

Chapter 1

The Nature of Negotiation

People negotiate all the time. Friends negotiate to decide where to have dinner. Children negotiate to decide which television program to watch. Businesses negotiate to purchase materials and to sell their products. Lawyers negotiate to settle legal claims before they go to court. The police negotiate with terrorists to free hostages. Nations negotiate to open their borders to free trade. Negotiation is not a process reserved only for the skilled diplomat, top salesperson, or ardent advocate for an organized lobby; it is something that everyone does, almost daily. Although the stakes are not usually as dramatic as bankruptcy proceedings or violent protests, everyone negotiates; sometimes people negotiate for major things like a new job, other times for relatively minor things, such as who will wash the dishes.

Negotiations occur for several reasons: (1) to agree on how to share or divide a limited resource, such as land, or property, or time; (2) to create something new that neither party could do on his or her own, or (3) to resolve a problem or dispute between the parties. Sometimes people fail to negotiate because they do not recognize that they are in a negotiation situation. By choosing options other than negotiation, they may fail to achieve their goals, get what they need, or manage their problems as smoothly as they might like to. People may also recognize the need for negotiation but do poorly because they misunderstand the process and do not have good negotiating skills. After reading this book, we hope you will be thoroughly prepared to recognize negotiation situations, understand how negotiation works, know how to plan, implement, and complete successful negotiations, and, most importantly, be able to maximize your results.

Learning Objectives

The main purpose of this chapter is to provide an overview of negotiation and introduce the rest of the chapters that follow. After reading the chapter you should be able to:

1. Define negotiation and the basic characteristics of negotiation situations.
2. Understand the concept of interdependence and how it affects the relationship between people and groups in negotiation situations.
3. Explain the nature of conflict and mutual adjustment, which serve as a backdrop for different ways that people approach and manage negotiations.
4. Understand the role of value claiming and value creation in negotiations.

I. Becoming a Better Negotiator

A. Sources of Authors' insight into negotiation

1. Experience as negotiators
2. Media
3. Social science research

B. Negotiator Skill Development

1. Practice
2. Reflection
3. Analysis

C. “Heart of Negotiation” - give-and-take approach

1. Give-and-take is extremely important, but negotiation is a very complex social process, where many of the most important factors that shape the negotiation occur *before* the negotiation, or shape the context *around* the negotiation.

II. Characteristics of a Negotiation Situation

A. Characteristics common to all negotiation situations

1. There are two or more parties, individuals, groups or organizations.
2. There is a conflict of needs and desires between two or more parties, and the parties must search for a way to resolve the conflict.
3. Parties 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.
4. When negotiating, a give and take is expected. To reach an agreement, both sides will modify their opening statement to find a middle ground; they compromise.
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.
6. Successful negotiation involves the management of *tangibles* and also the resolution of *intangibles*.
 - a. *Tangible factors*: the price or the terms of agreement
 - b. *Intangible factors*: The underlying psychological motivations that may directly or indirectly influence the parties during a negotiation. They have an enormous influence on negotiation processes and outcomes, so it is crucial for negotiators to understand how they affect decision making and tangible outcomes. Examples of intangible factors include:
 - (1) The need to “win” or avoid losing
 - (2) The need to look “good” to those you’re representing
 - (3) The need to defend an important principle or precedent in a negotiation; and
 - (4) The need to appear “fair” or “honorable” or to protect one’s reputation.

III. Interdependence

- A. Working interdependently allows parties to achieve a possible outcome that is better than they could achieve by working on their own.

- B. Most relationships between parties may be characterized in one of three ways: independent, dependent, or interdependent.
1. When the parties depend on each other to achieve their own preferred outcome they are *interdependent*; they are characterized by interlocking goals.
 2. *Independent* parties are able to meet their own needs without the help and assistance of others.
 3. *Dependent* parties must rely on others for what they need; the dependent party must accept and accommodate to that provider's whims and idiosyncrasies.

C. Types of Interdependence Affect Outcomes

1. The interdependence of people's goals, and the *structure* of the situation in which they are going to negotiate, strongly shapes negotiation processes and outcomes.
 - a. Zero-sum distributive: Competitive situation where there is only one winner.
 - b. Zero-sum integrative: Goals are linked to achieve a mutual gain.

D. Alternatives Shape Interdependence

1. BATNA: Best Alternative to a Negotiated Agreement
 - a. Whether you should or should not agree on something in a negotiation depends upon the attractiveness of your best available alternatives.
 - b. Negotiators need to understand their BATNA, as well as the other parties'.

IV. Making Concessions

- A. Interdependent parties have an influence on the others' outcomes and decisions. As parties act to influence each other in a negotiation, they engage in a mutual adjustment.
1. It is important to recognize that negotiation is a process that transforms over time, and mutual adjustment is one of the key causes of the changes that occur during a negotiation
 2. The effective negotiator needs to understand how people will adjust and readjust, and how the negotiations might twist and turn, based on one's own moves and the others' responses.
 3. Mutual adjustment and concession making
 - a. When one party alters his/her position based on the other party's suggestion to do so, a concession has been made.

- b. Concessions constrain the bargaining range
- 4. Two dilemmas that all negotiators face in mutual adjustment:
 - a. Dilemma of honesty – how much of the truth to tell the other party?
 - b. Dilemma of trust – how much should negotiators believe what the other party tells them?
- 5. Two efforts that help a negotiation create trust and beliefs:
 - a. Outcome perception
 - b. Process perception
- 6. The pattern of give-and-take is also essential to joint problem solving in most interdependent relationships. Satisfaction with negotiation is as much determined by the process through which an agreement is reached as with the actual outcome obtained.

V. Value Claiming and Value Creation

A. Distributive bargaining

- 1. The purpose this type of negotiation is to *claim value*—to do whatever is necessary to claim the reward or gain the largest piece possible.

B. Integrative bargaining

- 1. The purpose of this approach to negotiation is to *create value*, or find a way for all parties to meet their goals and share the reward.

C. Most negotiations are a combination of claiming and creating value. There are significant implications to this:

- 1. Negotiators must be able to recognize situations that require one approach or the other
- 2. Negotiators must be versatile in their comfort and use of both strategic approaches.
- 3. Negotiator perceptions of situations tend to be biased toward seeing problems as more distributive / competitive than they really are.

D. Successful coordination of interdependence has the potential to lead to synergy, which is the notion that “the whole is greater than the sum of its parts.”

E. Lax and Sebenius in their book “The Manager as Negotiator,” describe key differences among negotiators:

1. Differences in interests,
 2. Differences in opinions,
 3. Differences in risk aversion, and
 4. Differences time preference.
- F. Negotiators need to be aware of the potential differences between them can serve as barriers to reaching an agreement. Exploring common and different interests to create value can set the foundation for a lasting agreement.

VI. Effective Conflict Management

A. Dual Concerns Model

1. Concern 1 – Concern about their own outcome (assertiveness dimension)
2. Concern 2 – Concern about the other's outcomes (cooperativeness dimension)

B. 5 Major strategies for conflict management

- 1) Contending/Competing/Dominating (bottom right corner)
 - a. High concern for own outcomes, low concern for other's outcomes
- 2) Yielding/Accommodating/Obliging (upper left corner)
 - a. High concern for own outcomes, high concern for other's outcomes
- 3) Inaction/Avoiding (lower left corner)
 - a. Low concern for own outcomes, low concern for other's outcomes
- 4) Problem Solving/Collaborating/Integrating (upper right corner)
 - a. High concern for own, high concern for other's outcome

Historically, focus on managing conflict was a push toward cooperation, however, recent research indicates that each of the 5 major strategies has advantages and disadvantages.

Summary

In this chapter, we have set the groundwork for a thorough and detailed examination of the negotiation process. We began with examples to introduce the variety of negotiations that occur daily and to discuss how we will present material in this book. Our definition and these examples lead us to explore four key elements of the negotiation process: managing interdependence, engaging in mutual adjustment, creating or claiming value, and managing conflict. Each of these elements is foundational to understanding how negotiation works.

Managing interdependence is about the parties understanding the ways they are dependent on each other for attaining their goals and objectives. Mutual adjustment introduces the ways parties begin to set goals for themselves in a negotiation and adjust to goals stated by the other party in order to emerge with an agreement that is satisfactory to both. Claiming and creating value are the processes by which parties handle negotiation opportunities to share or "win" a scarce resource or to enhance the resource so both sides can gain. Finally, managing conflict helps negotiators understand how

conflict is functional and dysfunctional. It involves some basic strategies to maximize the benefits of conflict and limit its costs.

These four processes are central to any negotiation, and they serve as the foundation for our expanded treatment of this subject. In the remainder of this chapter, we provide an overview of our broader approach by introducing the overall organization and chapters in the book.

Overview of the Chapters in This Book

The book is organized into 12 chapters that are divided into three distinct sections. The first section, which we call the fundamentals of negotiation, includes the first four chapters. Chapters 2 and 3 explore the basic strategy and tactics of distributive bargaining and integrative negotiation. Chapter 4 explores how parties can plan and prepare a negotiation strategy and effectively anticipate their encounter with the other negotiator.

The next 7 chapters explore advanced topics on critical negotiation sub-processes. In Chapter 5, we discuss how a negotiator's perceptions, cognitions, and emotions tend to shape (and often bias) the way the negotiator views and interprets bargaining interaction.

Chapter 6 examines two central elements. First, we examine the processes by which negotiators effectively communicate their interests, positions, and goals, and make sense of the other party's communications. Second, we then look at the way communication patterns impact three major concerns that are critical to effective negotiations—trust, reputations, and fairness.

Next, Chapter 7 focuses on the related issues of power and persuasion in negotiation. The chapter begins by exploring the key sources of power available to most negotiators, and then moves to the way negotiators actually exert influence—how they use the tools of communication and power to bring about desired attitude and behaviour changes in the other party.

In Chapter 8, we discuss disputes, and how parties can use third-party help to get negotiations back on track when things stall. In Chapter 9 we discuss whether there are, or should be, accepted ethical standards to guide negotiations. We identify the major ethical dimensions raised in negotiation, describe the ways negotiators tend to think about these choices, and provide a framework for making informed ethical decisions. In Chapter 10, we examine how negotiations change when there are multiple parties at the table attempting to achieve a collective agreement or group consensus, such as negotiating within groups and teams.

In Chapter 11 we examine the special topic of how to manage negotiations where your counterpart is behaving overly competitive. In Chapter 12, we examine how different languages and national culture changes the “ground rules” of negotiation. Finally, in Chapter 13, we tie together the whole book at a broad level. We look back at the broad perspective we have provided, and suggest ten best practices for those who wish to continue to improve their negotiation skills.