Associate Knebel points out that while Tom Muccio's approach to Wal-Mart was pioneering for its time, many other companies have since followed P&G's lead and enjoyed their own versions of success with the mega-retailer. Getting a ground-level view of how two companies achieved those positive outcomes illustrates the story-within-a-story of implementing corporate change.

"Achieving that is where macro concepts, micro imperatives, and managerial skill really come together," says Sebenius. And the payoffs—as Muccio and Talley discover—are well worth the effort.

3- Sarah Talley's Key Negotiation Principles

- When you have a problem, when there's something you engage in with Walmart that requires agreement so that it becomes a negotiation, the first advice is to think in partnership terms, really focus on a common goal, for example of getting costs out, and ask questions.

Don't make demands or statements. Rather ask if you can do this better. If the relationship with Walmart is truly a partnership, negotiating to resolve differences should focus on long term mutual partnership gains.

- Don't spend time griping. Be problem solvers instead. Approach Walmart by saying, "Let's work together and drive costs down and produce it so much cheaper you don't have to replace me, because if you work with me I could do it better."

- Learn from and lobby with people and their partners who have credibility, and with people having problems in the field.

- Don't ignore small issues or let things fester.

- Try not to let Walmart become more than 20% of your company's business.

- It's hard to negotiate with well trained buyers who know that their company could put your company out of business.

- Never go into a meeting without a clear negotiation agenda. Make good use of the buyers' face time. Leave with answers. Don't make small talk. Get to the point; their time is valuable. Bring underlying issues to the surface. Attack them head on and find resolution face to face.

- Trying to bluff Walmart buyers is never a good idea. There is usually someone willing to do it cheaper to gain the business. You have to treat the relationship as a marriage. Communication and negotiated compromises are key.

- Don't take for granted that just because the buyer is young they don't know what they are talking about or that it will be an easy sell. Most young buyers are very ambitious to move up within the company and can be some of the toughest, most educated buyers you

will encounter. Know your product all the way from the production standpoint to the end use. Chances are your buyer does, and will expect you to be even more knowledgeable.

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Chapter **Eleven Questions**

1- True/False Questions

Question	True	False	
• In multiparty negotiations, the negotiation power can be enhanced or weakened by making alliances.	✓		
• alliance make two or more parties compete together on one more issues where they share a common interest.		✓	
• Conocco, a Chinese company, had developed plans to commence farms operations to in a national park located in the rain forest of EU.		✓	
• The resulting loss of potential tradeoffs forces the opposing parties to squabble over a single bone while dozens more lay scattered about them.	✓		

2 - Essay Questions.

1- What happened to Conocco when it decided to commence operations to drill for oil in a national park located in the rain forest?

(Duration: 10 mint, Mark: 10 /100, Question guide: 10-2)

2- Give an example of how effective an alliance can be in achieving a compatible objective?

(Duration: 6 mint,   Mark: 6 /100, Question guide: 10-5)

3- Give an example of cross cultural negotiation training?

(Duration: 8 mint,   Mark: 8 /100, Question guide: 10-2)

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