



香港城市大學
City University of Hong Kong

CB2300

Negotiation and Communication

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Structure of a Negotiation

- Distributive Bargaining
 - Win/lose, single issue
- Integrative Bargaining
 - Win/win, multiple issues
- Congruent Bargaining
 - Identical preferences



Structure of a Negotiation

- Examples?
- Distributive Bargaining
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Structure of a Negotiation

- Poll
- Examples?
- The husband prefers a cabin in the mountains; the wife prefers a luxury hotel on the seashore. The couple agree to vacation in a luxury hotel in the mountains.

Structure of a Negotiation

- Examples?
- Bargaining over the price of a used car for which the seller wants more money and the buyer wants to pay as little as possible.

Structure of a Negotiation

- Examples?
- An example of this would be in a negotiation over employment terms, both the employee and the company want to place that employee in a certain location. Both sides want the same thing so the issue doesn't need to be a point of contention.

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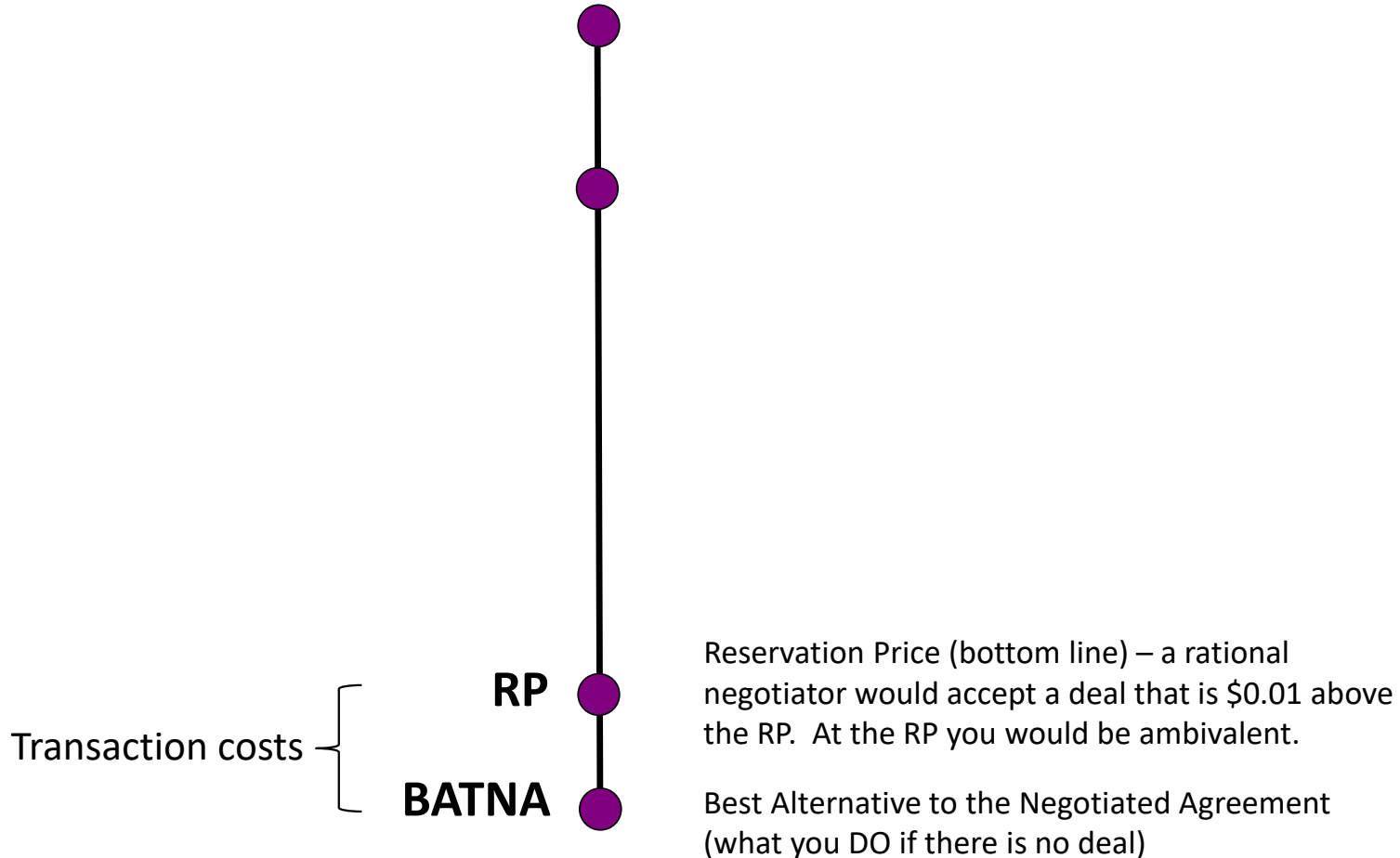


Claiming Value (Distributive Bargaining)

- Claiming value is necessary in any negotiation
- When it is the **only** thing negotiators do, we call it a purely distributive (zero-sum) negotiation
- Cues of a purely distributive negotiation:
 - single issue (money)
 - no (salient) future relationship
 - no side deals
 - money is lump sum (all up front)
- Examples?



Distributive Strategies



Reservation Point (RP)

Quantification of BATNA within deal

$RP = BATNA + \text{Transaction Costs}$

= objective *walk away point, bottom line, final price*

= at your RP you are ambivalent between accepting the deal and going to BATNA.

= if 1¢ above RP is rational to accept

Your RP \neq your low Target

Reservation Point (RP)

For example, imagine you are selling your car. Your relative tells you that he would buy it from you for \$10,000 if you are not able to sell it elsewhere. But if you were okay to selling it for \$10,000 to your relative, you might want other buyers to pay at least \$11,000.

- What is your BATNA?
- What is your RP?

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- What is your BATNA? Your relative; \$10,000
- What is your RP? \$11,000



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Class Agenda

- Announcement
- Review
- Negotiation & Communication



Announcement

- **Quiz 3 (By March 18, 11:59PM)-Unlimited attempts & No Time Limit**
- **Keep the highest score**
- **No late submissions will be accepted**

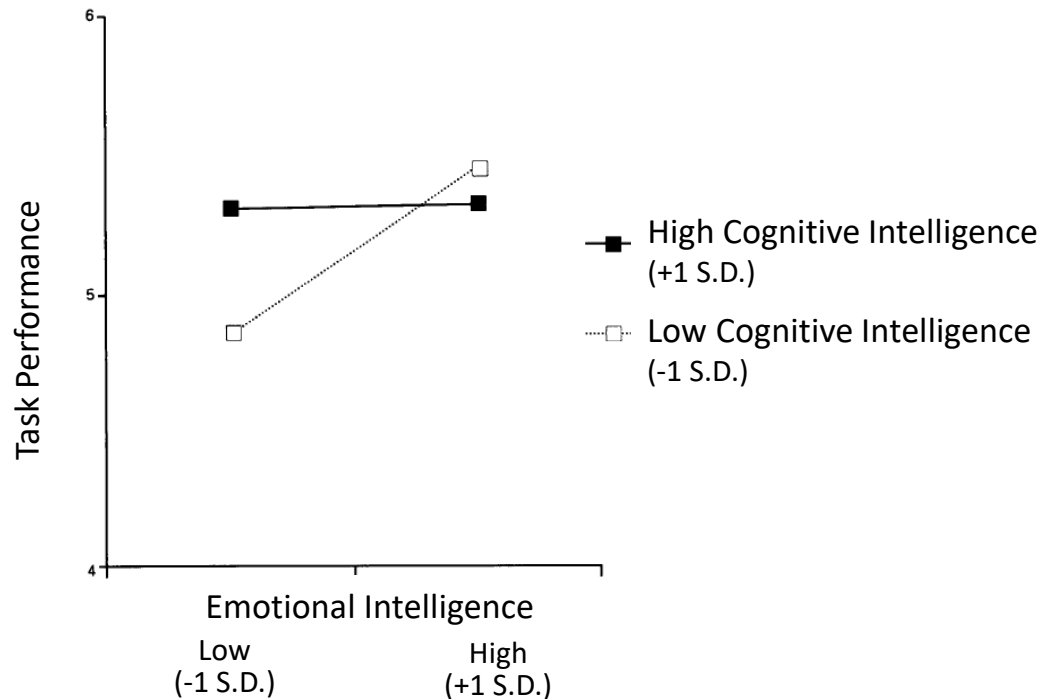
Emotional Intelligence (EI)

- The ability to notice and to manage emotional cues and information
- A person's ability to:
 - Be self-aware (to recognize his or her own emotions as experienced),
 - Detect emotions in others, and
 - Manage emotional cues and information.



Is EI important?

Cote, S., & Miner, C. T. H. Emotional intelligence, cognitive intelligence, and job performance. *Administrative Science Quarterly*, 51: 1-28.



How does persuasion occur?

Cognitive dissonance theory

- Dissonance occurs if we hold contradictory beliefs or attitudes about ourselves, others or objects
- Cognitive dissonance is psychologically uncomfortable
- Reduce dissonance by modifying our attitudes or behaviour

Does behavior always follow from attitudes?

Does behavior always follow from attitudes?

Not always, for at least three reasons.

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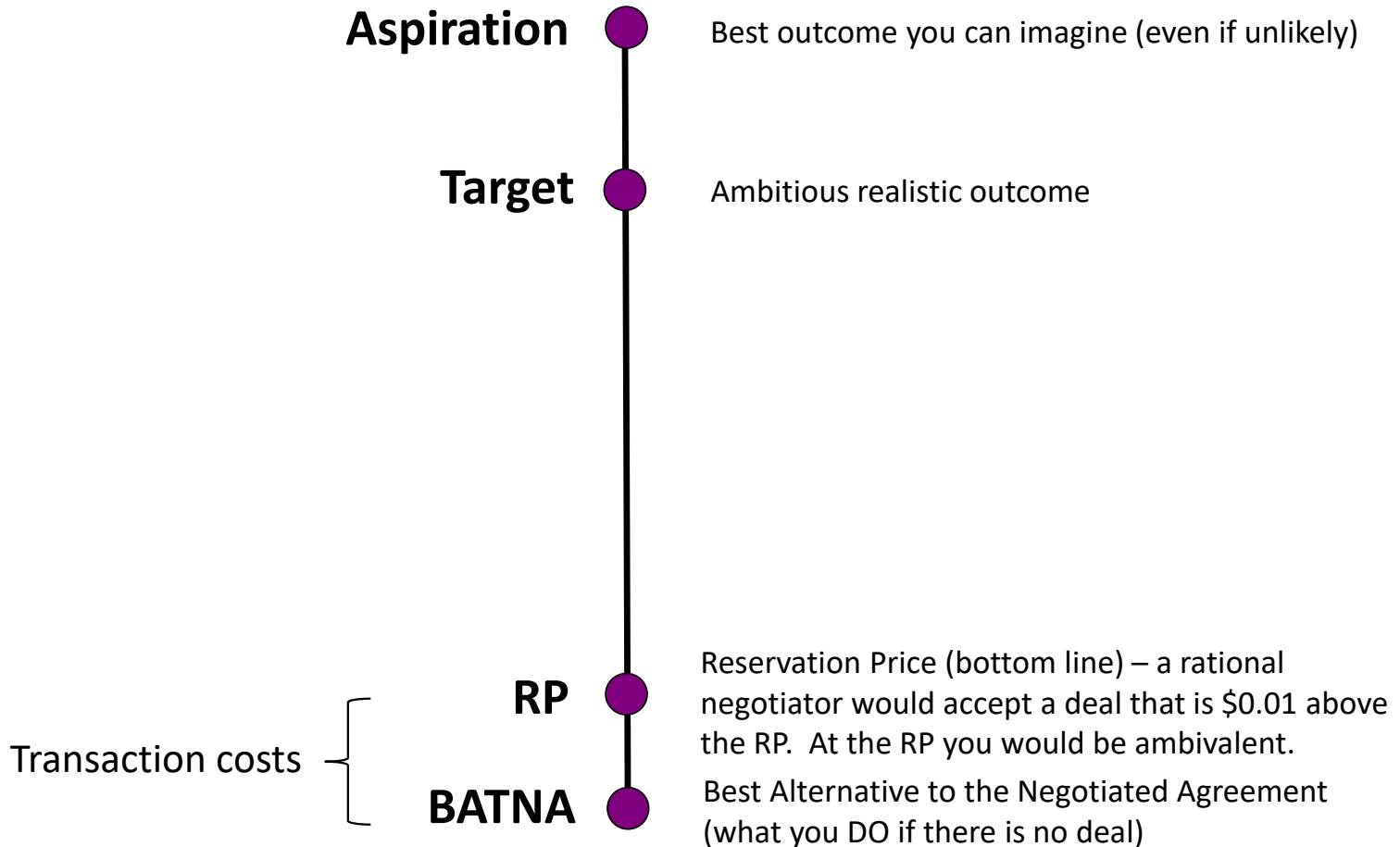
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- What is your RP? \$11,000

Distributive Strategies



Target & RP

Although you wish to sell your car for
\$18,000, the
highest transaction in recent few weeks is
\$15,000

And you are willing to sell it for as low as
\$11,000.

- What is your Aspiration?
- What is your Target?
- What is your RP?

Target & RP

Although you wish to sell your car for \$18,000, the highest transaction in recent few weeks is \$15,000

And you are willing to sell it for as low as \$11,000.

- What is your Aspiration? \$18,000
- What is your Target? \$15,000
- What is your RP? \$11,000

Set Ambitious Targets

Beware Double-Edged Sword

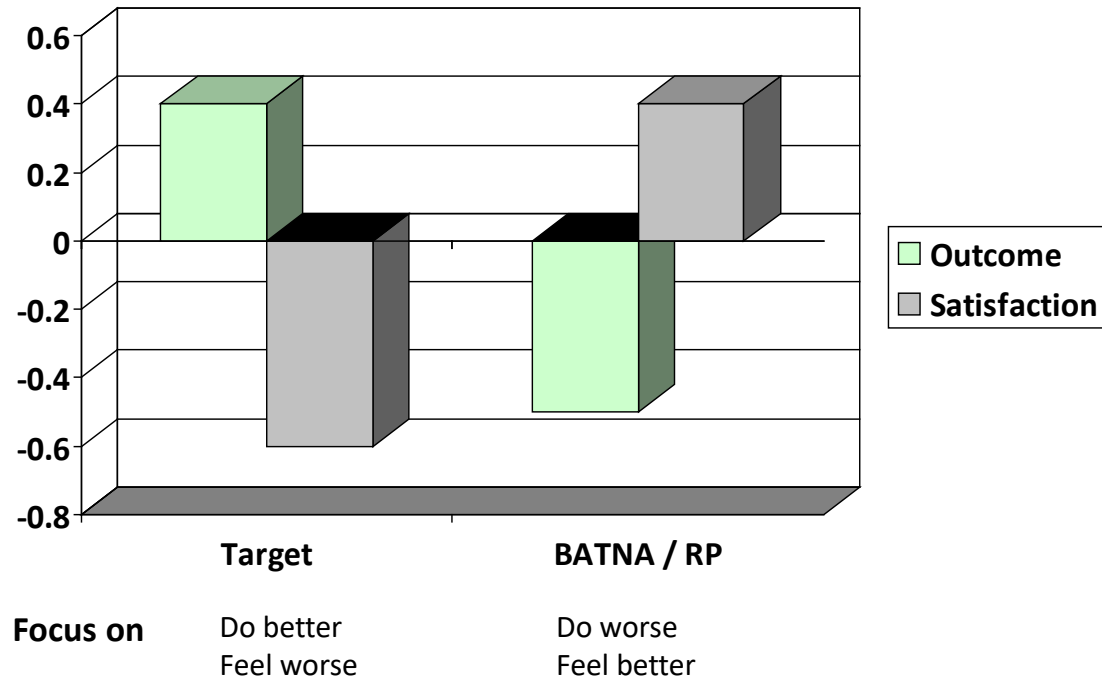
Strategic Advice

Before Negotiation:

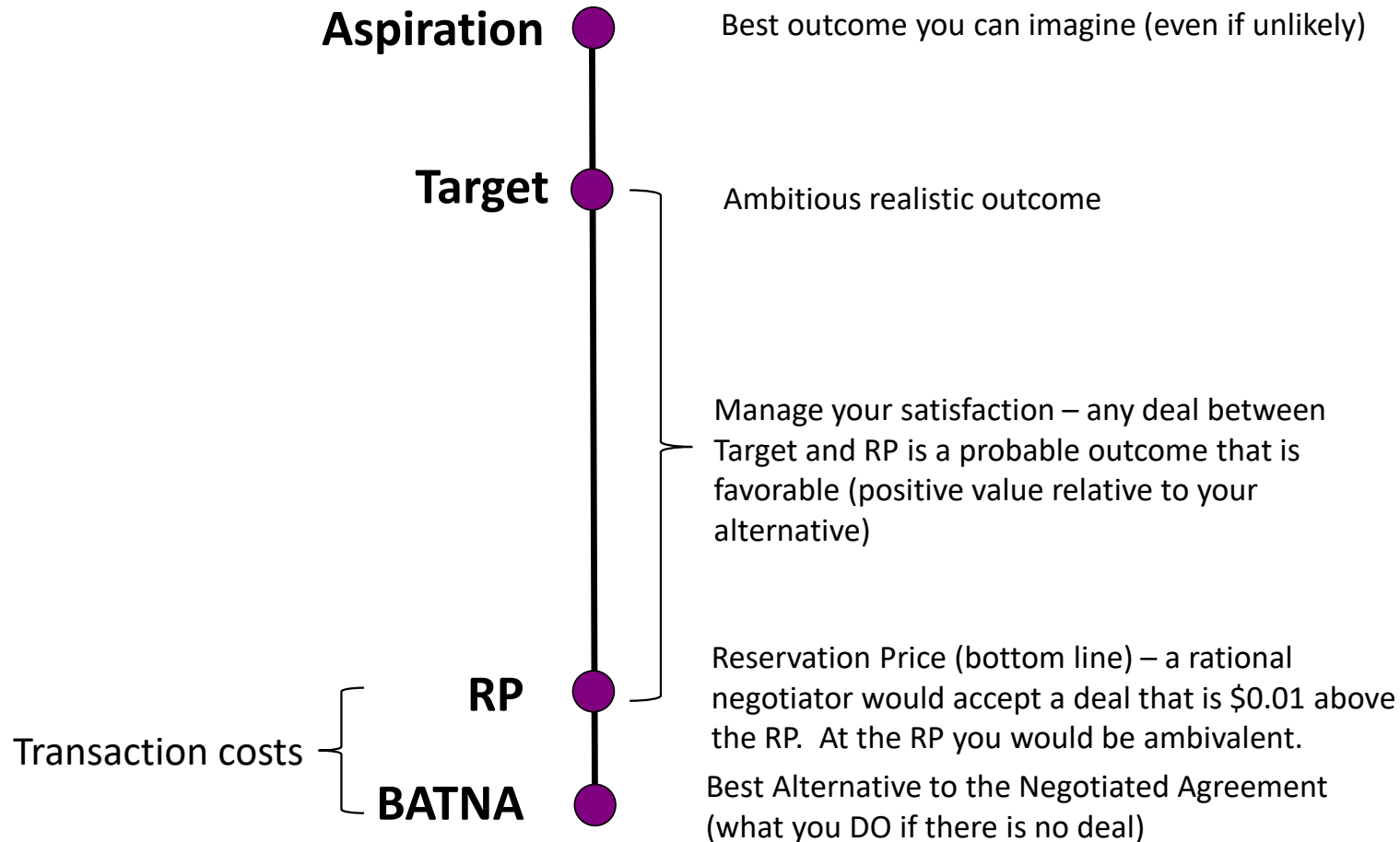
Set ambitious target
↑ financial outcome

After Negotiation:

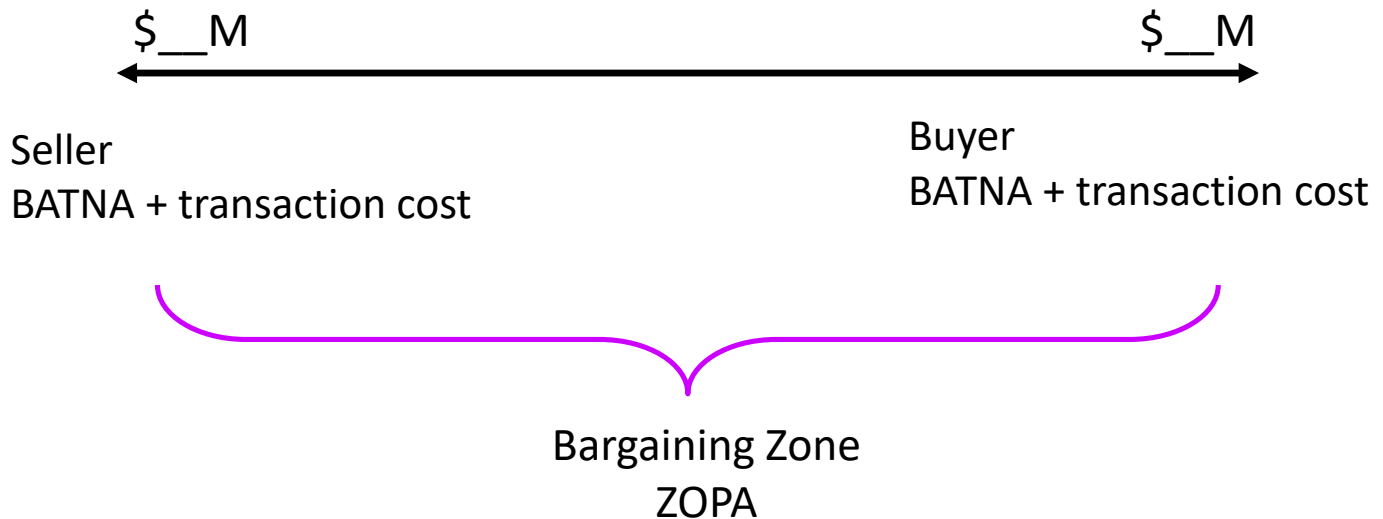
Manage expectations
by gauging your BATNA
as a benchmark for
satisfaction



Distributive Strategies



Zone of Possible Agreement



Impact of the First Offer

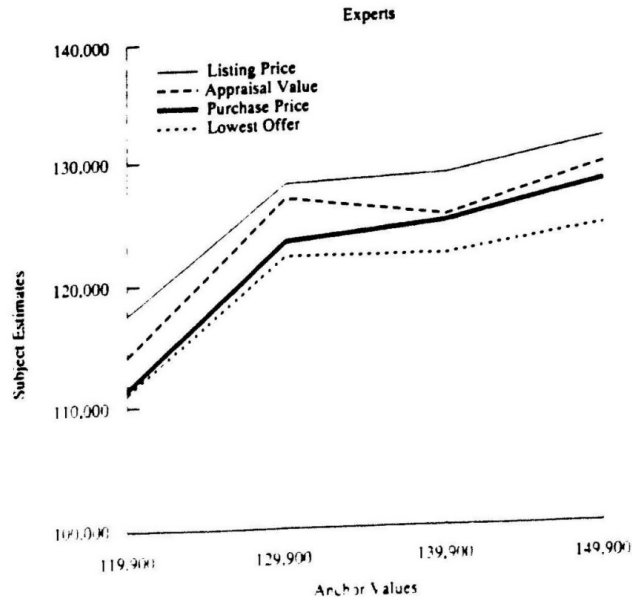
- Do we need to make the first offer?
- Yes or No?
- Why?

Impact of the First Offer

Initial offers provide a psychological **anchor**. The other party's adjustment to this offer helps to legitimate the anchor

From Neale and Bazerman (1991)

Field Study: Replicates Impact of Anchors on Experts



Real-estate agents: Listed Price Functioned as an Anchor on all Four Estimates (Recommended Listing Price, Estimated Appraisal Value, Recommended Purchase Price, and Lowest Acceptable Offer) (Northcraft & Neale, 1987)

Objective vs Psychological Reference Points

- Beyond BATNAs, multiple focal points:
 - Past purchase price
 - Past appraised value
 - Appraised value
 - Selling price of comparable
- Focus on numbers that help your distributive strategy!!

What if the other negotiator makes the first offer?

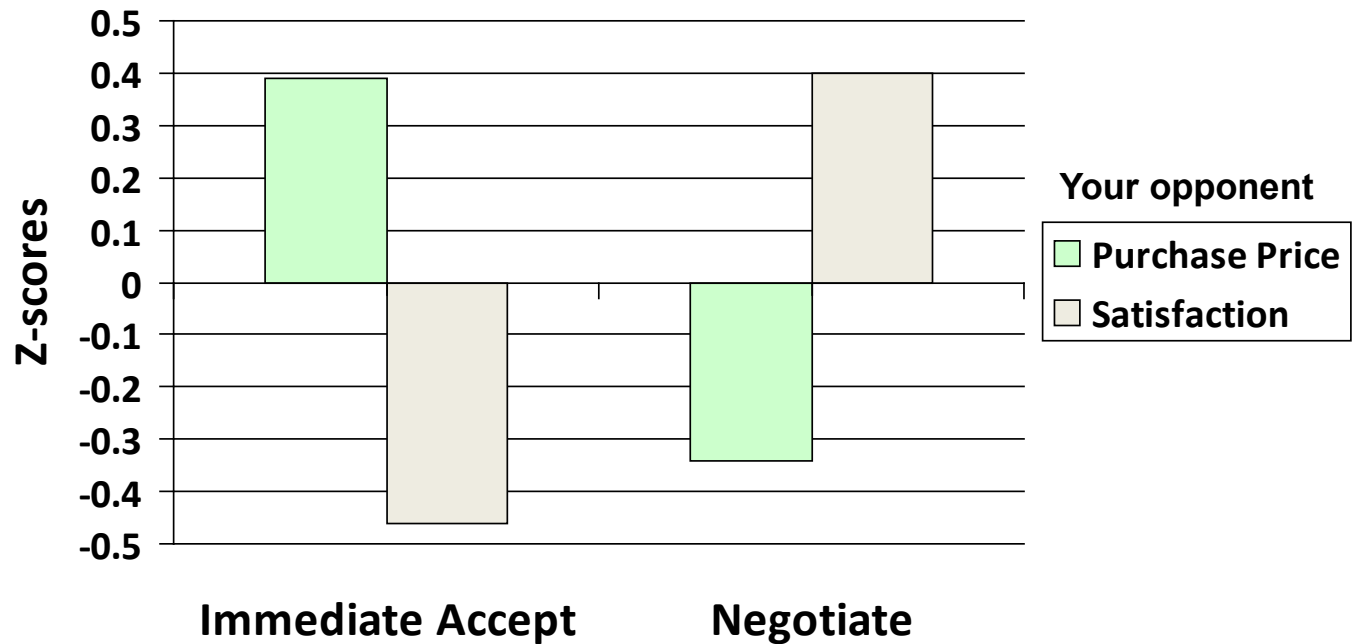
- Don't adjust your counter-offer!
 - Respond with your strategically planned aspiration
 - Don't make an a priori concession
 - Don't punish with a more extreme offer (Don't be emotional)
 - \$200 → \$2

What if the other negotiator makes the first offer?

Question:

What if your opponent's first offer is favorable?
Do we need to negotiate further? Or accept it immediately?

What if the other negotiator makes the first offer?



What if the other negotiator makes the first offer?

- What if your opponent's first offer is favorable?
 - Never immediately accept an opponent's first offer
 - Always HAGGLE to get a BETTER price
 - Opponent will be MORE satisfied if you “bargain”

Negotiation silently...



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Summary of Distributive Tactics

(Slicing the Pie)

- **Before**
 - Know your BATNA
 - Assess other party's BATNA and ZOPA
 - Set high goals
 - Prepare objective-appearing rationales (persuasion tactics)
- **During**
 - Open first (aspiration): Anchoring
 - Immediately re-anchor if other party opens high
 - Do not make unilateral concessions
 - Watch the magnitude of your concessions
- **After**
 - Manage your expectations; Focus on BATNA & RP



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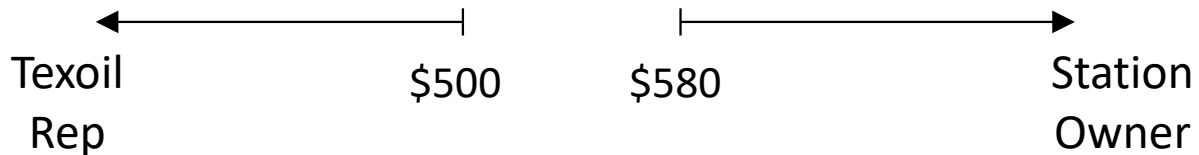
Texoil Negotiation

- **Seller:** Independent service station in the Port of Los Angeles is for sale by owner (owner & spouse)
- **Buyer:** Texoil, a large petroleum refining company is a potential buyer (VP operations)



Texoil Bargaining Zone

- No overlapping bargaining zone
- What can you do?



Texoil Bargaining Zone

- No overlapping bargaining zone
- Must create value
- Shift from single to multi-issues



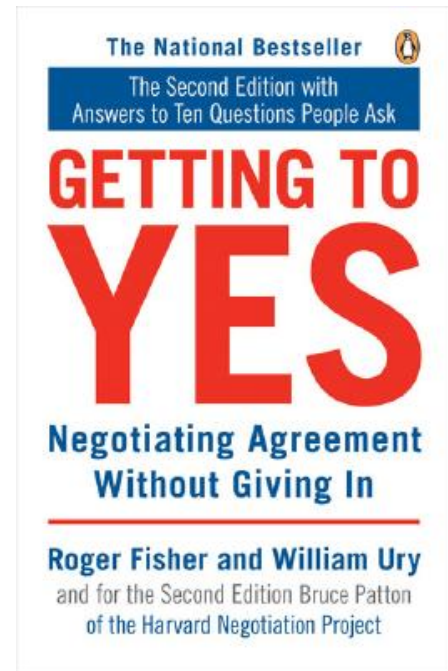
Fixed-Pie Bias





What is Principled Negotiation?

- **People:**
Separate people from problem
- **Interests: WHY?**
Focus on interests, not positions
- **Options:**
Generate many before deciding
- **Criteria:**
Base result on objective standard



Problem

Positional Bargaining: Which Game Should You Play?

Soft

Participants are friends.

The goal is agreement.

Make concessions to cultivate the relationship.

Be soft on the people and the problem.

Trust others.

Change your position easily.

Make offers.

Disclose your bottom line.

Accept one-sided losses to reach agreement.

Search for the single answer: the one they will accept.

Insist on agreement.

Try to avoid a contest of will.

Yield to pressure.

Hard

Participants are adversaries.

The goal is victory.

Demand concessions as a condition of the relationship.

Be hard on the problem and the people.

Distrust others.

Dig in to your position.

Make threats.

Mislead as to your bottom line.

Demand one-sided gains as the price of agreement.

Search for the single answer: the one you will accept.

Insist on your position.

Try to win a contest of will.

Apply pressure.

Solution

Change the Game—
Negotiate on the Merits

Principled

Participants are problem-solvers.

The goal is a wise outcome reached efficiently and amicably.

Separate the people from the problem.

Be soft on the people, hard on the problem.

Proceed independent of trust.

Focus on Interests, not positions.

Explore interests.

Avoid having a bottom line.

Invent options for mutual gain.

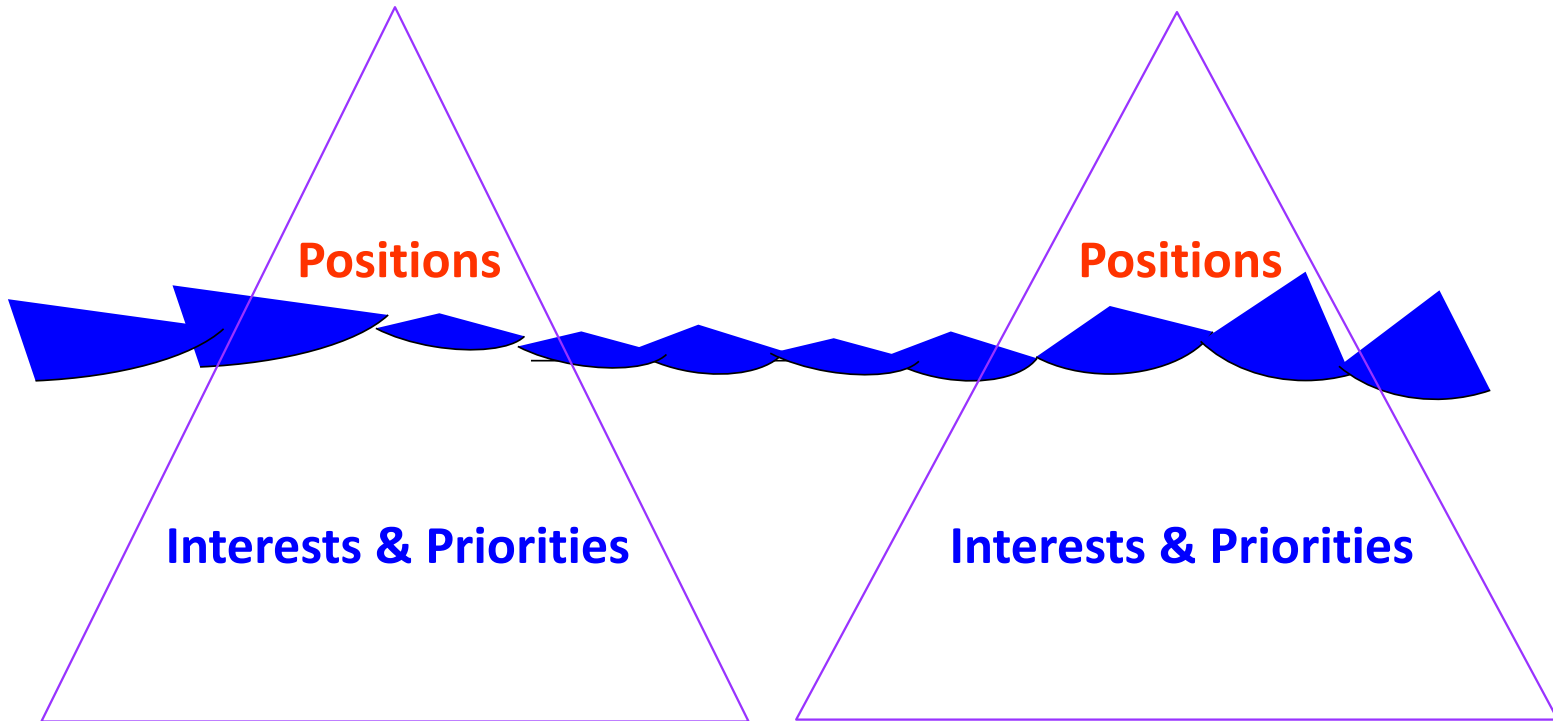
Develop multiple options to choose from; decide later.

Insist on using objective criteria.

Try to reach a result based on standards independent of will.

Reason and be open to reason; yield to principle, not pressure.

Negotiation an Iceberg



Texoil Financial Breakdown

Issue	Self (Station Owner)			Other (Texoil Rep)		
	Priority	Position	Underlying Interest	Priority	Position	Underlying Interest
Price	1	high - justification (sales pitch); target \$750; reservation \$580	sell so can take trip	1	Low, target 400 +/- Reservation 700 +/- (always try to guess numbers even if you have no clue)	Buy cheap and be as profitable as can be
Boat	2	Owe \$ 230K and need \$68 to be ready to sail	Need a boat to fulfill life dream...	?		
Job	3	\$75 K (target 100K)	Need \$ or income upon return from boat trip	2	?	Need experienced station managers
Living Expenses	3	\$75K estimated for food, clothes, insurance, gas		?		
Gas		Part of \$75 of living expense	Present as separate issue because Texoil might be willing to pay for gas	?		might be willing to sponsor trip??? Cheap ad revenue...
Maintenance	4	\$40 K boat maintenance and repairs during 2 years of sailing	Insurance while sailing	?	might be willing to cover maintenance/insurance (better insurance rates as big firm...)	Prefer cheaper price upfront i.e. trade-off with price
etc...						

Profits = Net Above BATNA

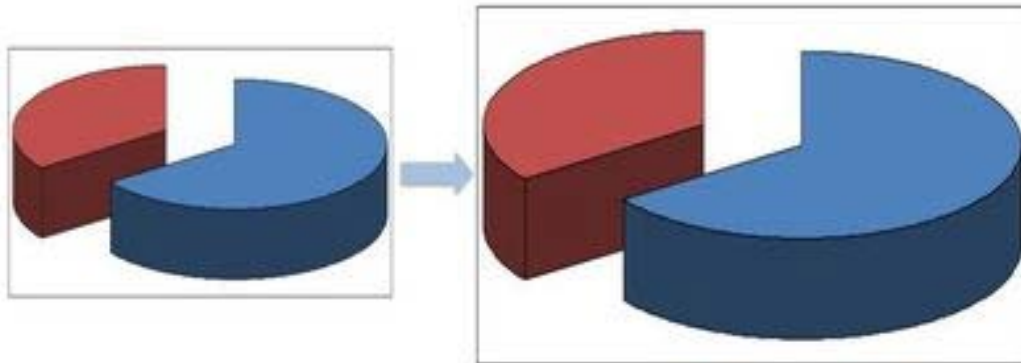


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Profits = Net Above BATNA

Integrative Bargaining: Increase the Size of the Pie



Key Takeaways for Negotiation

- Beware of the fixed pie bias
- Shift from single- to multi-issues
- Build Trust
- Principled Negotiation: Ask “Why?” Ask “What if?”
- YOU are responsible to create values



Communication

Communication Simulation

You are an office manager overseeing a department of 8 people. One of your associates comes to you and complains about Pat's unpleasant body odor and how difficult it is to work in the same area. How would you say to Pat?

“Criticism is futile because it puts a person on the defensive and usually makes him strive justify himself. Criticism is dangerous, because it wounds a person's precious pride, hurts his sense of importance, and arouses resentment.”

– Author of *How to Influence People*

Pain is temporary, pride is forever

Sandwich Feedback Technique

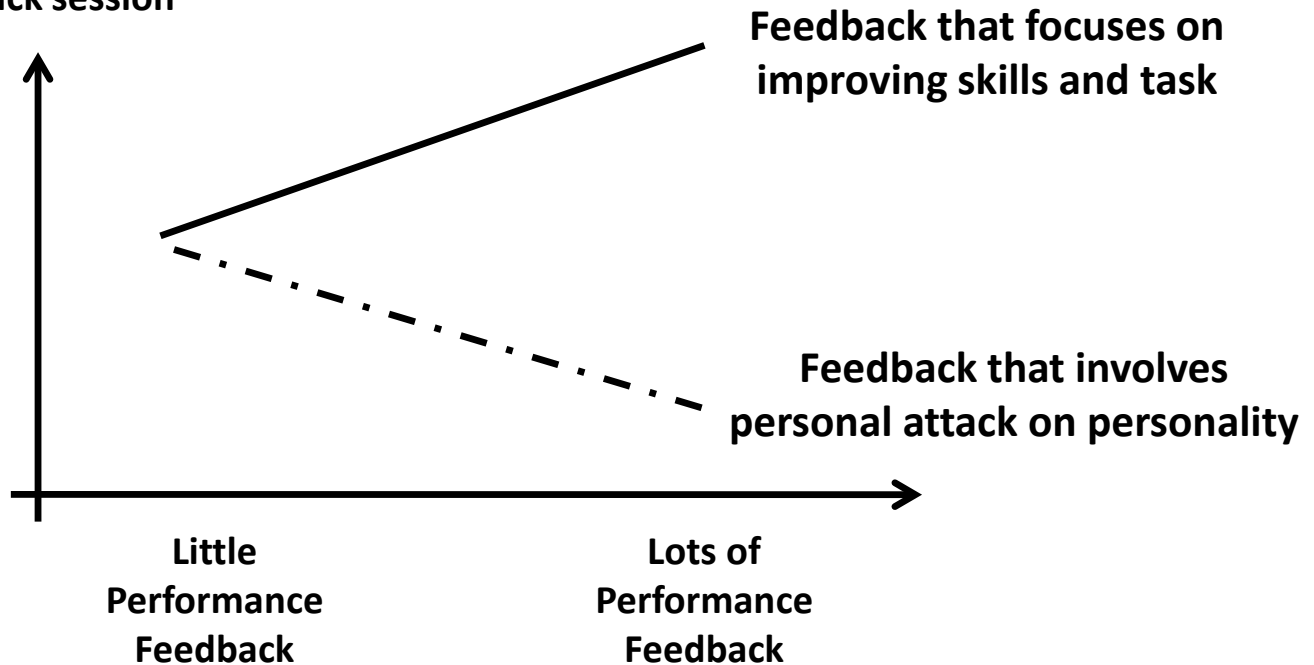


- What do you think about the sandwich technique?

Funny Critical Conversation that
Happens in Real Life

Science on Critical Conversation

**Performance after
feedback session**



Kluger, A. N., & DeNisi, A. 1996. The effects of feedback interventions on performance: A historical review, a meta-analysis, and a preliminary feedback intervention theory. *Psychological Bulletin*, 119, 254-284.

Critical Conversation

- Private (1-1)
- Describe what happened.
- Discuss negative consequences
- Solution (**Feedback that focuses on improving skills and task**)



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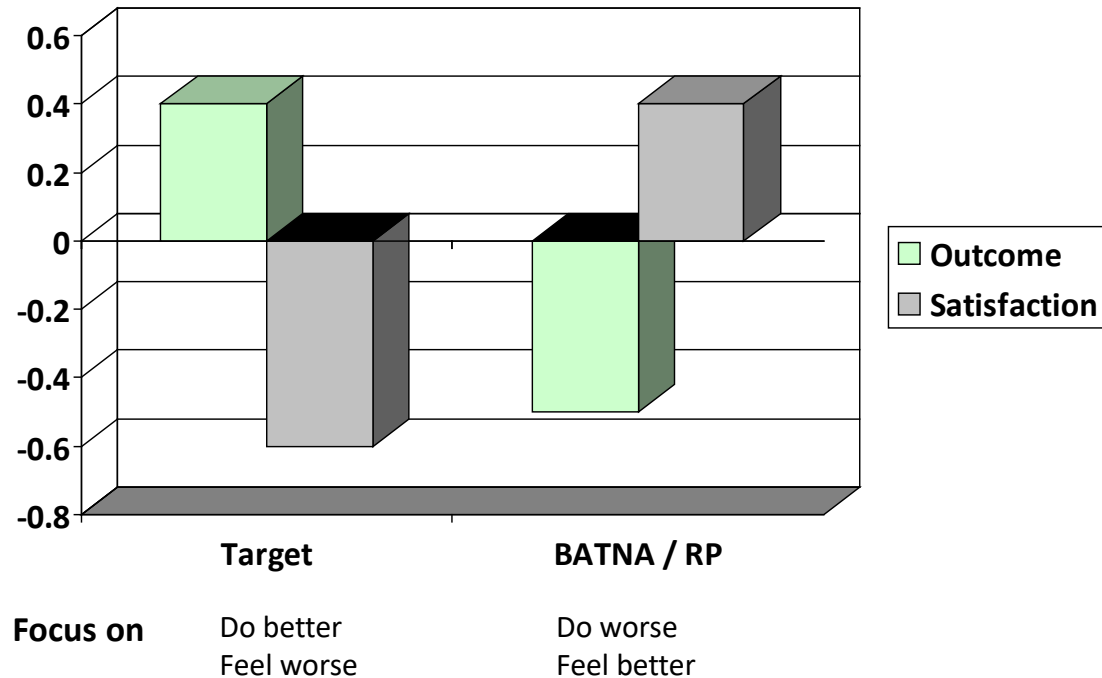
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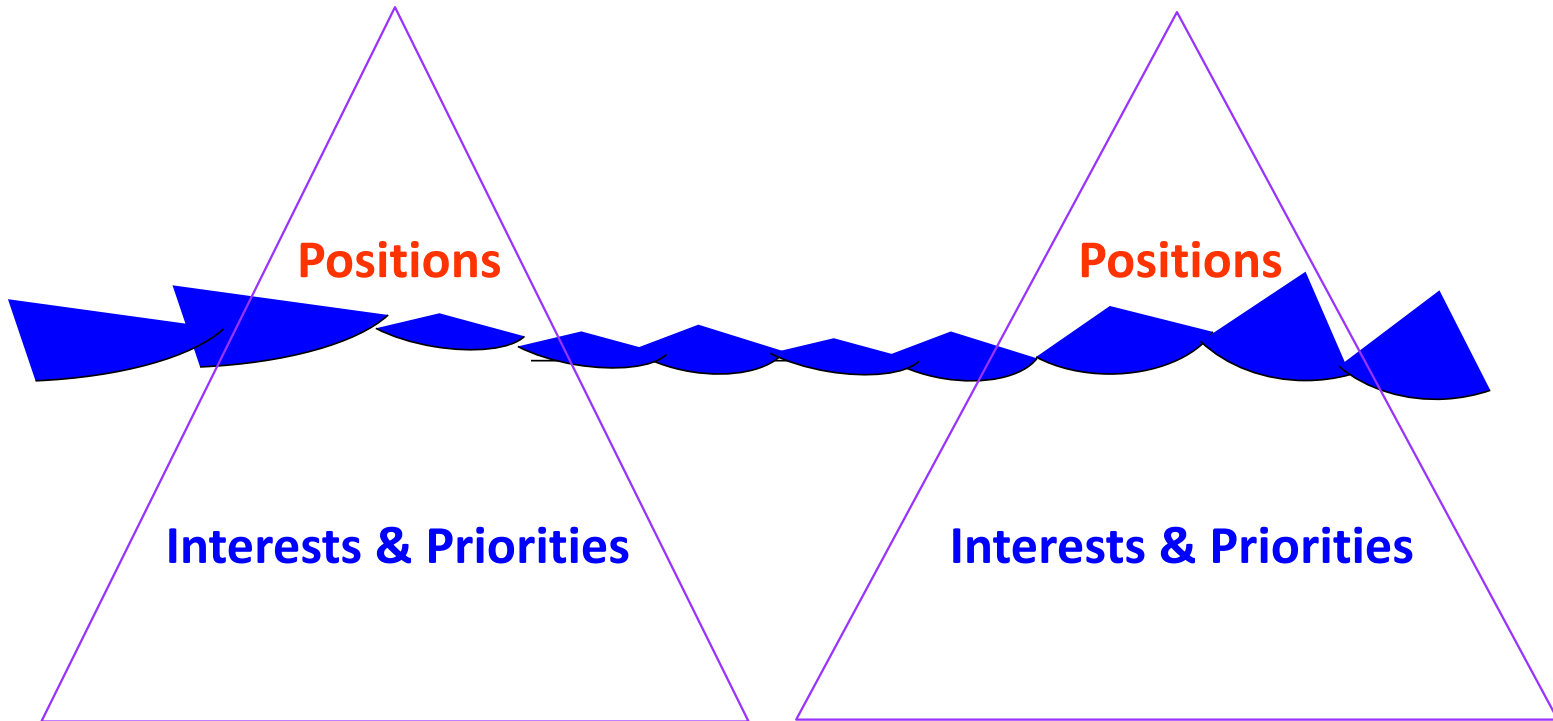


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Non-verbal Communication

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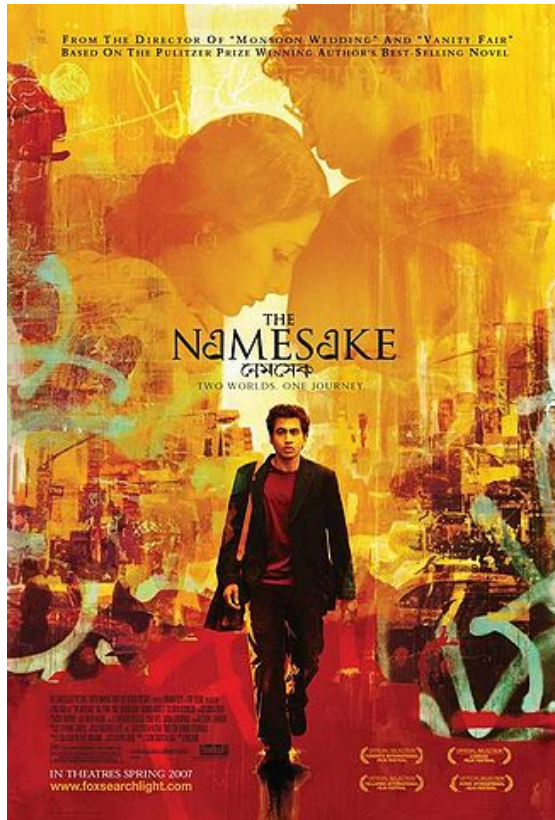
- Eye contact
- Personal space
- Speaking time and volume
- Silence (the video last week)



What are some of the pros and cons of using non-verbal cues?

Non-verbal Communication

- Eye contact
- Personal space
- Speaking time and volume
- Silence (the video last week)
- What are some nonverbal communication challenges?



Scene: Nickhil (Nick) brought his girlfriend Maxine to meet his Indian parents...

Examples of nonverbal communication challenges?