

BARGAINING *for* ADVANTAGE

Negotiation
Strategies for
Reasonable
People



Revised
and
Updated



G. Richard Shell

Director of THE WHARTON EXECUTIVE NEGOTIATION WORKSHOP

"Engaging . . . Replete with intriguing real-world anecdotes,

Shell offers sage and practical advice to almost any negotiator."

—Howard Raiffa, author of *The Art and Science of Negotiation*



BARGAINING

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Second Edition

FOR ADVANTAGE

By G. Richard Shell

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PENGUIN BOOKS

Introduction: It's Your Move

Wiederholung: „Von mir aus kann es Ihnen nichts passieren.“
„Ich kann Ihnen nichts tun.“

At the Wharton School, I teach negotiation to some of the best and brightest business people in the world—both students and executives. I also serve as the academic director for a week-long negotiation program for senior managers called the “Wharton Executive Negotiation Workshop: Bargaining for Advantage.” But despite these credentials, I have to admit that bargaining can make me a little anxious. In fact, sometimes I do not even realize I am negotiating at all—until it is too late.

For example, not long ago, I was sitting at the dinner table with my family when the telephone rang. I answered. It was a neighbor's teenage daughter, Emily.

"I'm raising money for our school softball team so we can take a trip this winter to play in a tournament," she explained. "We're selling citrus fruits like oranges and grapefruits. Would you like to buy some?"

We are friends with Emily's family and have known her since she was four. Naturally, I wanted to help out.

"Tell me about it," I said.

She explained the various packages and prices: \$11 for the small sampler, \$20 for a package with more grapefruit, \$35 for the grand collection. I found myself wondering where we were going to store \$35 worth of citrus fruit.

"OK," I said at the end of the pitch. "I'll take the eleven-dollar package."

Just then my wife, Robbie, got my attention. "Ask Emily about the guinea pig!" she said. I looked puzzled.

My older son, Ben, joined in a little more loudly: “*Ned’s guinea pig*,” he explained. “See if she can take care of Ned’s guinea pig this weekend while we’re away.” Our eight-year-old had recently acquired a pet guinea pig that needed a sitter for the fast-approaching Thanksgiving weekend.

“Ah!” I said. I got back onto the phone. “Are you going to be here this weekend?” I asked.

“Yes,” came the reply.

“Could you take care of Ned’s new guinea pig for us? We’ll be in New York and need to find her a home.”

“No problem,” she replied brightly. Then she went on without missing a beat: “In that case, do you think you could buy the twenty-dollar package?”

It was my move. “Sure,” I said with a laugh. “We’ll take the twenty-dollar package.”

Negotiations—from the megamergers on Wall Street to budget meetings at work to everyday encounters at home—take unexpected turns and involve high stakes so often that many graduate professional schools in the United States now offer semester-long courses on the subject. In fact, they are some of the most sought-after courses in the entire curriculum. Why? Because students entering professional life—whether in business, law, medicine, education, politics, or public administration—are anxious about negotiation and want to improve their skills. They know they will face all sorts of negotiation challenges in their future roles as business and professional leaders, and they want to replace their anxiety with greater confidence.

These students are acting wisely because anxiety hampers negotiation performance in predictable ways. It interferes with our ability to think on our feet and narrows our perspective about the problem we are solving. Most critically, anxiety leads many reasonable people to seek simplistic answers to the question “How should I negotiate?” They grasp at phrases like “win-win” and “win-lose,” hoping these formulas will explain what negotiation is about. Anxious negotiators search for single, one-size-fits-all strategies that will give them a feeling of control over the process.

But these attempts to simplify negotiations just don’t work. First, *all deals that close are win-win deals*. The two sides would not agree to a proposal unless they thought agreement was better for them than no deal. Second, “win-lose” is often just a label we give a deal when we don’t like the way the other side treated us. Finally, all-purpose strategies are an illusion. Experienced negotiators know that there are too many situational and personal variables for a single strategy to work in all cases.

To become more effective, you need to get beyond simple negotiation ideas such as these. You need to confront your anxieties, accept the fact that no two negotiators and situations are the same, and learn to adapt to these differences realistically and intelligently—while maintaining your ethics and self-respect. And to achieve these goals you need something more than simple phrases; you need a confident attitude based on tested and reliable *knowledge* about the negotiation process.

Such knowledge is at hand—the last twenty-five years has seen a veritable explosion of negotiation research and writing—but it is relatively inaccessible. Negotiation scholars publish their findings on negotiation in academic journals and books that most real-world negotiators do not read. And it is hard for reasonable people to sift the good advice from the bad in the popular writing on bargaining. Just because a technique works well for a sports celebrity or Hollywood agent does not mean it will work for you.

► Look Inside Your Toolbox: It's Your Move ►

This is why I wrote *Bargaining for Advantage*. In my work at the Wharton School, I have canvassed both the academic and popular literatures on bargaining in search of ideas and approaches that dependably help people achieve superior results at the bargaining table. And I have organized this knowledge in a straightforward way so busy people can use it.

My approach to negotiation starts with you. My own experience and a lot of research tell me that you already have what it takes to be a competent negotiator. You have a set of tools in your own personal negotiation “toolbox.” The same basic communication and cognitive skills that got you where you are today—advancing toward your personal and professional goals—are the ones needed to negotiate effectively. And everyone—regardless of their current skill level—can improve their performance by identifying their strengths and weaknesses, planning more carefully and sharpening their tools through practice.

Many people are naturally accommodating and cooperative; others are basically competitive; some are equally effective using either approach. But there is only one truth about a successful bargaining style: To be good, you must learn to *be yourself* at the bargaining table. Tricks and stratagems that don’t feel comfortable won’t work. Besides, while you are worrying about your next tactic, the other party is giving away vital clues and information that you are missing. To negotiate well, you do

not need to be tricky. But it helps to be alert and prudent. The best negotiators play it straight, ask a lot of questions, listen carefully, and concentrate on what they and the other party are trying to accomplish at the bargaining table.

Negotiation is not rocket science, but it is not simple intuition either. No matter who you are, your intuition will fail you in important bargaining situations. To improve, you need to shed your assumptions about the process and open yourself to new ideas. Most of all, you must learn to recognize the hidden psychological strategies that play such important roles in the process.

For example, as this book will show you, skilled negotiators see more than just opening offers, counteroffers, and closing moves when they look at what happens at the bargaining table. They see psychological and strategic currents that are running just below the surface. They notice where the parties stand in terms of the reciprocity norm. They look for opportunities to use what psychologists call the consistency principle to commit other parties to standards and then hold them to their prior statements or positions, and they know that the timing of a proposal is almost as important as its content. People need to feel they have “earned” concessions even when you are willing to give them away for free.

Knowledge of these and other patterns embedded in the negotiation process help experienced negotiators structure their proposals and predict what the other party will do next. Once you learn to see these and similar features of the bargaining landscape, you too will be able to “read” bargaining situations more accurately and make your moves with more confidence.

► The Approach: ►

Information-Based Bargaining

I call my approach to negotiation Information-Based Bargaining. This approach focuses on three main aspects of negotiation: solid planning and preparation before you start, careful listening so you can find out what the other side really wants, and attending to the “signals” the other party sends through his or her conduct once bargaining gets under way. As the name suggests, Information-Based Bargaining involves getting as much reliable knowledge about the situation and other party as possible.

My approach focuses on six factors or, as I call them, Foundations, of

effective negotiation. These Six Foundations, which make up Part I of the book, are: your personal bargaining styles, your goals and expectations, authoritative standards and norms, relationships, the other party's interests, and the diverse ingredients that go into that most important of all bargaining assets: leverage (this idea is explained in detail in Chapter 6). With information on these foundations in hand, you are ready to move down the predictable path that negotiations follow, from the creation of a bargaining plan to preliminary exchanges of information to explicit, back-and-forth bargaining, and finally to the closing and commitment stage. Part II of the book will walk you through this four-stage process step by step.

Information-Based Bargaining is a "skeptical school" of negotiation. It treats each situation and person you face as unique. It cautions against making overly confident assumptions about what others want or what might be motivating them. And it emphasizes "situational strategies" tailored to the facts of each case rather than a single, one-size-fits-all formula.

To help you learn, the book illustrates the principles of Information-Based Bargaining with stories from the lives of some of the best negotiators who ever lived. You will study bargaining strategies used by successful people from many cultures and eras, including Sony Corporation's legendary founder Akio Morita, American tycoons such as J. P. Morgan, John D. Rockefeller, Sr., and Andrew Carnegie; modern deal makers H. Wayne Huizenga, and Donald Trump; historical figures such as Mahatma Gandhi and Benjamin Franklin; and a variety of less well-known but equally talented businesspeople and community leaders. You will see how these experts succeeded and, just as important, learn how they sometimes failed.

Such role models can teach us a lot, but even more important than their experiences are their attitudes about negotiation. The best negotiators treat bargaining seriously, but they also keep a professional perspective. They can always walk away. They maintain their balance no matter what the other side does, respond promptly to the other party's maneuvers, and keep moving patiently and persistently toward their goals.

The best negotiators also have explicit ethical guidelines for their own conduct at the table, regardless of what others may do. They know which moves are within the "rules of the game" and which ones lie outside ethical boundaries. To be truly effective, you will need to develop your

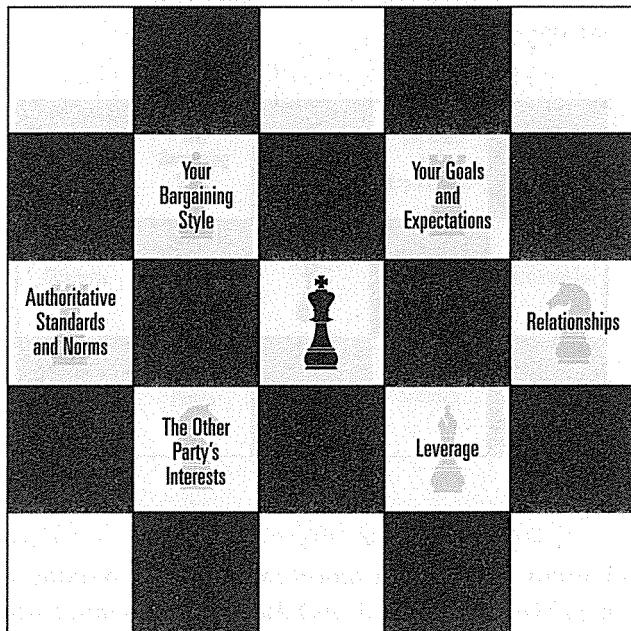
own ideas about bargaining ethics; Chapter 11 provides a framework for you to begin thinking about this important topic.

◀ You Can Learn Only by Doing ▶

At the Wharton Executive Negotiation Workshop, I am fond of quoting a New York lawyer and deal maker named James C. Freund. Freund has written a number of books on business mergers as well as negotiations. He once stated that “in the last analysis, you cannot learn negotiation from a book. You must actually negotiate.”

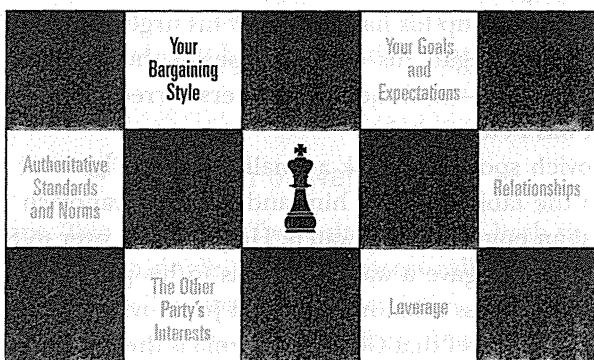
I agree. This book is a guide to better negotiation practice—not a substitute for it. So take the knowledge you find here and build your own foundations for an effective style. Consider every bargaining opportunity a “laboratory” to improve your skills. As you gain experience and confidence, you will discover that negotiations will cease being anxiety-filled encounters. Instead, they will become enjoyable—and profitable—challenges.

PART I



...and you can't make a deal if you don't know what you want and what you're willing to give up to get it. You must bake with the flour you have.

—DANISH FOLK SAYING



Two men entered a conference room in an office tower high above Lexington Avenue in New York City. It was a cold, wintry day in January. They greeted each other cordially but with noticeable restraint. Taking seats on opposite sides of a large conference table, they settled down to begin discussions over the possible merger of their two giant companies.

On one side of the table sat Peter Jovanovich, the proud chief executive of an esteemed American publishing house called Harcourt Brace Jovanovich (HBJ), which was now teetering on the edge of financial ruin. As the son of one of the firm's founders, Jovanovich was deeply commit-

ted to preserving his family's legacy. Across the table sat Dick Smith, the aggressive, entrepreneurial leader of General Cinema, a large, well-funded conglomerate probing for a corporate foothold in the publishing business. Flanking the two men and waiting expectantly were assorted legal and financial advisers.

Both sides had carefully prepared their "scripts" for the opening of the negotiation. Smith was to be the suitor. After months of analysis, he had concluded that HBJ was a perfect fit for General Cinema. But he was not sure that Jovanovich shared his vision of the opportunities that lay ahead. Smith planned a detailed presentation on General Cinema's financial strength and reputation. He would indicate that he sympathized with HBJ's woes and was willing to offer hope. But he would be cautious, not wanting to raise expectations about his price.

Jovanovich's team, also very positive about the deal, had prepared Jovanovich for the role of "listener." They had determined that General Cinema offered HBJ its best chance of corporate survival, but they, too, advised caution: Jovanovich's attitude would be interested but noncommittal. He would not tip his hand or show his urgency.

On cue, Smith began his opening speech, but within seconds Jovanovich interrupted—and the HBJ advisers stirred. This was not in the script. What was Peter up to?

As Jovanovich spoke, he took a small box from his coat pocket and placed it on the table between him and Smith. Jovanovich opened the box to reveal an engraved HBJ watch. He pushed it over to Smith.

"My father always gave a watch like this to his partners at the beginning of a new business relationship," said Jovanovich. "This is meant to signify my sincere belief that General Cinema is the right buyer for HBJ."

It was a risky admission, and both men knew it. The anxiety in the room eased. The two men, joined by their teams, began to talk in earnest about how a deal might be done. They kept talking into the night.

➔ Talking to the Mountain ➔

Many years earlier and thousands of miles away, in a valley in Tanzania, East Africa, two elders representing separate lineages of the Arusha people were meeting in the late morning under a stand of large, shady trees. Beyond the elders in the distance loomed a 14,000-foot mountain: Mount Meru. Two groups of men flanked the elders, standing on opposite sides of the open area under the trees.

Shade trees are the conference rooms of rural Africa. Like thousands of similar trees near similar villages, these trees near the Arusha village provided a focal point where people could discuss important business at leisure. Today, the trees sheltered a negotiation.

The two elders addressed each other formally, describing a dispute between two neighboring farmers. Each elder described a list of grievances and demanded compensation for various wrongs. Each farmer, echoed by his group, loudly rejected the other's demands and elaborated further on his own elder's arguments.

Each man lay claim to a vacant area of land between their farms that had once been occupied by a family whose lineage had died out. The farmers' dispute had led to a series of incidents: One farmer's son had damaged an irrigation gate on the other's land; the owner of the irrigation gate had beaten the farmer's son for trespassing. The father of the beaten boy had gone to the elders, demanding a formal meeting to settle the issues.

The process they were engaged in reflected their African landscape like a mirror. They were, to use the Arusha word for the opening stage of negotiations, "talking to the mountain." And it was going well. A full day of discussions lay ahead. Everyone had brought lunch.

► The Path of Negotiation ►

Two groups. Two problems. Two cultures. Yet in both situations people were engaged in a single, familiar process called "negotiation"—an instantly recognizable human activity that helps people achieve goals and resolve problems. In both cases described above, as we shall see later, the process ended in a successful agreement. Exactly how and why negotiation achieves such results is the subject of this book.

People negotiate in generally similar ways in virtually every culture in the world and have done so since time began. An Arusha elder sitting in the New York conference room where Jovanovich and Smith met might not have understood the words being said, but he would have recognized the purpose and value of Jovanovich's gift to Smith. The Arusha negotiation involved a dispute rather than a deal. But, as we shall see, it concluded with an exchange of gifts. Gifts are part of a universal language of human relationships. And negotiations are fundamentally about the reciprocity norms underlying such relationships.

Negotiations proceed through a form of prudently cooperative communication. And negotiations commonly follow a recognizable four-step

path: preparation, information exchange, explicit bargaining, and commitment. In the world of sophisticated big-city business deals, lawyers and investment advisers gather in their conference rooms and run through their carefully scripted openings. They discuss the issues, then usually ask for more and offer less than they expect to settle for in the end. In Tanzania, the Arusha people establish their agenda, list their demands, and "talk to the mountain," making exaggerated offers and counteroffers. They, too, are staking out the boundaries of possible agreement and watching for signals from the other side about what may or may not be acceptable. From here, people get down to the business of making concessions and establishing commitments. Negotiation is, in short, a kind of universal dance with four stages or steps. And it works best when both parties are experienced dancers.

► We Are All Negotiators ►

All of us negotiate many times a day. We negotiated as children for things we wanted: attention, special treats, and raises to our weekly allowance of spending money. We negotiate as adults for much more complex sets of desires that, when you examine them closely, often come down to the same things we negotiated for as children. Negotiation is a basic, special form of human communication, but we are not always aware that we are doing it. A single definition that can help us recognize negotiation when it happens is the following:

A negotiation is an interactive communication process that may take place whenever we want something from someone else or another person wants something from us. We negotiate at kitchen tables as often as we do at bargaining tables. But our personal relationships and professional roles sometimes make complete cooperation and even sacrifice, rather than negotiation, the "right" answer to many requests. When a winter storm knocks out the electric power in our community and a neighbor calls asking for help, we do not stop to haggle with him—we respond. If our work calls on us to deliver uncompromising customer service and a customer needs something, we accommodate.

But notice something. Even these obvious examples of situations that do not seem to involve negotiation arise within the context of ongoing relationships that are characterized by deeply embedded norms of reciprocity. If our neighbor is known for his loud, late-night parties and never responds when we ask him to quiet down, his appeal for help in

the storm may have to wait until we have taken care of others. And the customers we serve give us more business the better we serve them. There is a quid pro quo. So situations that involve pure cooperation and sacrifice with no thought of reciprocal accommodation are, in fact, relatively rare occasions. The rest of the time, we are involved in some sort of negotiation, broadly defined.

Not all negotiations are alike. Bargaining with family members and friends over such things as schedules, meals, obligations, and duties is more in the nature of problem-solving sessions than deal making. That is because we usually negotiate differently with those we love than we do with strangers.

Pushing past the protective envelope of our closest relationships, we confront a complex world of negotiations with banks, stores, hotels, airlines, credit card companies, health care institutions, and the other services that govern our day-to-day lives. In the industrialized countries, many of these consumer negotiations are mediated by markets and we pay prices that are marked or printed on tags. As American consumers are rapidly learning, however, there is often a lot more room to negotiate with hospitals, department stores, and other service providers than we once thought. The norm of "customer satisfaction" often means there is one price marked on a price tag for those who wish to pay it—and another, lower one for those who wish to negotiate.

Other parts of the world use an explicit ritual of haggling as the expected way of conducting consumer sales. A visit to the open markets of India or Egypt shows how merchants rely on bargaining to accomplish even the simplest consumer transaction. In these societies negotiation is an important form of personal expression and even entertainment, not just a business event.

Finally, in our jobs and professions, we depend on negotiation skills to get things done with coworkers, bosses, suppliers, and, at the highest levels, CEOs and boards of directors. Indeed, negotiations within companies and institutions to solve in-house problems are among the most common and troubling negotiation situations many people face on a daily basis.

Through all of this, as I pointed out in the introduction, many reasonable people have a nagging, uneasy feeling about negotiation. They are anxious about it. The interpersonal conflicts, the possibility of leaving "money on the table," the chance they could be "taken," and even the thought that they have done "too well" are all unsettling.

Knowledge about the negotiation process and bargaining strategy helps reduce this anxiety and puts you on the road to improved negotia-

tion results. And the place to begin building this knowledge is the same place that all negotiations begin: with the First Foundation of Effective Negotiation—your own style and personality as a negotiator. That is where our study starts.

► What's Your Style? ►

Your personal negotiation style is a critical variable in bargaining. If you don't know what your instincts and intuitions will tell you to do under different conditions, you will have a great deal of trouble planning effective strategies and responses.

Steve Ross, the supercompetitive founder of Warner Communications and later CEO of Time Warner Inc., was once playing canasta with his wife and another couple on a trip in a Warner corporate jet. He lost the last game just before the plane was preparing to land—and ordered the pilot to circle the airport until he finally won a hand. This was typical of the way Ross played the “game” of business, and people who negotiated against him were wise to take this personality trait into account.

By contrast, Larry King, the popular host of CNN’s interview program *Larry King Live*, has a reputation as one of the nicest men in the world of big-time entertainment. In the middle of King’s career, his agent decided to shop Larry to various other television networks. The idea was to gather some competing offers, then demand a multimillion-dollar raise from CNN’s owner, Ted Turner. The agent’s plan was working fine, with seven-figure offers coming in from various networks, but Turner would not budge. The agent then played his “other offer” card and said that King might move to a major television network if Turner would not match the competing bids.

Turner had known King for years and knew him to be a loyal and cooperative guy, not a “hardball” negotiator. With the agent sitting right there in Turner’s office, Turner picked up the telephone and called King directly. After a little chat about old times and how much he liked King as a person, Turner laid his request on the line: “Stay with me,” he said.

“OK,” said King simply, “I’ll stay.”

The agent was flabbergasted. But King was happy. He liked the money he was making, he liked Ted Turner, and he liked the fact that Turner liked him. Ted gave Larry a modest raise. Score one for Ted.

Lesson: If you are basically a nice person, it will be a real stretch to act like Steve Ross at the bargaining table. You can do it, but not for long and not with a lot of credibility. And if you are basically a competitive negotiator, your go-for-it instincts will very likely shine through no matter how hard you try to suppress this aspect of your personality. In fact, even if you genuinely hate to negotiate, you can do just fine, provided you accept this about yourself and learn to work with it.

I once led a workshop for a number of high-level business luminaries—including a man who founded and serves as chairman of the board at one of the world's most successful Internet companies. After the workshop, he confided to me that most negotiations make him quite uncomfortable. As a result, he avoids the process whenever possible and considers himself a poor negotiator. I responded that he had made several billion dollars, so he could not be *that* bad. Not true, he replied. He had succeeded by focusing on his innovation skills—designing an Internet auction system that completely eliminates all haggling from the selling process—and by delegating the really tough negotiations at his company to other executives who excel at (and enjoy) bargaining. Instead of negotiating, he specializes in collaborative aspects of his business such as strategic planning, managing the board of directors, and enhancing the experience of his company's unique online community. He became successful not by overcoming his negotiation weaknesses, but by accepting them.

So my advice is to begin your study of negotiation by taking a good look in the mirror. Which moves come most naturally and comfortably to you? And how can you use those instincts as a solid foundation to build a set of effective skills and strategies for achieving your goals? You will become the best negotiator you can be by identifying and then building on your genuine strengths and talents.

► Five Strategies and Negotiation Styles: ► A Thought Experiment

To begin our exploration of your bargaining strengths, try the following thought experiment. Imagine you are one of ten people, all of whom are strangers, sitting at a big round table in a conference room. Someone comes into the room and makes the following offer: "I will give a prize of one thousand dollars to each of the first two people who can per-

suade the person sitting opposite to get up, come around the table, and stand behind his or her chair.”

Do you have that picture in mind? You are one of the ten strangers at the table. You can see the person sitting opposite you, and that person is looking at you. The first two people who can persuade the person sitting opposite to get up, come around the table, and stand behind his or her chair gets \$1,000. Everyone else gets nothing.

What strategy would you use to respond to this strange offer? You will need to move quickly because everyone else is also thinking about what to do.

Before reading on, close your eyes and think of your response. Note what strategy comes to your mind first and write it down. Then see what other responses you can think of. The possibilities will help me introduce five generic negotiating strategies, which will, in turn, lead us to a deeper look at your personality as a negotiation variable.

One reaction is to sit tight and do nothing, suspecting a trick or worrying that you might look like a fool running around a table in response to a stranger’s offer. “I don’t like to negotiate, so I don’t do it unless I have to,” you might say. This is the **avoiding** response favored by the Internet entrepreneur I mentioned above. Some people might say that avoiding a negotiation is a cop-out, not a bargaining strategy. But you do not have to look very far to notice that many important negotiations are marked by one side or the other studiously avoiding coming to the table. The North Koreans successfully avoided negotiating over their nuclear weapons programs for years—and built up bargaining leverage in the meantime. Presidential candidates in the United States who find themselves ahead in the polls frequently decline to negotiate when their opponents want to increase the number of presidential debates. In general, avoiding is a good strategy when you are happy with the status quo—but it may not be the best approach to the table problem.

Perhaps the most obvious response is to offer the person sitting opposite you \$500 if he or she will race around and stand behind your chair. This is the **compromise** solution. Each person agrees to share the gains equally between them. Compromise is a simple, fair, fast strategy that resolves many negotiations amicably. But is it a good strategy for the table problem? You and your partner may arrive at a quick agreement to split the money evenly, but which of you should run and who should sit? During the few seconds it takes to address this issue, other people are already racing around the table. There is no compromise solution to the

question of which of you should run—so a simple compromise does not fully solve the problem. An additional strategy is needed.

That strategy is our third candidate—**accommodation**. You could simply get up and run behind your opposite's chair. If you do this in response to your partner's offer to split the money, you can refer to that promise as a bargaining standard in any subsequent negotiation over the money. But there may be no money to split. The people who implemented the 100 percent accommodating strategy took off as soon as they heard the stranger's offer and got to their partners' chairs before you did. But they face a problem, too. The lucky people who were the beneficiaries of the accommodating strategy now have \$1,000 and the people who ran have nothing. These helpful negotiators must trust the people for whom they earned the money to share it—without the benefit of a prior commitment on how it will be shared. And remember—everyone at the table is a stranger who never expects to see their counterpart again.

The fourth response embodies the **competitive** strategy. The idea here is to obtain the entire \$1,000 as well as the power to decide how it will be shared. One way might be to offer to split the money 50-50 and then later refuse to do so—to renege on your promise. That would obviously be unethical, but some people might do it. After all, there was no mention of a court system to litigate disputes about who said what. An even more aggressive stance would be to lie and say you have a broken leg so you can't move, begging your partner to run as quickly as possible. Are all competitive strategies as ethically dubious as these two? No. We will see examples of many competitive strategies in the pages ahead that are perfectly ethical under any system of morals. But the table problem is not structured well for a strategy that is both ethical and competitive. Moreover, this strategy, like the compromise approach, may take too long to implement.

The final strategy is the most imaginative, given the terms of the offer. You get out of your chair, start running, and scream: "Let's both get behind each other's chairs! We can each make a thousand dollars!" This can work—if you are quick enough. This is the **collaborative or problem-solving** strategy. Instead of trying to figure out how to divide \$1,000 two ways, the person using this approach has the insight to see that there is a way for *both parties* to get \$1,000 out of the situation.

The collaborative strategy is often the hardest to implement. It seeks to discover the underlying problem through good analysis and candid disclosure of interests, find the most elegant solution by brainstorming many options, and resolve tough issues using fair standards and criteria.

In many ways, it represents an ideal. As we shall see, problem-solving strategies are especially useful in complex negotiations, such as those faced by international diplomats or corporate negotiators doing mergers or acquisitions. They can also play a useful role in family negotiations, where it is vitally important to avoid having “winners” and “losers.” But many obstacles stand in the way of collaborative approaches, such as lack of trust between the parties, greed, personality, cultural differences, and simple lack of imagination.

How many of these five strategies did you think of? And, just as important, which of the five would you feel most comfortable and natural implementing? We can now use our knowledge of these five strategies to probe your personal inclinations and styles as a negotiator.

In Appendix A, I have provided you with the self-assessment test we give our participants at the Wharton Executive Negotiation Workshop to help them determine their preferred bargaining styles. It takes only about five minutes to complete and score, so I suggest you turn to Appendix A now and complete your Bargaining Styles Assessment. Once you obtain your results, you can jump back to this chapter and read on. Later, if you want to learn more about the various styles and how they interact with one another, you can go back to Appendix A for further study.

Your personal bargaining styles are nothing more (or less) than your inclinations or predispositions to make certain moves when you are negotiating. These inclinations can come from many sources—childhood, family, early professional experiences, mentors, ethical systems or beliefs, and so on. And your inclinations can change over time as your knowledge of negotiation grows and you gain more confidence in a wider range of skills. But I genuinely believe that most of us have a set of core personality traits that make radical changes in our basic bargaining preferences difficult. For example, I was raised in a household by two loving parents who were very strongly inclined to avoid interpersonal confrontations between themselves and between them and their three children (my two sisters and me). On the Bargaining Styles Assessment, they each would have scored very high in the “avoiding” category. This rubbed off on me more or less permanently. To this day, I instinctively and automatically try to deflect conflict in my interactions with others, although I have become much more capable of handling conflict through a lifetime of professional and personal experiences. My diplomatic trait is just part of the bargaining personality I bring with me to negotiation interactions. I have other instincts that come into play in different situa-

tions and with different people, but my diplomatic trait is never far from the surface.

Each style or combination of styles brings a set of associated talents with it. Someone dominated by a strong inclination to compete has a talent for seeing more quickly than others how power and leverage can be gained in a given situation. And he or she derives more satisfaction from getting a great price in a haggling situation than do people who are only weakly inclined to measure their success in these terms. This person will also see the potential for using a competitive approach in more situations than will the rest of us.

Someone who is strongly inclined to accommodate will have a talent for being a team player and helping other people, even when there is a conflict of interest. He or she will be focused on the interpersonal relationship aspect of an interaction when the rest of us are focused on the money. A person dominated by a preference for compromising will automatically seek simple, fair methods of taking turns or splitting the difference to resolve negotiation differences quickly and fairly much more often and much sooner in the process than will people who lack this inclination. And, finally, people who bring to the table very strong inclinations to collaborate will find themselves facilitating the process, asking lots of questions and developing different ways of looking at the issues to meet as many needs as possible—including their own. They will genuinely enjoy complex, prolonged negotiations in a way that someone predominantly inclined toward simple compromises will not.

The Bargaining Styles Assessment is a good place to start in understanding your styles, but it is only one data point in your quest to learn about yourself as a negotiator. As you read about different negotiations in this book and encounter various situations in your life, note which experiences you enjoy and which ones cause you stress. Those that feel good are the ones for which you have natural talents. Build on the insights you gain from these experiences, and, in the words of the Danish folk saying that led this chapter, “bake with the flour you have.”

Cooperative Versus Competitive Styles

Beneath the five personal inclinations discussed above reside two even more basic types: cooperative and competitive. Much research on the personality variable in negotiation has centered around these two basic

categories. Depending on the situation, each style can be effective and each exposes its possessor to certain dangers. In Chapter 12, I give some specific advice on how to compensate for the weaknesses inherent in each approach.

Many researchers have wondered whether people are, in general, more competitive or cooperative in their basic orientation toward bargaining. The stereotype negotiator depicted in the press, movies, and mass media is a competitive person who is adept at using hardball tactics such as ultimatums, walkouts, public posturing, and table pounding. This is not surprising, given the mass media's attention to drama and entertainment, but it is not an accurate reflection of how the average professional negotiator—or even the average professional person—actually behaves.

Two studies of negotiator behavior have revealed a more complex and accurate profile of how the average professional conducts himself or herself at the bargaining table. The first study covered American lawyers; the second looked at English labor negotiators and contract managers.

A study of American lawyer-negotiators reported by Professor Gerald R. Williams revealed that roughly 65 percent of a sample of attorneys from two major U.S. cities exhibited a consistently cooperative style of negotiation, whereas only 24 percent were truly competitive in their orientation (11 percent defied categorization using these two labels). Roughly half of the sample was rated as "effective" negotiators by their peers. Most interesting, more than 75 percent of the "effective" group were cooperative types and only 12 percent were competitive. The remaining effective negotiators came from the pool of mixed strategy negotiators.

In contrast to the stereotypes, this study suggests that a cooperative orientation is more common than a competitive orientation within at least one sample of professional negotiators in the United States. Moreover, it appears to be easier to gain a reputation for being effective (at least as rated by peers) by using a cooperative approach rather than using a competitive one.

The second study was conducted over a period of nine years by Neil Rackham and John Carlisle in England. Rackham and Carlisle observed the behavior of forty-nine professional labor and contract negotiators in real transactions. Some of the results of their work will be discussed in Chapters 5 and 8 later in this book. The point I want to make here relates to the styles exhibited by these professionals. The most effective of them displayed distinctly cooperative traits.

For example, the study examined the use of what the researchers

called irritators at the negotiating table. Irritators are such things as self-serving descriptions of one's offer, gratuitous insults, and direct attacks on the other side's proposal—typical competitive tactics. The average negotiator used 10.8 irritators per hour of negotiating time; the more skilled negotiators used an average of only 2.3 irritators per hour.

In addition, skilled negotiators avoided what the researchers called defend/attack spirals, cycles of emotion-laden comments assigning blame or disclaiming fault. Only 1.9 percent of the skilled negotiators' comments at the table fell into this category, whereas the average negotiators triggered or gave momentum to defend/attack spirals with 6.3 percent of their comments. The profile of the effective negotiator that emerges from this study seems to reflect a distinct set of cooperative, as opposed to stereotypically competitive, traits.

The conclusion from both studies? Contrary to popular belief, perfectly reasonable, cooperative people appear to have a strong potential to become extremely effective negotiators.

► Gender and Culture ►

Bargaining style preferences originate from deep psychological sources, including conflict resolution patterns with parents, early experiences with siblings and playmates, and lessons we learn at the outset of our careers. And these early, formative experiences sometimes derive from two even more basic aspects of our social identities: our gender and culture. These two topics are controversial because intelligent discussion can rapidly slip into destructive (and misleading) stereotypes. But researchers have identified some reliable truths about these variables, so they are well worth addressing.

THE GENDER DIFFERENCE IN NEGOTIATION

Studies indicate that men and women can differ in the ways they communicate—especially in work settings. Georgetown linguistics professor Deborah Tannen has demonstrated in books such as *You Just Don't Understand: Men and Women in Conversation* and *Talking from 9 to 5: Women and Men at Work* that men tend to be more assertive, more likely to interrupt their counterpart, and more oriented toward affirming their status. Women, meanwhile, listen more than men do and pay greater attention to emotional rapport and taking turns when speaking. Although you

probably know plenty of emotionally oriented men and status-oriented women, the statistics support Tannen's overall findings. The question then becomes how these various behavioral tendencies can be used or adapted so they are sources of strength rather than weakness in particular professional contexts.

Research on American women suggests that there are two main ways that gender differences affect negotiations. First, there is solid empirical evidence that women—including professionals in high-stakes business careers—choose to negotiate somewhat less often than do men in such important areas as salary and promotion. In negotiation style terms, women behave, on average, a bit more cooperatively than men. In a study conducted at Carnegie Mellon University's business school, Professor Linda Babcock discovered that the difference between the starting salaries women MBA graduates were getting and the salaries men were offered (roughly a \$4,000 difference in favor of the men) could be accounted for by one single behavioral fact: 57 percent of the men asked for more money after receiving an initial offer whereas only 7 percent of women asked for more. Those who negotiated—both women and men—received an average of \$4,053 more than those who did not. Babcock's research, summarized in her book, *Women Don't Ask*, confirms this tendency across a number of studies and contexts. Students in my negotiation classes have added another item to the list of practices women tend to follow more than men: they rely heavily on "fairness" arguments, assuming their counterparts will be responsive to their reasoned, relationship-friendly methods. These tactics can pay off, of course, but only when other parties are tuned to the same relationship wavelength.

The experience of one of my students, Marci, vividly illustrates exactly how the gender factor can subtly work its way into the bargaining process. Prior to starting her MBA studies, Marci worked for a midsized computer services firm and was the only female in her unit. Consistent with Babcock's research, Marci had not negotiated her offer when she received it from her new employer. In fact, she was simply delighted to get the job. After a couple of years of exemplary work, she gradually became responsible for business representing 30 percent of the company's revenue—while two better-paid male counterparts who started work with her were handling projects worth only 1 percent of revenues each. She thought she deserved a raise.

Her method of introducing the raise issue was characteristically indirect, however. She went to her boss and requested a performance review. "I thought it was a great way to get my superiors to notice my success

without blowing my own horn," she told me during class. "I did not want to appear pushy." Her tactic did not work. The boss could not find the time to review her.

Many women might stop here, but Marci was persistent. She went to the president of the company and boldly asked for a 20 percent raise, arguing that her male coworkers were getting 20 percent more pay but managing fewer people and projects. Thus, a 20 percent raise was "fair." This, too, failed. As she described it, "I kept repeating, 'This is not fair.' In retrospect, fairness required even more than a 20 percent salary increase based on my contribution, but I was not confident enough to ask. No doubt, this insecurity shined forth." In addition, as she put it, "given that I was working such late hours, seemed so committed to my position, and appeared to have no inclination to look for another job, there was no urgent necessity to listen to me."

In the end, Marci got her raise—just in time for her to turn it down. When the company discovered that she had been accepted into Wharton's MBA program and intended to go, it offered her a 35 percent raise. But by this time, Marci was already out the door. As she told her fellow students, "Being afraid to ask is the most self-defeating trait a woman can have. Don't be afraid to look pushy."

The second gender-based research finding I find persuasive has to do with stereotypes. Because women appear, on average, to be somewhat more cooperative than men, both men and women bring stereotypes to the bargaining table that exaggerate this difference, creating self-fulfilling prophecies and blinding them to what is really going on. This can work either to women's disadvantage or advantage, depending on the experience of the negotiator.

For example, studies have shown that women bargain less effectively when they are reminded of a negative, women-are-wimps gender stereotype just prior to a transaction. It seems that fear of being stereotyped as a passive female can sabotage a woman's confidence and hence her ability to effectively use her own style, whatever that style may be. Even attempts to prove the stereotype wrong seem to backfire, leading to overly aggressive behavior and less-than-stellar results. This psychological process is reversed if women are given a positive, women-are-collaborative stereotype just prior to negotiating. Now the self-fulfilling prophecy creates a good bargaining experience and better results. But because the actual stereotype in the world is more often negative than positive, women sometimes suffer from what scholars call "stereotype threat."

On the other hand, skilled manipulation of others' stereotypes regard-

ing women can give a female negotiator a significant *advantage* if she plays her cards right. This ability to turn the tables on opponents seems to come with experience. A top-ranked woman negotiator once spoke to our class about her adventures representing distressed companies in “work-out” situations. These hard-nosed negotiations take place between creditors and companies that cannot pay their bills. Potential bankruptcy forms the backdrop to the bargaining. Few women make this their professional calling, and our speaker reported that her femininity was almost always an asset in this tough arena. “For example,” she said, “whenever a guy on the other side of the table attacks me personally, I never speak up to defend myself. I wait for a man on the other team to come to my defense—one always does—and then I have gained an ally and divided their group. It’s an advantage.” Another speaker, a petite woman who was head of mergers and acquisitions for a major pharmaceutical company, reported that she liked to play with stereotypes of all kinds. She was born in Poland but moved to Israel as a child. “Before a negotiation,” she explained, “I always find a way to make it known that I was once an Israeli military officer. I create the impression that I am going to be tough as nails, and then I go in and melt their hearts. They are so relieved—and they work with me. Of course, I can always fall back on that first impression if I need to.”

Gender does not have to become an issue in negotiations. But smart negotiators try to anticipate every aspect of their own and their counterparts’ behavior as part of a good preparation. They also need to be aware of their own assumptions. Gender differences are therefore well worth considering as part of a complete style analysis.

A WORLD OF DIFFERENT CULTURES

If gender can complicate the negotiation process, cross-cultural issues can be showstoppers. At the Wharton School, we used to have a small, specialized program in “international business.” Now the entire MBA program focuses on global business problems. And in doing global deals, sensitivity to issues of language, customs, social expectations, and religion can mean the difference between a successful long-term business relationship and a short-lived, unprofitable transaction.

Consider the following examples:

A British CEO once told me about his first negotiation in Lebanon. He started the negotiation well, but every time he made a concession, the other parties escalated rather than reduced their demands. After several rounds of this over a couple of months, he quit, telling his counterparts

that he was thoroughly disgusted with their tactics and that he wanted nothing to do with them. A few days later, they called, saying that they now had "serious" proposals to put to him. He rejected the overture. A week later, they called again, making several concessions they had previously said were absolutely impossible. He reiterated that he had no interest in further dealings. At this point in his story, he looked at me ruefully. "The whole thing was really my own fault," he said. "I later learned that walking away from the table is a very common way to show you are serious in that part of the world. If I had walked out two months sooner, they would have behaved better and I probably could have closed the deal."

Culture can also affect decisions about who should be at the table. For example, different cultures have different sensitivities regarding the status of people at the bargaining table. Some formal cultures require participation by people of equal rank. Other, less formal cultures use functional knowledge and decision authority as criteria for picking negotiators. Such differences can lead to serious breakdowns and misunderstandings.

A female attorney working for a prestigious New York law firm once accompanied the male CEO of a major client to Latin America to negotiate a complex deal. Soon after they arrived, the head of the prospective Latin American partner suggested that he and the CEO go off together to discuss business—while his wife and the lawyer go shopping. The lawyer was outraged, assuming this to be a blatant example of Latin American gender bias. Before voicing her objections, however, she called a colleague back in New York, who told her that he, too, had been excluded from preliminary talks during his last negotiation in that country. The Latin American executive was just looking for a diplomatic way to get her out of the picture *as a lawyer*, not as a woman. It was the local practice, the colleague suggested, for lawyers to negotiate only with other lawyers, not with the businesspeople. Had the woman attorney insisted on participating, she would have soured the deal and destroyed her credibility.

These and countless examples like them confirm that culture presents a veritable minefield of stylistic differences in negotiation. The Arusha people gathering under their shade trees in Africa may engage in a process similar to the one business moguls use in New York, but the tone, pacing, signals, cues, and underlying assumptions about relationships can be radically different. Because our global economy depends on bridging these cultural divides, entire books (some of which I list in the bibliography) detail the pitfalls, opportunities, and customs that characterize negotiating in every commercially important region in the world.

I will be referring to a variety of different cultural practices through-

out the book, especially in the chapters dealing with relationships, exchanging information, and bargaining. For now, I simply want to flag two important points.

First, cultural issues usually have more to do with form than substance. That is, they add complexity and potential misunderstanding to the way people communicate with one another, but money, control, and risk are still likely to be the most important issues on the table regardless of what country you are in. And the best way to avoid miscommunication is to do your homework on the culture in question, hire skilled interpreters, and use cultural liaisons to help you avoid cross-cultural meltdowns.

Second, the single most important difference in cross-cultural negotiations—other than the obvious problems of language and custom—is the way the parties perceive the relationship factor. As I will detail in the chapter on information exchange, North Americans and northern Europeans tend to focus more quickly on the transactional aspects of the deal, whereas most Asian, Indian, Middle Eastern, African, and Latin American cultures focus more intently on social, relational aspects. As a Japanese MBA student of mine once put it, “Japanese people tend to think of negotiation as a process leading up to an ‘arranged marriage.’ And they behave as if they really are in such a situation.” Western negotiators doing business in Japan or other relationship-based cultures do well to approach preliminary social events in this spirit. Cultures may vary in the degree of formality they associate with prewedding festivities, but families in all cultures use these events to thoroughly size up and woo their new, would-be relations. If you want to be successful negotiating in a relationship culture, therefore, be patient and realize that the contract (if one comes) is just one part of a much bigger picture.

➔ Beyond Style—to Effectiveness ➔

People bring many personal differences to the bargaining table, but the overriding goal for each of us remains constant: How can we become as effective as possible using our unique combination of traits and talents? Many attributes go into making a skillful negotiator, including such things as having a good memory, being “quick” verbally, and handling stress well. But effectiveness is as much a matter of *attitude* as it is of ability. The best negotiators exhibit four key habits of thought that everyone, regardless of their style, gender, or culture, can adopt to improve their negotiation results. They are:

- A willingness to prepare
- High expectations
- The patience to listen
- A commitment to personal integrity

These practices will serve as themes throughout the book. Let's look briefly at each of them.

A WILLINGNESS TO PREPARE

The research on the importance of preparation is extensive. Nearly every research study on negotiation has confirmed its importance. Here is an illustration.

Several years ago, a colleague and I were investigating the use of computer networks as a method for negotiation. We designed a network computer system to help parties reach better agreements and then set out to test it. We gave the same four-issue, buy-sell exercise to hundreds of MBA students. Students playing the "buyer" role were paired with others playing the "seller" role. We instructed half the pairs to read the problem and negotiate whenever they thought they were ready—some face-to-face, others using e-mail. They usually took about ten to fifteen minutes to prepare, then they negotiated.

We required the other groups to go through a structured, individual preparation process on the computer that usually took about thirty to forty minutes. Some students then negotiated the buy-sell exercise using our computer network system while others bargained face-to-face.

We were surprised by the results. Our fancy, computerized method of negotiation did not matter much. But the preparation process did. The students who used the formal preparation system reached better agreements in *both* the face-to-face and the computer network conditions—not just for themselves, but for both sides.

HIGH EXPECTATIONS

Research on negotiation reveals a striking fact: People who expect more generally get more. I will discuss the best way to set goals in Chapter 2. To acquire high expectations, you must combine specific goal setting with a personal commitment to performance. Expectations come from your overall attitude about what you are trying to achieve and derive from unstated, sometimes unidentified, beliefs about what is fair and

reasonable. Failure to develop explicit expectations is an important oversight in many people's preparation.

To improve your negotiation results, you need to get into the habit of thinking carefully about the full range of "fair and reasonable" outcomes for a given problem, then developing an expectation that you should achieve results in the high end of that range. You can always tell, when a negotiation is over, where your expectations were really set. If you feel genuine disappointment that you fell below a certain level, that is where your expectation was set. If you feel genuinely satisfied, you met or exceeded your expectation. The goal of an effective negotiator is to have expectations that are high enough to present a real challenge but realistic enough to promote good working relationships.

THE PATIENCE TO LISTEN

It is hard to overstate the importance of listening skills in bargaining. Information-Based Bargaining begins with the idea that information is power. Listening enables you to get information.

If having high expectations is sometimes a problem for cooperative people, listening requires special effort for competitive types. Aggressive bargainers spend most of their time at the bargaining table either talking about what they want or thinking of something clever to say next that will put the other side on the defensive. As we shall see, the best negotiators follow a different practice: They ask questions, test for understanding, summarize discussions, and listen, listen, listen.

A COMMITMENT TO PERSONAL INTEGRITY

Effective negotiators are reliable. They keep their promises, avoid lying, and do not raise hopes they have no intention of fulfilling.

The research on this is reassuring. Skilled negotiators prize their reputations for straightforward dealing very highly. That makes sense. Given a choice, would you want to do business with someone you could trust or someone who might be trying to cheat you?

This sounds good, but does it really pay to be honest in bargaining? After all, most people do not candidly disclose all of their information in a negotiation. Does personal integrity require you to reveal your bargaining position? What if the other side fails to ask an important question? Do you have a duty to volunteer an answer? Finally, can you ex-

aggerate the attractiveness of your own alternatives and downplay the other side's current offer, regardless of your true feelings?

I will address these and similar issues in Chapter 11. For now, I will simply say, "It depends." Integrity in bargaining is more than a set of rules. It is, like high expectations, an attitude. Relationships, social norms, culture, and bargaining etiquette all make a difference. Therefore, when I speak of a commitment to personal integrity in negotiation, I mean that effective negotiators can be counted on to negotiate consistently, using a thoughtful set of personal values that they could, if necessary, explain and defend to others. This approach obviously leaves a lot of room for individual interpretation about what is right and wrong. But such differences are an inevitable part of human interaction. The main thing is to attend to your reputation and self-regard. Be reliable.

► From Manhattan to Mount Meru ▶

Before we leave this chapter, let's look again at the two deals described at the beginning. Both worked out. We left each story as the parties began to share information with each other.

Jovanovich's symbolic gift-giving gesture and welcoming statement sent a clear message to Smith that Jovanovich wanted to act cooperatively to make the deal happen. Smith gracefully accepted both the watch and the tacit admission that Smith had most of the bargaining leverage with reciprocal signals of cooperation. The initial meeting between the two men and their advisers went on through the evening and into the night. Building on the rapport established by Jovanovich's opening moves and fueled by careful listening, progress was rapid. Jovanovich's and Smith's problem-solving styles matched well. Within days, they created an outline of a merger agreement to create a new company: Harcourt General Inc.

Back in the shadow of Mount Meru, the two farmers went back and forth all day. At length, one of the elders proposed dividing the disputed land along a prominent footpath that formed a natural boundary. Then someone in the crowd called out: "Perhaps someone could find a goat!" There was a murmur of agreement from both groups of supporters. The farmers huddled with their bargaining teams. The social pressure for an agreement intensified.

The farmer who had demanded the meeting in the first place (the one whose son had been beaten) then stepped into the center of the

circle. "For the sake of friendship," he said, he would offer the gift of a small goat to his neighbor. He added that he would also help pay for his neighbor's broken irrigation gate and abide by the new boundary.

The owner of the damaged gate then replied that he would make a gift of "some beer" to his neighbor. He, too, would honor the new arrangement. They had a deal. These public declarations and a ritual feast that followed served to commit the parties. Everyone in the community would remember the agreement and help enforce it if necessary.

Summary

All negotiations begin with you. The First Foundation of Effective Negotiation is therefore your preferred bargaining styles—the ways you communicate most confidently when you face a negotiation. Your success depends on candidly assessing your strengths and weaknesses as a communicator.

Some people have a wide "bandwidth" when it comes to bargaining. They can adapt easily to many different situations and opponents. Others are more limited in their range of effective action. They may be quite strong in situations requiring competitive instincts but weak when it comes to accommodation or compromise. Or they may be strong in cooperative skills and weak if the situation calls for hardball tactics.

Many negotiation experts try to teach people a single, all-purpose menu of bargaining moves. I do not believe this is either helpful or realistic. People and situations are too varied for such mechanical advice to work.

Rather, your job as a negotiator is to understand your style preferences, see how they match up with the situation (more on this in Chapter 7), plan your path through the four steps that negotiations follow, and try your best to be effective by preparing, forming high expectations, listening to the other party, and acting with integrity in the process.

Information-Based Bargaining proceeds from the assumption that you will get better results for yourself and achieve more for others who depend on you by tirelessly searching for key information about the parties and the situation. Your success then turns on using this information skillfully as bargaining goes forward. Now that we have examined the issue of personal styles, let's move to the critical issue of what you hope to achieve in bargaining. It is time to explore the Second Foundation, your goals and expectations.

► YOUR BARGAINING STYLE: ►
A CHECKLIST

- ✓ Understand your bargaining instincts, including how family, gender, and culture have shaped your preferred styles.
- ✓ Acquire a willingness to prepare.
- ✓ Set high expectations.
- ✓ Have the patience to listen.
- ✓ Make a commitment to personal integrity.