

Negotiation

Heriot Watt Edinburgh Business School

‘Nothing is agreed until everything is agreed’

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Module 1 What is Negotiation?

Alternative Methods of Making Decisions

1. Say "No"

It is appropriate when you cannot endure the offer but you can endure the consequences.

2. Persuasion

The Selling Approach: Sales people persuade people to make decisions in their favor by selling benefits. Inability to persuade, however, leads to conflict.

This approach can persuade someone to say 'yes'. The advice to sell benefits not features. Persuasion is usually the first method we want something. When persuasion works is a fine method, but when it does not work, it often leads to tension and conflict.

3. Problem-Solve

Requires trust between parties and recognition that the problem is mutual. But candor could be used against you.

4. Chance

Decide by tossing a coin.

5. Negotiate

Mutual dependence of each decision maker on the other, and involves voluntary exchange of something you want for something they want.

This option includes conditions as mutual dependence of each decision-maker on the other. It usually involves getting something, tangible or intangible, in return for your consent

6. Arbitrate

when decision-makers cannot agree, third party involvement can be contemplated. The arbitrator should be acceptable to both parties and the decision must be accepted.

7. Coercion

Involves the application of pressure by informing the other party of the consequences of saying 'no', either with a friendly face or by blatant intimidation. Leads to retaliation.

Various degrees of coercion are common in many conflict situations. Threats lie on a continuum from a gentle reminder that you have an option through to a declared intention to use violent intimidation to get your own way

8. Postpone

Buys time for emotions to settle, but may also be seen as a blocking move to refuse any agreement. Common practice of countless organizations.

countless organizations attempt to resolve internal disputes and isolate the traumas of disagreement by forming 'working parties' or 'subcommittees', which effectively postpone the decision long enough to secure agreement, or long enough for the parties to forget about it.

In some situations, an attempt to postpone a decision could be interpreted as a form of coercion, or as an underhand refusal to agree

9. Instruct

This is the appropriate choice when the person instructed is obliged and certain to carry out the instruction.

The efficacy of instruction rests entirely on the probability of the instruction being obeyed. If it is unlikely to be obeyed a switch to another method is needed.

Managers do not normally expect subordinates to question their instructions when their instructions are within the terms of their relationship.

10. Give in

This is what we do when we accept an instruction, because it is a fair instruction or to argue would be fruitless or need too much time. Giving in is not as weak an option as it sometimes seems. Every time you buy an item at the seller's asking price (take it or leaving), you are giving in.

What is negotiation?

Negotiation as a decision-making technique is appropriate when:

- People **voluntarily want to** exchange things that they have for things that they want, creating wealth in the process.
- Each party needs the **consent of the other party** and thereby effectively has veto-power. Because parties cannot simply take what they want, each party must accommodate the other party as well.

Negotiation has developed as the process through which the activity of **trading** and **exchanging** tangible or intangible things between people is conducted.

“Give me some of what I want and I will give you some of what you want”.

Negotiation differs from instruction and coercion, in the way that it **employs the principle of voluntary exchange** between two parties who cannot, either take what they want, or get what they want, unless they **accommodate** in some way to the wishes and desires of each other.

Negotiation is about finding out if there are terms for co-operation that are acceptable to both parties.

Advising Negotiators (Approaches to negotiation)

- Description
- prescription
- prediction

Are different, yet overlapping, approaches and, by recognizing which is being used in discussions about negotiation, we can assess the relative credibility of contributions to the pool of advice.

Description

Describing events that have relevance to the negotiation is useful. Should not go beyond stating facts, even though it is those facts that may lead to disagreement about what is and what is not.

Description is:

- About what actually happened in a specific negotiation.
- “to narrate” is subject to people’s interpretation, based on beliefs and experiences.
- Neutral and does not go beyond stating what happened, but in practice, it is often controversial.
- Does not preclude analysis.
- The views of what ought to happen are usually subjective and they often depend entirely on the interests of the advisor.
- A question as to “why” an advisor feels that something ought to happen will indicate whether his belief is based on personal prejudices or credible evidence or experience.
- When we move from description to prescription we move from describing what actually happens to what, in our view, ought to happen.
- Minutes and transcripts of negotiations and the personal accounts and memoirs of negotiators (to eliminate personal bias) provide much evidence

‘Before we can prescribe, or predict, a minimum amount of description is normally required’

Prescription

- Prescribing is what is done when think about what ought to happen.
- Asking for advice is asking for a prescription.
- An example of a prescription is:
 - To avoid interrupting other people because experience taught us that it blocks fruitful negotiation.
 - You must reject his offer and wait until he improves it
- Prescription can be based on objective analysis or opinion.
- Prescription is the view of what you ought to do.
- Prescription is advice what I think you should do. It does not have subject.
- Prescription is closely related to prediction.
- usually subjective views and they often depend on the interests of the advisor
- prescriptions could be influenced of belief, personal prejudices, founded on any credible evidence or experience

Prediction

Predictions are statements about what we think will happen.

- This is the crucial one in negotiations because it is our predictions that we act upon and they either turn out to be true or they are proven false.
- Prediction involves claiming that a certain event will happen in the future.
- Not all prediction is based on hard evidence.
- Prediction is closely related to prescription.

Example difference prescription or prediction:

When Rodney continued to press for a tough line (**prescription**),

He claimed that he knew Pascoe would crumble if they were pushed hard enough (**prediction**).

○ Prediction, which can be tested.

- scientific prediction
- the predicted event either occurs as predicted or it does not

Example: In this negotiation with the buyer, I will achieve at least a price of 2 million ECUs for the license. -> Could be tested with the achieved price

○ • Prediction, which can't be tested.

- - Unscientific prediction (opinions)

Example: I could have got a better price than the one you agreed to in that negotiation.

Module 2 Distributive bargaining

Mary wants to buy a used car. John is offering to sell his used car, for which he is asking £7000. Mary does not want to pay as much as £7000 but she is prepared to go as high as £6550. Though John has asked for £7000 Mary assumes he is prepared to sell the car for something less, but 'by how much less?' she wonders.

From this description of the situation, would you advise Mary to:

- Open close to her highest price of £6550
- Open much lower at around, say, £5550

Consider the answer you believe most appropriate on the information you have above before reading on.

○ Open close to her highest price of \$6550

She appears too close to her highest price. She risks paying more than she needs to as she would encourage John to compare her offer with his undisclosed lowest price and thus he would know that he could do much better and try to test her resolve.

She would provoke John into being more resolute in defense of his opening price or even motivate him to increase it. As a result, she takes her business elsewhere!

○ Open much lower at around, say, \$5550

If Mary opens too far below her highest price. Her bold low opening offer tactic risks antagonizing seller into a deadlock!

Best strategy

- Determine other parties range before making an offer.
- Not likely, but if no other issues exist (single- issue negotiation), then there is no obvious solution.

Both negotiators strive hard to make the other do the moving towards to your price to win the contest.

- In these contests there is a **'winner' and a 'loser'** and people do not like losing.
- **lose-lose outcome:** Both negotiators could end up unhappy with the outcome.

- **Mary's best strategy** is to persuade John to disclose how little he is prepared to accept, without her disclosing how much she is prepared to pay.
- **John's best strategy** is the reverse: to persuade Mary to disclose how much she is prepared to pay without his having to disclose how little he is prepared to accept.

The buyer/seller dilemma

A negotiator opens with his **entry price**. This is the price he prefers if he can get it.

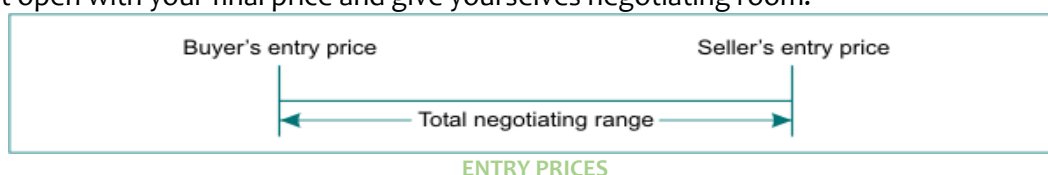
Motivations for the entry price could be:

- to cover a mark-up over his costs
- or from a 'gut feeling' he has for
- or some detailed knowledge of, what the market will bear
- or from a consideration of tactics

The total negotiating range is the gap between the entry prices of each negotiator.

Negotiation range implies **distance** and the need to come together implies **movement**.

But there is some limit beyond which they do not intend to go in the current circumstances. This point is called **the exit price**. It normally lies somewhere in the negotiating range between the entry prices of the negotiators. Hence, do not open with your final price and give yourselves negotiating room.



The exit price is the limit beyond which a negotiator does not intend to go in the current circumstances.

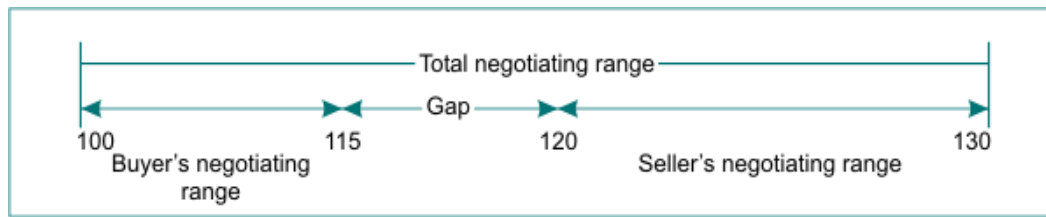


FIGURE 2: GAP BETWEEN THE NEGOTIATORS' EXIT PRICES

The gap is any area between the two exit prices that does not overlap with one another.



FIGURE 3: THE NEGOTIATORS' EXIT PRICES MEET

The essential condition for a single-issue negotiation to be successful is for the exit prices of each negotiator at least to meet. The settlement range is the single point 120.

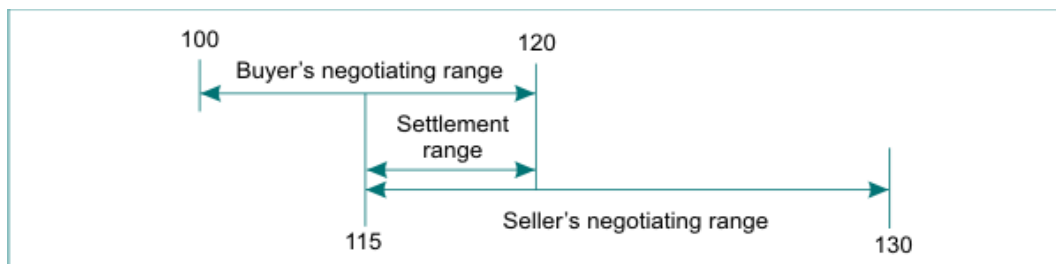


FIGURE 4: THE NEGOTIATORS' EXIT PRICES OVERLAP

The settlement range is the overlap between the exit prices of each negotiator, because within this range a settlement is possible, though, as always, it is not assured

Negotiator(s) might accept an offer in the settlement range or:

- keep trying to improve the price and see just how far he will go
- delaying a settlement might fall foul of the other's impatience
- after a generous offer he waits that the next move should come from the seller and not from him \Rightarrow such misunderstandings can stimulate a lot of aggravation

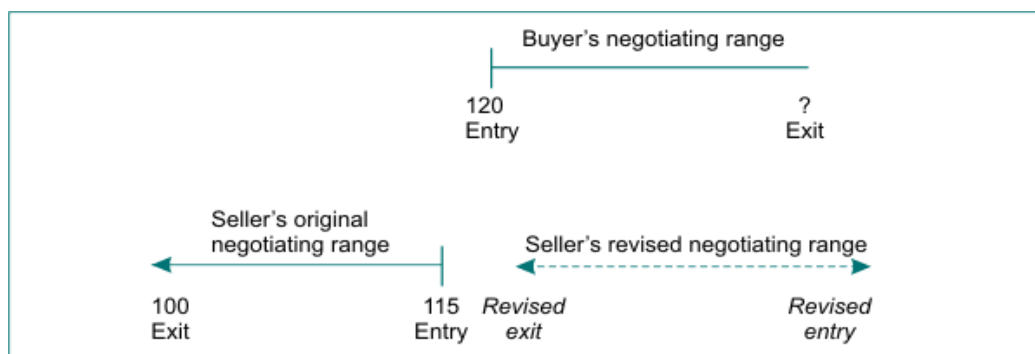


FIGURE 5: NEGOTIATORS' WITH OVERLAPPING ENTRY PRICES

When a negotiator discloses his entry price he also implies something about his exit price. If buyers offer (entry price) is higher than sellers entry price, the seller will immediately revise his negotiating range and will increase (\geq buyer's entry) the exit price to match the buyers entry.

The Run Down Bar Example:

- Seller believes selling a run down bar and sets their price accordingly.
- Buyer is being something else, which is to them much more valuable (real estate), but did not disclose their intentions.
- Sellers sold at their asking price. Buyers flipped the property for 15x profit.
- Moral: Know what the value may be, even if not obvious.

The Negotiators' Surplus

The settlement price (designate as P^*), is any price in the overlap between the exit prices (settlement range) where the negotiators meet.

The seller's surplus:

The difference between any settlement price P^* and the seller's exit price (which I shall designate as S)

$$\text{Seller's Surplus} = P^* (\text{Settlement Price}) - S (\text{Exit Price Seller})$$

The buyer's surplus:

Any settlement price P^* that is less than the buyer's exit price (which I shall designate as B)

$$\text{Buyer's Surplus} = B (\text{Exit Price Buyer}) - P^* (\text{Settlement Price})$$

The negotiators' surplus:

Together the buyer's and seller's surpluses constitute

$$\text{Negotiators' Surplus} = \text{Seller's Surplus} + \text{Buyer's Surplus}$$

The entire settlement range is the **negotiators' surplus** that has to be distributed between them.

The difference between the exit price of either negotiator and the **settlement price**, which is somewhere in the settlement range, is the **sellers' surplus/ buyers' surplus**:

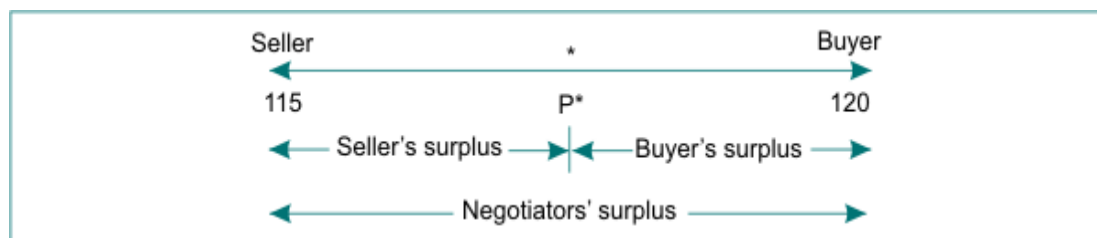


FIGURE 5: NEGOTIATORS' WITH OVERLAPPING ENTRY PRICES

- Any proposal from the buyer to settle at a price less than 115 would be unacceptable to the seller.
- Any proposal from the seller to settle at a price above 120 would be unacceptable to the buyer.

These are just the principles. Neither negotiator knows exactly how large the settlement range is. The further away negotiators move from their entry positions, the harder they often fight to protect their positions. It is entirely possible that there is a settlement range between negotiators, but they still end up in **deadlock** because of this.

How the Negotiators' Surplus helps form a strategy

- There is no way of knowing for sure that any particular offer is as far as (exit price) the other negotiator will go.
- Assume that the first offer is never an exit offer. It follows that all offers should be treated as if there is another, last or exit, offer in reserve.
- The broad strategy is to move the price to the others exit price.
- Sharing the surplus, knowing the other's exit price, but it gives an advantage to other negotiator, unless it discloses a false one. To be sure that other disclose his correct exit price built trust with repeated deals or eg. a money back guarantee if buyer is not satisfied.

Mediation could be defined as a method of discovering if there is an available surplus for the negotiators to distribute without jeopardizing their longer term interests.

If you believe the other negotiator is pretending that his current offer is his exit price, you could express your doubts about the offer with statements like:

- 'I know you can do better than that'.
- 'Nobody can realistically expect to offer so little with the profit levels you have attained this year'.
- 'Are you kidding?'
- 'Can you be serious?'
- 'Do you think I am stupid?'

Should the last offer be close to, or at, his exit point, and you are pushing him to move but he cannot. The situation for him is analogous to that of the innocent prisoner interrogated as a suspected member of a conspiracy.

The more the negotiator protests that his current price is his exit price, the more he convinces a negotiator who is predisposed to assume that he is lying that his suspicions of duplicity are justified.

Frustration leads to anger and in negotiation it leads to deadlock
(in interrogation, unhappily, it can lead to violence)

You have no way of knowing for sure that any particular offer is as far as the other negotiator will go. Always assume that the first offer is never an exit offer, refrain from treating a first offer as if it were. All offers should be treated as if there is another, last or exit, offer in reverse.

Negotiating situations where both negotiators know each other's exit price, or where they can make a good guess at it: partners negotiating the distribution of a known commission, sharing a known prize in a lottery.

Fairness as a distribution principle operates most effectively where there are no asymmetries in the claims of the negotiators for their share of the sum available.

To prevent these asymmetries being overlooked by a one-sided manipulation of the negotiating process, we should arrange for each negotiator to declare their price in some honest manner at the start of the negotiation rather than leave it to be inferred, and perhaps misjudged, or even misrepresented, during the negotiation.

The strategic problem of **uncertainty about the values and interests** of the other negotiator can be addressed by looking for clues as to what determines where, and why, the other negotiator is likely to place his entry and exit points. People do not set their goals arbitrarily, and searching for the basis of their goals is essential if we are to prepare for what they might look for when they attempt to do business with us.

Do not underestimate the powerful background effect of the notion of equity in the distribution of a surplus between the negotiators. It pervades a great deal of the thinking people have about what is, and is not, a good deal for them.

Find a distribution of the equity that met both negotiators' objectives

Licence Negotiation

How to estimate the other parties range:

- Know your own direct and indirect costs relating to the project:
 - **Licensee's costs (buyer)**

Supplying costs the product in the market, selling costs and marketing costs (to find potential customers, acquisition costs, training costs, opportunity costs).

- **Licensor's costs (seller)**

Developing (work time, material...) and research costs, experienced costs (time, travel and accommodation) in prospecting for potential licensees, transfer costs (train the employees and implement the marketing plans...) and opportunity costs

- Estimate the other parties cost and the total revenue to be derived. This allows an estimate of net income.
- The net income of the project should indicate the other parties exit price.

TOTAL REVENUE A+B+C+D	Licensee's share (A+B)	A	Licensee's supplying and selling costs	Licensee's costs
		B	Licensee's share of the total revenue net of own costs and licensor's costs	PROFIT FOR NEGOTIATION (B+C)
	Licensor's share (C+D)	C	Licensor's share of the total revenue net of own costs and licensee's costs	
		D	Licensor's transfer costs	Licensor's costs

TABLE 1: THE NEGOTIATION RANGE IN A LICENCE AGREEMENT

Problems with Estimating:

- Each party likely to pad their own costs and discount to the other parties.
 - You believe other parties costs are lower than they think
 - Other party believes your costs are lower than you think.
- Anticipated total revenue available may be different from each parties perspective.

Licensor should also consider:

- Protection of his intellectual property rights, including patents, in the product and future derivatives.
- Protection of his technology.
- Specifying strictly and exactly what he is licensing to avoid doubts about future developments
- Specifying the conditions under which the licence can be terminated
- Specifying how much of the development costs Satran can recover from the license.
- Specifying what share of the costs are the responsibility of each party

Module 3 Preparation for negotiation

Farmer Jones

What is the point of trading a sack of potatoes for a sack of potatoes?

- Determine what is available for trade for your goods/service.
- Analyze the market to determine what is suitable to trade for.
- Advertise what you are prepared to trade, for acceptable goods/services and terms. ⇒ new markets even for better deals.

The activity of preparation reduces wasted effort and time, identifies gaps in the information needed to make decisions by trading, and establishes the criteria for judging the merits of possible traded solutions.

Much of time spent in face-to-face negotiation is prolonged because of no preparation.

The Negotek Preparation Method (Negotiation Ltd.) supports you in your preparation.

What Do We Need to Do First?

The first task of a preparation session is to identify the data relevant to the negotiation and, before doing anything else, to arrange, collect and analyze it.

The first task in a (difficult) negotiation before taking any course of action:

- Collect and analyze **data**
 - Data is more persuasive than unsubstantiated opinions
 - Seek evidences that supports credibility of data useful
 - Keep emotions out of picture
- **Good causes have been foiled by lack of data, or the sloppy collection and analysis of data, and even by the total incomprehension of the data.**
 - **Negotiation is a means of making decisions on the basis of data.**

Identify the Tradable Items

Having collected the data, you would have to prepare a workable proposal and be ready to respond to one that might come from the other negotiator.

Decide what you wanted to happen, and given the information you have to hand and the working assumptions you can make, you must decide what you can negotiate about to achieve what you wanted

An important part of every preparation is to **collect data**. The collection of data and its analysis support your proposals.

The negotiators are guided to their wants by identifying their **interests** (motivators) and from their interests selecting the **issues** that will achieve those interests, and for all issues they would need to decide their **positions**, or preferably the range of positions that they will aim to achieve.

Interests are the motivations (fears, hopes, concerns) of a party that show “why” one solution is preferred to another. They encompass the overriding goals of the party.

Interests are most conveniently found by asking ‘why?’ you want something to happen. Wants are what you want, interests are why you want them.

The negotiable issues and the positions achieved within the range of possible solutions deliver the negotiator's interests.

- **Negotiators have interests because they are motivated to prefer some outcomes to others. It is the preference for a particular outcome that suggests the presence of a negotiator's interest.**

Accept changes in positions or a switching of issues to meet our interests, and it is through this flexibility that we both seek to influence each other expectations

Types of interest:

- **Common interests** are interests, which achieved benefits both negotiators.
- **Competing interests** are interests which if achieved benefit one negotiator but not the other.
- **The dispute** is a disagreement on the solution to a certain subject where both parties have interests.

An **issue** is a decision for negotiation, which must be agreed by both parties.

Negotiators prioritize issues, as it is by trading among the issues that the negotiator finds the solution. The negotiable issues constitute the agenda.

- Negotiable issues, if agreed, deliver the negotiator's interests.

A **position** is a point in a negotiation range.

There is a range of positions on each issue. The negotiator's entry and exit points are positions, as are all points between them.

- Positions, if agreed, deliver the negotiable issues, which deliver the interests.

Negotiation is a means of making decisions on the basis of data.

⇒ 'What issues and positions will deliver our interest(s)?'

A **tradable** is anything (issues and positions) that a negotiator trades, or can trade.

In short, the single word tradable replaces the two words issues and positions.

- The trades they agree to on each issue and position are the output of the negotiation.

Examples of tradable:

- | | |
|--------------------------------------|--|
| • price | • maintenance |
| • trade-in value | • delivery |
| • financing \$ (e.g. amount of loan) | • when paid |
| • interest rate | • how paid (cash or credit note) |
| • down-payment | • rate of penalty |
| • training | • amount of incentive |
| • warranty period | • minimum acceptable uptime of a machine |
| • software | |

The trades negotiators agree to (or not) on each issue and position are the output of the negotiation.

Royale Project Team & Duval Case

Mustafa Computer deal Case

FACULTY BOARD, MOD 7, Styles of negotiation

Why do you want to sell your house? Interest is why you want to sell it – e.g., you need to move to better location; larger family (kids, in laws).

Issue: selling the house. Nothing more. No mention of the amount at all. Candidates in the negotiation exam who mention a quantity when identifying issues ALWAYS fail such questions.

Positions: negotiators think in ranges of positions from the most/least they ask for (Entry) to the least/most they will accept (Exit), as things stand (they might vary the range of positions depending on what they can trade for it).

Hence: your interest is to move location; the issue is to sell the house; the position: is the price between 500,000 and whatever.

Issues are not positions. We often identify an agenda item: sell the house, before we identify a position, and as our exit price is also a position, which we do not disclose, it does not appear on the common agenda! To say 'we want to sell the house for 500,000' is to state a position in our range of acceptable positions, undisclosed between our entry and our exit prices.

Yes, any price in our range (as things stand) is acceptable, though it may not be acceptable in practice if the conditions placed on that price in our range by the buyer is unacceptable.

How important is each tradable?

For many negotiations, the main tradables can be identified fairly easily. Even though identifying the tradables is easy and quickly completed, it is worth the effort because it is very easy to miss minor tradables rushing to settle what appear to be the most important tradables, only to find out that minor tradables later appear in importance.

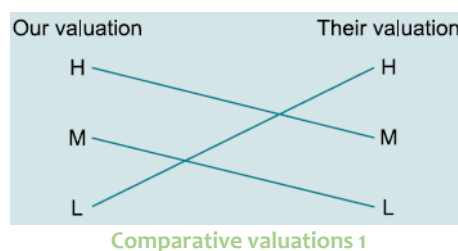
Negotiators often concentrate on the obviously important tradable of the price of something and neglect to cover themselves on seemingly unimportant tradables - Ex: warranty

Typical sort into High, Mid and Low value tradable items (also in Negotek):

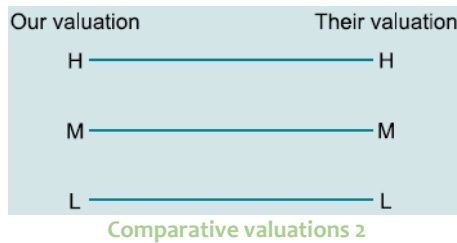
- **High value:**
 - Need to be obtained if there is to be an agreement at all (must criteria, “walk away” criteria).
 - The highs could become, ultimately, the ‘walkway’ issues that make agreement impossible. Thus, be careful about what you designate as of high importance and of high priority.
 - Inexperienced negotiators tend to make almost everything of high importance, which increases the risk to an otherwise acceptable agreement.
 - Too many high priority tradables leads to overvaluing certain issues, which increases the risk to an acceptable agreement. Your false sense of priority gets in the way of movement
 - The fewer, the better.
- **Medium value:**
 - Those tradables you expect to achieve your positions but which would not cause you to walk away from an agreement.
 - How well you do in negotiating the tradables you prioritise as of medium importance is a personal measure of your negotiating skills.
 - Effective and well-prepared negotiators would want to have more tradables prioritized as of medium rather than of high importance.
- **Low value:**
 - Low is for all those tradables that are available in the negotiation but which, while you prefer to reach your positions in each one of them, you are *willing to trade them close to – or even beyond – your exit points*, to enable achieving positions with the tradables you have designated as medium or high.
 - Lows are *not ‘giveaways’* i.e do not give them up unilaterally to the other negotiator because you place a relatively low value upon them (*in negotiation, nothing is given away – it is always traded*).
 - If you give away lows you throw the whole burden of trading onto your medium and high tradables and in consequence you may have to go further towards your exit positions on important tradables

Recognize that your low or mid value items may be of high value to the other party, therefore do not part with them cheaply.

Try to identify the valuations of the other party on each tradable to identify what may be easily exchanged.



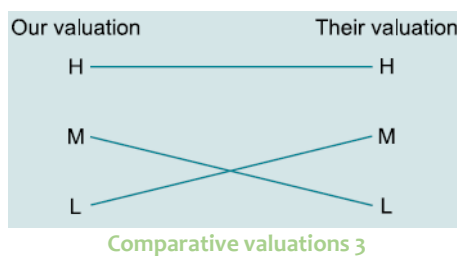
The differences in valuation make trading across tradables a possibility. We could trade our high for their medium, our medium for their low and our low for their high. Residual is debatable.



The identical valuations do not make negotiation easier (could lead to long debate) but they are not such an impassable barrier as they seem:

- If there is an overlap in the ranges (entry and exit points) for each of the tradables, we can trade across the overlaps.
- Is it possible that movement on one or two of the identically valued tradables would ensure movement by the negotiators on a third tradable?

If yes, we can trade compensatory movement in one or more tradables for movement in one or more of the remainder.



It is more representative of the real world – valuations tend to be mixed. Here we could trade movement between our medium and their low and their medium and our low for compensatory movement between our high and their identical high.

What are the Negotiable Ranges for Each Tradable?

For each tradable, it should be determined an entry and an exit point.

The **Negotek Planner** sometimes called the **PREP Planner** is a layout design for the useful and necessary information for preparing a negotiation. At a glance you can see the relative importance of issues, ranges, and potential tradables in the negotiation.

EXAMPLE OF A VALUATION (NEGOTEK FORMAT)

Our Valuation			Their Valuation		
Priority of Tradables	Entry	Exit	(Exit?)	Entry	Priority of Tradables
High			High		
1	89%	70	?	70	1
4	High	Low	?	High Individual	3 5
Medium			Medium		
2	Annual	Quarterly	?	Monthly	2
4(a)	£10 000	£2 000	?	High	3
4(b)	1 Points	5 Point	?	£10 000	3(a)
4(c)	Monthly	Quarterly	?	1 Point	3(b)
			?	Monthly	3(c)
Low			Low		
3	Low	Self-financing	?	Low	4
3(a)	£2 000	£4 000	?	£1 000	4(a)
3(b)	5 Points	1 Point	?	5 Points	4(b)
3(c)	6 Monthly	Quarterly	?	6 Monthly	4(c)
5	All	Individual			

Very difficult to speculate as to other parties ranges (entry and exit points) and their priorities on each tradable.

- Negotiators prefer to give themselves a *range of positions* in which to settle rather than attempt to secure a *fixed position*. The latter almost always requires the other side to give in and this alone is difficult to carry through in the context of a negotiation.
- If they must give in to our position, why are we bothering to negotiate? Moreover, if it is a negotiation why do we expect them to give in to our fixed position?

Preparation

- Negotiators who concentrate on developing a traded solution are going to waste less time in posturing than those who switch in and out of intimidation and surrender in an attempt to get what they want.
- Preparation:
Enables the negotiator to **formulate a solution** based on his real wants, rather than prejudices to the other party.
 - To discover real wants we must begin with the **data and analyze** what will meet our best interests, given that our best interests are often constrained by the need to secure others consent.
 - *Decide whether a **negotiated solution is possible***, and, if it is not, you will have to secure your interests by some means other than negotiation, or through negotiation with some other person, or revise your interests and your positions on the issues.
- Preparation, rather than reaction, forces the negotiator to consider solutions that are best for each party. It turns attention from the limited benefits of competing with the person you are negotiating with, to the far more fruitful benefits of engaging them in cooperation.
- It is hopeless to attempt to negotiate without any preliminary collection and study of the data – perhaps the problem is not what is happening but what we think is happening.
- Our thoughts must turn to two areas: what is negotiable in the situation (identify the tradables) and what we want most to happen if we are to secure our objectives (prioritize what we value into high, medium and low).

Benefits of Preparation

1. less emotional, more factual
2. to save wasted time and effort in the debate phase
3. to identify information gaps as an agenda for information seeking in the debate phase
4. to establish criteria for evaluating solutions and help to decide if a negotiated solution is possible
5. to identify and sort out the issues and positions (tradables) – knowing the differences in the positions
6. gives command of the data
7. knowing the differences in the positions identifies what are the possible solutions that would be mutually acceptable
8. to identify potentials for trade (between tradables, within tradables ranges)

Steps for preparation

Step 1: Collect and analyze data.

To be sure that we know what we are negotiating about, not to negotiate about impression, feelings and assumptions.

Step 2: Identify the interests and the tradables (NEGOTEK Prep. Planner).

Identify the interests of both parties and the tradables which affect the interests of the parties.

Step 3: Prioritize the tradables in HML (NEGOTEK Prep. Planner).

Use a simple High ('H'); Medium ('M'); Low ('L') approach where H are walk-away issues, M are issues you want to achieve and L are issues you are willing to trade (but **not** give away).

Step 4: Set out the tradables in HML order (NEGOTEK Prep. Planner).

Step 5: Add the entry and exit points (NEGOTEK Prep. Planner).

Add the entry and exit points for each tradable. At this point we have addressed all of the objectives of preparation listed earlier and are in a position to make a first-cut proposal.

Step 6: Anticipate as much as we can about the other party:

- the character of the negotiator (**Red** or **Blue** stylist)
- past negotiation experiences with this negotiator
- reputation

Module 4 Debate in negotiation

Debate is the act of two-way communication. We send and receive messages and confirm or revise our perceptions of the other party. The most effective debate is possible when we display debating behavior intended to keep the relations good and to get **information** on the other's positions.

Debate sets the tone for negotiation. It removes or creates obstacles to agreement. It conditions the expectations of the negotiators. It confirms their prejudices or overthrows them. It reveals or camouflages what the negotiators wants.

Debate determines if there can be agreement, but not what the agreement exactly looks like.

Debate takes up the greater part of the face-to-face interaction of negotiators.

On the basis of observation of many negotiations I estimate that the activity of proposing takes up about 10 per cent, and bargaining less than 5 per cent, of the time spent in direct contact between negotiators.

Debate takes up the rest (over 80 per cent) and covers all aspects of interaction that are not specifically those of proposing and bargaining: whenever we ask or answer a question, we are engaged in debate.

Debate takes up > 80% of all time spent negotiation. (Proposal ~10%, Bargain ~5%)

In the debate phase, you should aim to *discover the other negotiator's interests and inhibitions, as the negotiator requires information, particularly about the other negotiator's interests and inhibitions. No proposal can sensibly be made without some preliminary exploratory questioning and listening.*

Rackham & Carlisle on effective behaviors

- Neil Rackham and John Carlisle and their associates at The Huthwaite Research Group sought new training methods to improve negotiating skills in the early 1970s. They recoiled from 'people [who] stopped behaving in a civilized way and try to cheat and deceive each other without scruple'.
- Their solution came from research into what negotiators did in practice. They used behavior models from the social sciences to analyze what happened.
- Neil Rackham and John Carlisle also did research on 'effective' and 'average' negotiators. The absence of research into what happens when people negotiate struck them as challenging. One reason for this was lack of opportunity (my own research at Shell Haven was extremely unusual in this respect) and another reason was the lack of a research methodology.
- The proposition was simple: 'find some successful negotiators and watch them during actual negotiation to find out how they do it'.
- Rackham and Carlisle selected negotiators for close observation who met three criteria:
 1. They were rated as effective by both sides.
 2. They had a track record of significant success.
 3. They had a low incidence of implementation failures.
- Broad findings that skilled negotiators show marked differences in their use of the specified behavior categories compared with average negotiators. Though all negotiators draw upon all of the behavior categories, skilled negotiators use certain types of behavior more frequently and in those relative frequencies lies to key to effective negotiation.
- The hypothesis that follows from this research by Rackham and Carlisle is that if you train negotiators to replicate the proven identified skills of successful negotiators, then they can replicate their relative successes.
- First, a set of behavioral categories was determined (questioning, blocking, testing for understanding, and so on) and then the relative incidence of specific behaviors was related to how effective the negotiators concerned were judged to be by their peers.
- If effective negotiators used an identified set of behaviors, then negotiating training could concentrate on first introducing the trainees to the effective and ineffective categories of behavior, and then,

through role-playing and simulation they could be trained to use the effective behaviors more frequently and to avoid the ineffective behaviors.

- The weakness of the behavioral approach, but it is not a major one, is the (welcome) concentration on the behavior of the negotiators and how they interact to the (unwelcome) neglect of how to read the structure and culture of the negotiation.

Ineffective negotiating behaviors are such as jovial remarks*** (thereby irritating), defend/attack spirals ('it's not our fault'), immediate counter-proposing (thereby disagreeing), argument dilution with irrelevant material, and labeling disagreement (I disagree, because...).

***It is when 'jovial' remarks become treated as sarcastic that the problems begin.

What is funny to you may be treated as offensive to your listener.

There are no 'rules' about what is jovial and what is not. You should know the difference from your social experience.

To the extent that negotiation is a conversation, you should be aware of circumstances and context.

Prof Kennedy

Effective behavior is characterized by seeking information by questioning, testing for understanding by summarizing, behavior labeling ('Can I ask...?', 'Can I make a suggestion?'), and stating feelings ('I feel some doubts', 'I'm very worried', 'I'm not sure how to react') rather than expressing opinions, remaining silent.

The more you display effective negotiating behavior, the better you can maneuver yourself into a good debating position.

Behaviour	Comments	Mesasured Differences		
		Average	Skilled	Delta
		Use per hour		
Irritators (<i>Ärgern, Reizen</i>)	statements about own positions or offers ('generous', 'fair', 'reasonable (<i>vernünftig</i>)' etc.)	10.8	2.3	-8.5
		Frequency per hour		
Counter-proposals	immediately counter-proposing, which is perceived (<i>empfinden</i>) as blocking, being unreceptive (<i>unempfänglich, unaufgeschlossen</i>) and disagreeing	3.1	1.7	-1.4
		Percentage of Comments		
Defend/attack spirals	'Can't blame us', 'It's not our fault', 'You screwed up, not us'	6.3	1.9	-4.4
		Average numbers of reasons for each case		
Argument dilution (<i>verwässern, abschwächen</i>)	Using too many reasons to support a case – weak arguments diluting (<i>verwässern, schwächen</i>) strong ones	3	1.2	-1.2
		% of all behaviours		
Behaviour labelling	'Can I ask...?', 'If I may make a suggestion' – permits a formality that keeps debate unemotional	1.2	6.4	5.2
		% of all behaviours		
Labelling disagreement	'I disagree', 'You're wrong' followed by reasons, in contrast to explaining first then labelling	1.5	0.4	-0.9
		% of all behaviours - testing understanding		
Testing for understanding and summarising	Checking if previous statement has been understood and compact restatements of previous debate (active listening skills being displayed)	4.1	9.7	5.6
		% of all behaviours - summarising		
		4.2	7.5	3.3
		% of all behaviours		
Seeking information	Skilled negotiators seek significantly more information than average negotiators. Information is needed for the debate, bargaining and to identifying the ranges of the various positions.	9.6	21.3	11.7
		% of all behaviours		
Stating feelings	'I feel some doubts', 'I'm very worried', 'I'm not sure how to react', rather than expressing opinions, remaining silent	7.8	12.1	4.3

Types of debate

In debate, we can be either constructive or destructive:

- **Constructive debate** moves us towards a solution or an acceptable decision.
- **Destructive debate** has the opposite effect of moving us away from these desirable outcomes.

Thus, debate is characterized by how it serves our intentions and not just, by how it might be assessed by a neutral observer.

- Debate is characterized by how it serves our intentions and not just, by how it might conform to some preset criteria.
- We are not critical of destructive debate because of the offence it might provoke, or whether it is good or bad mannered to behave in that way (relevant though these factors might be in the normal courtesies of interpersonal interaction), but by whether this or that behavior contributes to the negotiated outcome we seek.

Eric and Ron Case

- The debate between Eric and Ron over the claim for compensation for stockouts during the strike, we can identify several behaviors that commonly would have a destructive impact on the chances of their negotiating a settlement.
- In so far that Eric might have concluded that he did not want to negotiate with Ron at all, his telephone behavior is understandable but this would merely force the resolution of the problem of compensation for stockouts onto some other method of making a decision, such as litigation, or, through Eric's intimidation of Ron, to Ron's giving in on this occasion.
- One way of highlighting the destructive range of behavior is to monitor what happens in the debate using a simple chart called time sheet: **argument behavior**.

Eric and Ron, 14 June. Commenced: 10.09 a.m.						
ARGUMENT						
Time	Threat	Attack/ blame	Point score	Interrupt/ block	Assert/ assume	Irritate
10.09					•	•
10				•	•	•
11		•	•		•	•
12		•			•	
13		••		•		•
14				•		•
15		•				
16		•				
17	•	••				
18	••	••				

Destructive argument

Destructive debate has the effect of moving us away from a solution or an acceptable decision.

Where agreement would in principle be possible, the list of progress obstructing behaviors below can result in deadlock, sub-optimal outcomes, expensive legal battles etc.

1. Irritation

Irritation generates negative responses. Your idea of a 'generous' and 'reasonable' offer might not be shared by your counterpart. People you irritate are seldom inclined to assist you in achieving your goals.

- Negotiators who are irritated by what you say are put off from exerting themselves positively on your behalf. Your 'fair and generous offer' may be totally inadequate in the view of the other negotiator. To assert that your minimal movement towards them is 'generous' or 'reasonable' serves only to irritate them.
- Negotiators, therefore, should avoid irritating each other. It only reduces the chances of our reaching our desired goals.

2. Assertions and assumptions

Do not make assertions or assumptions about what drives the other party. You could be wrong. Even when you think you are right and you say so the other party might not admit it, yet display destructive and mistrusting behavior afterwards.

- Assertions and assumptions about somebody else's position or motivation are exceptionally dangerous for negotiators. Not only do they risk being exceedingly irritating for the person listening but they can lead to a great waste of time while they are corrected, or worse, they can destroy the chances of a settlement, if the assertion itself impedes a fruitful debate and leads to a breakdown in communication.
- When we make assertions about people's motivations we are normally less than careful in our suspicions.
- Sometimes our anger at suggestions that make us worse off spreads over into our verbalizing our suspicions as to why the proposers are making their suggestions. Our assumptions are likely to be without foundation and prejudiced.

3. Interruption

The best way to get informed about the other party's drives is not to interrupt but to let them finish. Question them and let them demolish their own case.

- Informal surveys have shown that people do not like to be interrupted without qualification of circumstance.
- In debate, there are 'my' facts and 'your' facts. Therefore, beware of interrupting in general and particularly when you hear their version of the facts. If they are erecting a case on the basis of spurious facts, there are other, more effective, ways of assisting them in demolishing their own case.
- we should be aware as negotiators that we are making it more and more difficult to achieve our objectives by constant interruption of the other negotiator.

4. Blocking

Blocking is making subjects not negotiable: blocked off from any debate or agreement. Question them on why they block it.

Listening to a view point is not an endorsement of it, for nothing is agreed unless and until we explicitly state our agreement.

- To block negotiators is to waste opportunities to assess what they are thinking about. When negotiators express themselves they reveal their case for their positions, often unintentionally. We need information about, and confirmation of, their approach to the problem under debate. Blocking denies them the opportunity to reveal more about themselves to us and denies us the opportunity of learning from their revelations.
- By permitting negotiators to elaborate upon a theme they have introduced, we do not necessarily legitimize their suggestions.
- Listening to a viewpoint is not an endorsement of it, for nothing is agreed unless and until we explicitly state our agreement.

5. Point scoring

Point scoring at someone else's expense is self-defeating. Leads to bad atmosphere and the other negotiator will be less inclined to help you achieve your objectives.

- Scoring cheap points is a temptation most people find hard to resist.
- Point scoring is an all too easy trap to fall into. We do so because we find our quick repartee devilishly funny. We almost cannot help ourselves. We score by wounding the person we are trying to do business with. To put this bluntly, it is clear that point scoring at somebody else's expense is self defeating.
- Point scoring almost inevitably leads to one negotiator attacking or blaming the other.

6. Attacking/blaming

Often used to soften up and intimidate the other negotiator, but it usually leads to counter-attack and defense and a movement away from agreement.

- If you attack people they are almost certain to defend themselves; if you blame people they will justify themselves. They will also counterattack you, provoking you into defence and justification. Attack and blame spirals seldom remain contained. Before long the entire relationship between the negotiators and its history is a subject of contention.
- A relationship may never recover from deeply wounding or offensive personal attacks. But even if the damage done by an attack is not permanent, it is almost certainly obstructive of a negotiated settlement in its immediate aftermath, and anything that obstructs progress towards a settlement is a serious impediment to a negotiator.
- Attacks are seldom controllable and even less frequently are they beneficial to your interests.

7. Threats

They seldom if ever have the desired effect (namely to get somebody to comply with your wishes) and almost always have the opposite effect (they provoke them to dig in).

- In the drift of argument towards deadlock, threats constitute the final step. It follows that to open with threats is one of the crassest of negotiating mistakes.
- It always makes a bad situation worse and a worse situation hopeless.
- Threats seldom if ever have the desired effect (namely to get somebody to comply with our wishes) and almost always have the opposite effect (they provoke them to dig in). Among the reasons advanced for making threats, the most common is an attempt to make the other side aware of the consequences of its failure to agree with what we are proposing.
- Threats produce their own counter, either in the form of a direct counter threat or in the form of some sort of demonstration that we are undeterred by the threat and can joyfully live with the consequences.
- However serious or otherwise the threat and its counters are, we are no longer negotiating a solution.
- Threats made in anger are doubly destructive. Frustration produces more threats than anything else and often arises because we are stuck in destructive argument. Attacks lead onto threats as water runs downhill. Once committed to a threat we feel the need to go through with it even when its costs exceed its benefits.

Constructive debate: SAQSS

Constructive debate moves us towards a solution or an acceptable decision. This is characterized by behavior that serves our goal of seeking a solution agreeable to our interest.

Solution oriented debate is constructive and disconnected from how the other party behaves. This does not guarantee success, but it provides the best circumstances.

- The alternative to destructive argument is **constructive** debate.
- This is characterized by behavior that serves our goal of seeking a solution agreeable to our interests. If it moves the negotiation towards an acceptable solution then we are prepared to engage in constructive debate irrespective of the provocation to do otherwise.

1. Neutral Statements

These statements inform the other party of views, opinions, attitudes etc.

These cover any statement by one negotiator that informs the other negotiator as to:

- His views, opinions, attitudes and approach,
- Or is in answer to a question, on whatever is under discussion.

Information is the lifeblood of a negotiation. If we do not have accurate and timely information, we cannot make sensible proposals. We make assumptions but must test them with information.

By listening, we learn about:

- Their priorities and their values.
- They also reveal their inhibitions – the factors that motivate them to say ‘no’ to our suggested solutions.

Understanding what is inhibiting a solution must be beneficial to our interests because unless and until we remove or meet the inhibition we are unlikely to make progress.

- Much of the time spent in debate is in an effort to persuade the other negotiators to see our point of view. We try to influence their perceptions of the possible outcomes and persuade them to modify their expectations. Hence, we make statements to these ends, though not always consciously. We marshal whatever arguments we can think of that present our views in the best possible light and try to counter their arguments that contradict our own.
- Careless behavior of the argumentative kind actually works directly contrary to the tactical necessity of persuading them to work towards our objectives.

2. Assurance

This behavior assures the other party of your good intentions and positive attitude towards your relationship. Tell them you are in the solution business.

- The simplest verbal device can be used to motivate somebody to work towards your objectives.
- A category of influencing skills called **assurance behaviour**. These can be as simple as saying positive things about the relationship between you (past, present or future).
- These or similar statements are directed at assuring the other negotiator that you have positive rather than negative – or neutral – feelings about your relationship.
- The lesson is that assurance behavior **helps negotiators move forwards**.
- Example for assurances:
 - *‘I am sure that we can sort this problem out.’*
 - *‘We value the business we have done so far together and we look forward to continuing to do more business with you in the future.’*
 - *‘The fact that we let you down causes me even more pain than it evidently caused you.’*
- Influences the other negotiator that you have **positive** feelings about the relationship, and as such the problem can be solved by the terms of the relationship.

3. Questions

Intended to get informed about the other party's interests. Open- rather than closed questions, since they invite elaboration from the other party.

- Questions are always a sign of effective negotiating behavior –
 - Question Rate:
A rate of four questions per 15 minutes is a welcome sign that the negotiators understand the key role of the debate phase in establishing what each of them wants.
 - kind of questions :
Of course, the kind of questions you ask can make a difference, as can whether you are listening to their answers.
 - Types of questions :
Broadly, there are two main types of question: **closed** or **open**.
A negotiator should know the difference between them. Consider the difference:
 - Closed question can sensibly be answered with a 'yes' or 'no';
 - Closed question shuts off dialogue and the open question invites it
 - Open question invites a more general and detailed response.
- In negotiation we want to avoid the former and encourage the latter. Hence, increase your question rate and formulate more of your questions as open questions.

4. Summarizing

This is an excellent method of finding out if both parties have the correct understanding of what is under debate.

- Roles of a summary:
 - listening and demonstrating that they are listening
 - It informs the other negotiators that you have understood them.
 - Redirect the attention of the negotiation onto the central theme of the debate.
- A minor problem sometimes arises when negotiators mistakenly believe that because you have listened to them and have demonstrated that you understand them that it necessarily follows or implies that you agree with them.
- Merely repeating what someone says does not imply agreement with them and it does you no harm to make this clear occasionally. 'Nothing is agreed until everything is agreed' is a valuable verbal device to insert into the debate phase at key points.
- A judicious summary of what has been said in respect of the topic has the useful role of bringing the debate back onto the main track you wish to go along.
- Examples for summarizing:
 - 'Let me see if I understand what you are saying...'
 - 'Correct me if I am wrong but as I understand it you want...'
 - 'OK, let me summaries what you want...'
- If your summary is:
 - Correct, they have proof positive that you are listening and understand them;
 - Incorrect, they have the opportunity to clarify the points on which you misunderstand them.



"How can I listen to you if you don't say the things I want to hear?"

5. Signaling

The signal is an invitation to explore other possibilities than the one currently discussed. It is an indicator of a potential solution, without any commitment of the signaler.

How not to disagree

Negotiators begin with different solutions to the same problem and, hopefully, end with a common solution. Differing opinions and different solutions are a common cause of tension.

Tension causes mistakes--misjudgment, or too quick a judgment.

Given that people tend to highlight their differences when they start discussing what to do about them, we react emotionally to what (we think) we hear, as if their first statements are the extent of their intentions towards a settlement.

Not taking too seriously what people say at the beginning of a negotiation – particularly where the issue is fraught – is good.

It is as if our worst fears are realized immediately – ‘they will never accept the legitimacy of our position’ – when in fact all they are doing is setting out their views, perhaps to give themselves negotiating room.

There is also the possibility that we have made a mistake in our assessment of the situation.

- **The first thing to be aware of when faced with a disagreement about anything is the possibility (no matter how remote) that you, not they, are in the wrong.**
 - The main thing you must do is find out the basis of the other fellow’s assertion of something that you know to be counterfactual.
 - By asking a question,
 - You both **inform and protect yourself**.
 - If he shows that, your own factual beliefs are wrong you will learn something that you ought to know.
 - Also, by asking for the basis of his views and not attacking his holding of them, you protect yourself, in the circumstance that he is right, and you are wrong.
- In a negotiating context, so serious is the prospect of a **humiliating climbdown** that negotiators have been known to cling to their beliefs, long after the evidence is available that they were wrong, for the simple reason that they have no ready means of abandoning them without impairing what they perceive to be their negotiating credibility. What they usually do is refocus their attention on the personalities or other behaviors of those by whom they perceive they have been humiliated.
- We allow them to redefine their position in such a way as to qualify it into a new category.
- By qualification, we identify that we are in contention about different things and therefore we are not really in contention at all.
- Even if we disagree with their qualification, we have identified where we disagree. We can move on in the debate phase to explore what prospects there are for both of us to mediate our differences in a deal acceptable to both of us.
- Negotiations begin in disagreement and, hopefully, end in agreement. The process of getting from one to the other is fraught with risk.

Fundamental Disagreement:

Negotiations can break down because the disagreement is too fundamental or badly handled--**PEOPLE GET IN THE WAY OF THE DEAL!**

The negotiator is trying to find a solution even where there is fundamental disagreement and trying to avoid a situation where the people – including himself or herself – get in the way by snatching deadlock out of the jaws of compromise.

One way to make a fundamental disagreement worse is to:

- Require the other negotiators to **acknowledge that they are in the wrong**, and
- That they **must drop their views** or perceptions as a precondition of reaching a settlement.
- If the negotiators concentrate on their fundamental differences only, there will be no negotiation.

As a negotiator, therefore, you can help the search for agreement by refraining from commenting in this vein or linking your solutions to their views of the world. Negotiate on the direct issues that affect your relationship and ignore the background noise.

We handle fundamental disagreements by separating the issues for negotiation from the beliefs of the negotiators. We try to prevent people getting in the way of the deal. We focus on what can be achieved – no matter how small initially – and seek to build agreement step by step.

If we start in disagreement, how do we move towards agreement without somebody giving in?

- Having ensured that we are clear on what we are disagreeing about – by:
 - o Questioning and
 - o Not challenging the disagreement – and
 - o Taking care not to widen the issues that might be negotiable to beliefs that patently are not,
 - o We need to explore the potential for bridging the disagreement in some way that does not compromise the negotiators' wider interests.

This requires that we discover and understand the inhibitions that prevent agreement.

Handling disagreements:

Be aware that the other side might be right and you may be wrong! Ask questions, and get facts about what qualifies their statement. It may turn out that contention is indeed based on separate issues and there is really no contention at all. If it does, indeed, turn out that we disagree with their qualification, we can agree to disagree, and then move to the debate phase.

INHIBITIONS

INHIBITIONS are whatever motivates the other negotiators to reject our suggested solution.

(Often hidden and need to be dug out - the party may not even be sure themselves as why they oppose our solution and prefer their own, embarrassment, unknown interest, not understanding our proposal.)

- A negotiator would *first* need to **identify the inhibition** preventing the other negotiator from agreeing. Knowing what inhibitions the other negotiator has is a first step towards removing them as obstacles to agreement, or to concluding that the obstacle is irremovable
- *Second*, he would need to **propose a solution** that addressed the inhibition. This could come about by:
 - Finding a form of words that took account of the inhibition, or by
 - Directly offering something that compensated for the felt loss, or which removed the prospect of a loss.

Much of the debate phase of negotiation concerns the search for inhibitions.

- Remove inhibitions:
 - with assurance
 - showing consequences
 - demonstrate your arguments

Signaling... How do we move without giving in?

Towards agreement without giving in

A **Signal** is a willingness to move, usually by a shift in language from firm absolute statements to vaguer relative statements.

Examples for signals:

- 'It would be extremely difficult to meet that delivery date.'
- 'We do not normally extend our credit facilities.'
- 'It is highly unlikely that my boss will agree to a free upgrade.'
- 'Under these circumstances we cannot agree to compensation.'
- 'As things stand our prices must remain as listed.'
- 'I can't give you a better discount on your current volumes.'

The **signal indicates an invitation** to explore other possibilities. It is the weakest and safest commitment to a move. There is absolutely no danger (like a 'safe conduct pass') of giving in because it invites the other negotiator to move – by following the signal – without commitment on the part of the signaler.

There is a close affinity between inhibitions and signaling – the one usually identifies the other.

A **signal** is an indicator of a potential **solution**

An **inhibition** is an indicator of a potential **problem**.

To state an inhibition explicitly is in effect to signal along the lines of: 'address this inhibition and I can consider coming to an agreement'. Hence, spotting an inhibition is a clue as to a possible solution. To hear a signal usually identifies an inhibition. Both require the same response.

- Negotiators signal in order to indicate a willingness to move. However, the movement must be conditional.
- Signals do not in themselves break deadlocks – the indicated area for potential compromise may not be attractive to the other negotiator; indeed, it may be totally off limits as far as he is concerned – but signals do indicate that compromise in principle is not excluded. They point the way out of the debate phase towards proposals.
- Signal invites you to help the other negotiator by finding an exception to the rules that bind his decision. It might mean your moving some way off your own stated position – 'as things stand' – and he will reciprocate.

Before making a proposal to deal with either, we must clarify the signal/inhibition to ensure (by asking) that we understand its scope and therefore its potential:

Example of a signal:

New Zealand Prime Minister on his country's intentions towards two French secret service agents captured after the Rainbow Warrior bombing in 1986:

'There is no question that New Zealand is adamant that the French agents will not be released to freedom'

Here the signal is 'not be released to freedom' but they might be released into some other status (jail in France).

The power of effective debate

In negotiation, we cannot negotiate a debate, nor can we negotiate principles, beliefs, prejudices, feelings, hopes, ideals and attitudes. We can only negotiate proposals. But before we can safely get to proposals we must spend some time in debate. How long we spend cannot be determined unilaterally nor can it be predicted.

In debate we are setting out our views, creating our negotiating room and probing the prospects of a deal with each other. We do not know for sure what they will say, let alone what they will accept. To prolong debate longer than necessary is a major source of risk in negotiation.

The power of effective debate is its **direct route to effective** (and winnable) proposals.

True, not all differences are reconcilable.

Negotiation is not a panacea for solving the unsolvable. However, effective debate that discovers the irreconcilability of the aspirations of two negotiators is well worth its outcome.

Better to discover the truth that our interests are irreconcilable as things stand than to err into believing them irreconcilable when in fact it is our debate behavior that has made them so.

- Moreover, discovering the nature of the irreconcilability is also a gain because it indicates what has to change if the parties are to be reconciled.

Debate opens the way to proposals but it does not follow that we debate in only one session, never to return to it throughout the negotiations. Any time we ask a question or make a statement we are in debate, irrespective of what we are questioning – it could be the other negotiator's proposals – or what we are stating – we could be stating our views on the other negotiator's bargain.

Debate is an **ongoing activity** that takes up roughly 80 % of the time spent in the face to face interaction. It may be that there are prolonged periods of debate in the early stages of negotiation with shorter bursts of debate as we approach the conclusion. A negotiation that deadlocks have 100 % of its time spent in argument

The debating phase can last a long or short period of time. To prolong debate longer than necessary is a major source of risk in negotiation. When people get in the way of a deal it is almost always caused by the mismanagement of the debate phase.

Not all differences can be reconciled, but if the unreconcilable difference can be understood, then both parties are better off.

Statements, Assurance, Questions, Summaries and Signals (SAQSS) are measured risk – blue behaviors.

Module 5 A proposal is not a bargain

What is a proposals

A proposal is a tentative suggestion of possible solutions. Therefore signaling becomes a bridge to proposals. It is not a final solution (that is the role of a bargain). In a proposal, the condition can be specific or non-specific but the offer must always be non specific.

A proposal is any form of statement that makes a suggestion about how to proceed during the negotiation, or which indicates a possible solution to the issue under discussion.

Proposals crop up all the time. They are different from any of the behaviors in the debate phase because they make a suggestion, albeit tentative, of how the two negotiators might agree on some issue that they are discussing.

Proposals make a suggestion of how two negotiators **might** agree on **some** issues they are discussing.

Movement in negotiation is essential if a solution is to be found. We can trade movement on one issue for no movement on another, but the viability of this trade depends a great deal, on how important it is for the other negotiator to secure movement on the issue upon which we are prepared to move

Signaling is hinting preparedness to move (tentative hint at the possibility of movement),

- Signaling slides into proposing
- Signaling is the bridge to Proposing

Proposing is making a **tentative suggestion** on the form movement could take.

- Whether the proposal, and what forms it takes, is presented after a signal or not would depend upon the other negotiator's reaction to the signal. It is not inconceivable that a proposal will be made after a signal has been ignored, though manifestly negotiating is more productive when the signal is followed by a signal question.
- Poor negotiators sometimes stumble from an argument to a proposal, which is better than stumbling from an argument to a deadlock, but by presenting the proposal incorrectly, by not being aware of the importance of language and order in the proposal phase, they still do badly (in terms of meeting their own interests) when they could do better.
- Harm your interest is:
The mechanics of meeting,
Interacting,
Pointing the way, and
Stating your own position or aspirations,
Involve loose proposal language,
Which for the most part is quite harmless to your interests – indeed.
- It might even enhance them as far as it helps the debate phase move forward – but which if carried on indiscriminately throughout the proposal phase can severely handicap your position.
- **The problem is the tendency to use vague language in the proposal phase that might prove to be damaging during the later bargaining phase**
It is the ability to shift from loose informal proposal language to tight formal and assertive proposal language that improves your performance.

If your proposal is meant to focus the attention of the other negotiator on a potential solution, it undermines your cause if the language of your proposal encourages the other negotiator to believe that you do not mean what you say, or that you have little confidence that your proposal will be accepted.

Suspecting that you are ambivalent about what you want provokes the other negotiator to demand more from you – even when you are giving away the store because of your proposal language.

Non-assertive, very weak language (and ultimately self-defeating), to express your needs:

- 'I wish...'
- 'I hope...'
- 'I would like...'
- 'It would be nice...'
- 'Could we...'
- 'Would this suit you...?'

Example of **assertive** language:

- 'I need...'
- 'I require...'
- 'We prefer...'
- 'We want...'
- 'It is necessary that ...'
- 'We must insist...'
- 'If you do... then we could consider...'
- 'If you accept... then I will reconsider...'

None of these forms would convince a negotiator that you were determined or committed to your views.

Effective proposals consist of two parts:

- **the condition**
 - The **condition** can be either vague or specific
 - Requires the negotiators to 'agree' about some issues but does not specify what that agreement should consist of
- **the offer**
 - The offer is always vague.
 - The offer is for the negotiator to 'look at' something but does not specify what the results of his looking will or must be.
 -

There is a deliberate vagueness about both the vague condition and the vague offer in this proposal.

- The proposer cannot be ambushed with an '**OK**' from the other negotiator, because an 'OK' can only be a **response that indicates a willingness to discuss the proposal** and to explore the specific content of the vaguely presented condition and offer.
- If the other negotiator says '**No**' to the whole proposal, then both negotiators go back to debate to see if there is some other way of solving the problem.
- By saying 'No', the other negotiator states his opposition to considering either or both of the condition and the offer.

A useful first question in debate, assuming that the other negotiator offers no reasons for his rejection, would be to find out what he does not like about the proposal.

- Ineffective proposals consist of only the offer
- Proposals are always tentative, and decrease in tentativeness as the bargaining phase approaches.

Making proposals

As the idea of a proposal is to test the water as to a possible solution, it is not of huge importance which side does this first, unless conditions dictate who goes first. -> Not put too much in a proposal.

Tone is important as a proposal has a purpose (to be received and responded to).

Three main rules:

- It should be **conditional** (the condition first, followed by the offer)
- It should be **presented** for what it is (*unadorned*), without explanation
- After submitting the proposal, you should go **silent** (shut up!)

Proposals gain from brevity. Language is all. The tone is significant. It has a purpose. Using short, vague content is an attempt to entice the other side into listening to what you have to say and open up the possibility of doing business with them where each party gets some of what each wants.

The important message is in the vague yet conditional offer:

- 'I could consider...'
- 'We could perhaps look at that.'
- 'It might be possible to do something.'
- 'We might be able to adjust in some way our terms.'
- 'Perhaps we could go over that area again.'
- **vague condition / vague offer**
 - 'If you support our claim for landing rights in Germany, I **would seriously consider** supporting your proposal for landing and pick-up rights in Singapore.'
 - 'If you look at the manning levels, **we will look at** the shift differential.'
 - 'If you tell me what would meet your client's needs, I **could** be prepared to respond with a positive offer.'
- **specific condition / vague offer**
 - 'If you accept two persons per room, I **could** consider providing you with more bed-nights per week.'
 - 'If you accept the changes in the vendor's contract that I have set out in my paper, I **will consider** the possibility of your becoming a sole supplier to our sites.'
 - 'If you agree to clauses 6 and 7 as they stand, **then I will reconsider** our policy on third-party maintenance.'

Common **errors** in making proposals:

- the offer is presented before the condition, which always weakens the impact on the listener
- the offer is specific
- use of question-proposals which is always weaker than a statement-proposal
- to make no condition

Receiving proposals

- **Don't interrupt the proposal. Listen in full.**
Interrupting a negotiator is always risky. It can lead to an increase in tension and ultimately towards **deadlock**.
Interrupting a proposal is doubly risky.
 - The risk of **deadlock**
 - The risk of **missing out on an opportunity** to hear what the other negotiator is proposing in total and not just on the topic that we feel strongest about.
- Listen to a proposal in full, including any extended elaboration of it.
- Do not interrupt, and wait for the proposer to conclude.
- **A tactical short-term silence/ pause can be advantageous.**
 - See if they will commit to more by being silent. Experience shows that people making proposals sometimes add in extras, perhaps by way of clarification, when their proposal is met by a *little* silence.
 - Silence also gives you an opportunity to think about, or appear to be thinking about, what you have heard
- **Respond with question about the proposal**
 - Responses to a proposal should always be in the form of a question.
 - Should never be rejected or accepted outright, **question** it on its condition and/ or offer to clarify or invite an extension to be made
 - Questions :
 1. Provide additional, perhaps vital information
 2. Indicate to the proposer that they are being taken seriously.
 3. They seek to clarify the proposer's position...
 4. Attempt to get him to be more specific...
 5. give content to his vague offers... and
 6. Ensure that the listener understands what is being proposed.

Questioning to clarify or to invite an extension of a proposal is the most effective response one can make. All other reactions break up the movement toward settlement and can move one back into the debate phase.

You should not give an immediate negative response to a proposal (e.g. counter proposal), no matter how little the proposal interests you, understand it and leap back to an argument (debate phase).

- **Feel free to tie into other tradables**
“What about the other issues...” is an effective way if there is no movement to shift to another issue before risking a deadlock.
- **“Nothing is agreed until everything is agreed and nothing is given away!”**
- **Be willing to use SAQSS**
Use **SAQSS** (Statements, Assurances, Questions, Summaries and Signals) when receiving a proposal.

Effective ways of responding to a proposal:

1. **Clarify** what is meant by the proposal by questioning its condition and/or offer
2. **Consider** what the proposer is inferring about the scope for a deal
3. **Tell** the proposer what aspects of the proposal you do and do not like
4. **Respond** with your own alternative proposal

Summarizing tradables

We trade because we value things differently (in preparation categorized in high, medium, low) and the things we trade are **tradables**.

- **Valuations we made in preparation will need to be amended or modified.**
With the information gained during the debate phase and any proposals, the other side's tradables should be reassessed.

In prenegotiation, the preparation phase, we made estimates of the valuation that the other negotiator might have placed on the tradables by categorizing them as of high, medium or low importance. In the debate phase, we discovered a lot about the other negotiator's thinking on all the issues each of us has raised.

- *From his proposals, and his comments on ours, we have gained an insight into his potential solutions and their match with ours. We work on the principle that what he values, he trades dearly for, and whatever he asks for, he values, and from this interaction we accept that some of the assumptions or valuations we made in preparation will need to be amended or modified.*
- *The emergence of tentative proposals on each negotiable tradable is not synchronized either chronologically or even logically. They will emerge throughout the debate phase.*
- **List of all proposals**
Make a list of all proposals.

The list is an indicator of how big the gaps are on the tradables, or whether there are overlaps with your exit point for any of the currently mentioned tradables (there may be other potential tradables which you have not yet raised and for which, obviously, you have no information on exit or entry points).

Use of a agenda list to summarize

- **Advantage:**
Being orderly
- **Disadvantage:**
The risk of weakening the negotiator's ability to trade across the tradables

If their exit points overlap, they have the possibility of making an agreement, though not an ideal one if the tradable is less important to one negotiator than it is to another, and they are prompted to give way where, in other circumstances, they could trade movement for reciprocal advantage on something that they value more highly. You should be wary of pursuing tidiness in negotiating at the cost of narrowing your options.

- **Summarizing of proposals**

In debate we summarize what people have said to each other; in proposing we summarize what each has proposed.

The summary:

- Introduces an element of order into our interactive chaos.
- It also sets up the bargaining phase.
- Creates the possibility of either negotiator moving from tentative conditional proposals (i.e. conditional vague offers) to the bargain (i.e. conditional specific offers). if it doesn't work go right back into debate
- **An attempt to enter the bargaining phase too early is an attempt (almost preemptive) to close the deal. If the current proposals in no way address important matters of concern to the other negotiator he is not going to respond positively to a closing bargain**

If central inhibitions have not yet been addressed, new proposals are required.

- Because we cannot negotiate debates or arguments we are not making progress in the negotiations until we get to proposals. They are best encouraged rather than discouraged. An indicated willingness to listen to a proposal, even one that you disagree with, is positive negotiating behavior.
- The most effective proposals consist of both a condition and an offer and your response to them should always be to clarify and understand what the proposal means.
In reality this will be less tidy than the model suggests.
Some proposals will consist of:
 - **An offer only** – demand that you do something for nothing
Therefore, you must question the condition and question the missing offer:
'What do I get if I consider (NB: **not** agree to!) your proposal?'
 - **A condition only** – a unilateral concession.
You are faced with a unilateral offer and you may choose to accept it without fuss
- In the proposal phase, which emerges from various points in the debate phase, there will be a lot of untidy ends sticking up all over the place reflecting the tentative nature of the proposals. Each one might represent a tentative proposal from each of you.
- Regular summarizing of the proposals, whether they have been agreed or not (you can present your alternatives within your summary), keeps the focus on what each thinks is a solution of the negotiation. Either this provokes new tentative proposals, or it sets you up for the final bargain, the explicit conditional offer that invites the closing agreement.

Module 6 Bargaining for an agreement

From Proposals to Bargaining

A proposal is not a bargain. A proposal is a tentative solution. A bargain is a specific conclusion. In negotiation, language is everything and the language of proposing is critically different in one crucial respect from that of bargaining.

The bargain is:

- The crunch of the negotiation process.
- The statement of the intended output of the negotiators' labors.
- A proposal that the other negotiator can say 'Yes' to and, by doing so, end the negotiation in agreement.
- An implementable decision, which, if agreed, closes the deal. After the bargain is agreed and recorded, there is no more work to do by the negotiators.

The negotiators transform into suppliers and customers, management and employees, colleagues and partners, or whatever.

An effective bargain stretches the proposal to a conclusion. It strips the proposal of its tentativeness. It makes it specific. A bargain is

In a proposal, the conditional offer is nonspecific;

In the bargain, the conditional offer is *always* specific.

- The **Bargaining Phase** is the fourth and final phase.
- A bargain is **ALWAYS** a **specific condition** linked to a **specific offer**.
- There is no room for ambiguity, state exactly what you want and exactly what you offer: if you do such and such, then I will do so and so. The result is either agreement or a return to the Proposing Phase.

Difference between a proposal and a bargain:

	Proposal	Bargain
Condition	Non-specific or specific	ALWAYS specific
Offer	ALWAYS non specific	ALWAYS specific

The effective bargain moves a proposal to conclusion.

- The two essential ingredients of effective bargaining are:
 - all bargains are explicitly conditional and
 - All offers are explicit.

In terms of preferred language, the format that is recommended is to use the key words 'if' and 'then':

If you do such and such, **then** I will do so .

- When you hear any explicit formulation similar to 'if – then' you know that they have entered the bargaining phase;
- If you use the explicit format of 'if – then' you have entered the bargaining phase. Where the negotiations go from here is determined by circumstance.

A bargain then is a specific remedy. It should be proposed as the final solution to whatever the negotiators perceive to be the issue.

Negotiation permits each to weigh up and assess what could be the content of the likely bargain that could finalize the deal. Hence, bargains tend to be offered near the close of a negotiation, unless the negotiation is about a formal offered bargain – a contract for example – presented at the start.

The role of the bargaining phase, which is to finalize the potential agreement on the basis of what has been said in debate and what proposals have been put forward. Many bargains may be offered by either negotiator, including the formal written one that started the meeting, but this does not mean that any of them are acceptable.

The offering of a bargain is not the end of the matter but the difference with other phases in negotiation lies in the fact that when we are negotiating bargains we are generally closer to a conclusion than when we are making opening statements in the initial debate phase.

OFFER	CONDITION
loaf of bread	pay \$1.29 to obtain bread
call off strike	agree to 10% pay increase for workers
Saturn automobile	pay \$15,450
pay raise of 8%	increase productivity by 6% over last year
Fri, Sat, Sun off	10 hour work days Monday through Thursday

The offering of a bargain is not necessarily the end of the matter—they are subject to the same process of consideration (debate, propose, bargain).

Examples for bargaining:

- You are in a supermarket. You take a bottle of cooking oil to the checkout. The clerk scans the bar code and the price rings up on the till (Take it or leave it bargain).
- You open your mail. One of the letters is a price quotation from a plumber for clearing and reconstructing the drains to your house.
- You are in your office. A computer salesperson has just handed you for signature a printed copy of his company's contract for supplying, installing and maintaining a local area network for all your computer systems.
- You are in negotiation. The union official says: 'If you make it 3 per cent, (then) I will call off the strike right now'.
- You are a diplomat. The intermediary says: 'I am authorized to say that if your government goes on record in condemnation of these hostile and unjustified attacks on human rights in the People's Democratic Republic of Ogoland, then my government will arrange for the release of your two citizens, held in protective custody by our compatriots in the capital, by Monday of next week'.
- You are a parent. Your son says to you: 'If you take me to the match this afternoon, (then) I will clean your car'.

Linked trading

If we negotiate because we value things differently, it is in the bargaining phase that we focus on the differing valuations.

Nothing, absolutely nothing, should be given away, no matter how little it is worth to you.

The paradox of bargaining is that those things that are worth little, or less, to you in themselves, could be worth a great deal to you in the bargaining phase if they are worth more to the other negotiators. The form of the bargain is the conditional offer, and the tradables available to the negotiators are the potential content of the conditional offers.

Tradables widen the focus of a negotiation; the more tradables, the easier it is to avoid deadlock. Two tradables linked together into a bargain, each valued differently by the other, could lead to a breakthrough.

Linking the tradables.

The principle of trading off one tradable against another allows for marginal movements in one tradable to be compensated by marginal, though more highly valuable, movements in another. The fewer tradables that are linked together, the further you have to go to get agreement along whatever dimension that tradable is measured in.

It will cost you more to get agreement with only one tradable than with several – on equity grounds alone, you would have to share at least 50 per cent of the negotiator's surplus if there were only one tradable and no other pressing reasons why you should get more. With only one tradable, the burden of meeting each other's wants falls entirely on that tradable.

Where there are only two or a few tradables, the tradeoff is easier than when there is one, but the bargain is not easily obtained. The tradables will be intensely scrutinized and their worth closely examined, just as Israel took time to conclude that an Egyptian offer of security for territory was a deliverable commitment and Egypt took time to be convinced that the Israelis would deliver their commitment to withdraw.

Additional tradables are a great help in securing a bargain for they spread the potential gains across more than one or two issues that the negotiators value. It is not a question of any old 'tradable' doing the job. Tradables have to have some value to the negotiators. Those tradables that address the inhibitions of the negotiators have a greater chance of assisting the bargaining process.

Creating lists of tradables –

Properly a task of the preparation phase, but also a task when stuck in the bargaining phase, where its significance is more easily recognized – is only part of the creative work of the negotiator. The bargainer has to use them effectively and timeously. The key to the effective use of tradables is always to **link them together**, using movement on one as a condition of movement on another, or the introduction or acceptance of a new one as a condition of accepting those already on the table.

By linking their conditional offers across each tradable they engage in what has been described as a '**negotiation dance**'.

Bargaining to Close the Deal

The bargain in negotiation is the equivalent of what sales people call a 'close', which is a verbal device they use (and spend endless hours practicing) to persuade potential buyers to place the order. When a negotiator says 'yes' to a bargain, the game is over. It only remains to write up what has been agreed. There is nothing more to discuss once a bargain has been accepted

- There is nothing more to discuss once a bargain has been accepted because the terms of the bargain are an explicit condition attached to an explicit offer.
- Negotiators should recommence when there is a misunderstanding on the details.
- In the bargaining phase, there is a convergence of the negotiators' positions towards each other, but not necessarily by one or other making concessions across the gap that separates them on each issue. By linking their conditional offers across each, tradable they engage in what has been described as a '**negotiation dance**'.

Technically, the problem of the bargain is *when* to propose it, rather than what it should contain.

The timing is driven by:

- the nature of your business,
- the content by your judgment,
- tempered by experience, and
- The enigma of opportunity.

When to propose a bargain?

- **Bargains proposed too early**

You risk offending the other party, because they perceive you as too pushy and not properly responsive to their inhibitions

Unless in the form of a written proposal and part of the normal structure of the negotiation – are vulnerable to antagonising the listener because they perceive you as too pushy and not properly responsive to their inhibitions, some of which they may not yet have had time to express, and are vulnerable also to a quick settlement before you have fully explored what it is that you are getting into.

- **Bargains can also be too late**

In that, the negotiators spend all their time debating and proposing with nobody apparently willing to take the lead and go for a decision.

Call for a close

To offer a bargain is to call for a close to the negotiation. It is an explicit statement of agreement that you are prepared to settle without further elaboration.

This itself makes the decision of when to close a lot easier – by offering a bargain you are asserting your readiness to close, and it follows, that if you are not ready, do not bargain!

- A negotiator can protect himself by ensuring that nothing is agreed until everything is agreed and, therefore, that bargains offered during the course of negotiations on individual issues are not separable from other decisions on other issues.
- A negotiator making a provisional agreement on the individual issues and the negotiation cannot close until you have completed bargains on all the issues linked together

- Traded concession bargains

- The traded concession is the final movement for the deal – can take many forms.
- It can be an extra quantity of something helps a bargain over the last final hurdle
- These can take many forms (usually relatively small items/ quantity, and often less intangible).
- Other examples for concession bargains:
 - They could be an extra quantity of something,
 - a special color strip added to a van fleet's livery
 - a commitment by the union negotiators positively to recommend the deal To the workforce (less intangible).

- Summary bargain –

- Everything previously proposed is summarized as a bargain — and a deal is asked for.
- Replicates in form the summary proposal that leads to the bargain.
- You simply summarize everything that has been put forward as a bargain and ask for the deal:
 - ‘... If we can agree on that basis let's write it up.’
 - ‘... therefore, I think we have the basis of a deal.’
 - ‘... I think when we both consider what I have summarized, we will conclude that we have made a lot of movement to accommodate each other's requirements, and therefore I recommend that we go ahead.’
 - ‘... If that summarizes your understanding of what we can agree upon, I suggest we shake hands and sign the agreement.’

What happens if they raise an objection or an issue with which they are not quite happy? Fine. Decide whether the concession bargain will be relevant, and if it is, proceed as above; if it is not, repeat the summary:

‘Gentlemen, I can go no further, having made as much movement as is possible, and I must ask you whether this minor issue should stand in the way of a major deal which we have worked so hard together to construct. I must ask for your decision on the proposal as it stands.’

- Or else bargain

The repetition of summary bargains or the refusal to consider further small movements usually leads to the **or else bargain** (the take it or leave it, it's my final offer). – probably the most risky of the bargains.

- *offered smugly can lead to disaster*
- *offered with sincerity reflects the urgency of settling there and then*
- It is close to the take or leave it implications of a price tag in a shop, or the declaration that it is your ‘final offer’.

- The adjournment bargain -

Uses the summary bargain with a twist – let's sleep on it... let's table the matter until morning... let's meet again on Friday...

Somewhat less risky than an or else bargain (though it has its own risks) is the adjournment bargain. In this case, you summarize the bargain as you see it, highlighting, of course, the contributions that they made to its final form.

The risks in the adjournment: when out of your presence, rivals may offer them a better deal, they may have second thoughts...

The adjournment bargain should only be used as a last resort and in an attempt to **avoid the or else bargain**. it is probably inevitable that you should take those risks.

'If that summarizes what we have before us, I suggest that we adjourn/sleep on it/take counsel from our own advisors/(and such like), and meet again (specifying a date, time and place) to present our views, and hopefully at that meeting we will be in a position to come to a final agreement.'

The agreement

Is an outcome of the negotiation which serves the interest of both parties. It can be an agreement or not to agree.

The basis of a possible agreement can be in the form of the phase of the proposal and counter proposal between the negotiation party by linking issues and movement in the position.

The **outcome of a negotiation is a decision** – that decision is either

- an agreement, **or**
- a failure to agree

If nothing is agreed until everything is agreed, then the negotiators must agree whatever it was that they agreed to. This somewhat circular presentation of the imperative to be clear that when you leave the table you know what you and they have decided is of the utmost significance

Since "nothing is agreed until everything is agreed", extreme caution must be taken to ensure that the parties actually understand just what it is that they have agreed to!

Countless errors and conflicts could be avoided if only negotiators would avoid a 'sign, grab it and run' approach. The joy of coming to the end of their negotiation – with the final bargain accepted verbally by both negotiators – tempts the participants to relax and leave the details to later.

- Regular summarizing of statements, proposals, and bargains is a **must!**
Verbal restatement, writing it up there and then
- It is the last (and best) chance, while the negotiators are still together, to be clear what they have decided, by jointly agreeing to a (written) summary.
- If the negotiations are conducted on the telephone, then a verbal agreement must suffice, supported immediately by a written confirmation of the details.

The genuine mistake is treated almost the same as the deliberate attempt to cheat on what was agreed. No force on earth can convince someone that they have not been cheated when they firmly believe that they are the victims of a cheater. -> Yet it is avoidable: agree what has been agreed and avoid difficulties later.

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In this phase, closing ploys are sometimes used to get a better bargain in the euphoria of pending agreement (see Streetwise Manipulation).

EPILOGUE

- The bargain is the crunch of the negotiation process. It is the statement of the intended output of the negotiators' labours. It is an implementable decision, which, if agreed, closes the deal. After the bargain is agreed and recorded, there is no more work to do by the negotiators.
- By observation, the bargaining phase is proportionately a short phase, perhaps **3 - 5 per cent** of the time taken by the face to face interaction (compared to 80 per cent plus by the debate phase). It may be short proportionately but it is no less critical for that. Loose or careless language in bargaining is extremely costly. What may be a weakness in proposing becomes a positive danger in bargaining.
- Weakness in proposing can shift the psychological balance against you by encouraging the other negotiator to be more demanding as he obtains concessions from you for little or nothing in return. Unconditional proposals undermine your negotiating room and encourage the habit of expecting something for nothing. But the proposal is protected by its tentative nature and the fact that nothing is agreed until it is finalized.
- The other negotiator cannot accept a proposal as a final and implementable offer. There is still some work to do.
- The bargain is anything but tentative. It is a final statement, which if agreed to, is to be implemented as it stands. There is no protection for mistakes. An unconditional bargain is simply a 'giveaway'. It is an unpriced concession.
- Not only is the form important but so is the order. In bargaining, conditions are always stated first (that way they are not forgotten) and the offer follows second.
- It is a mistake to reverse the order because the slightest carelessness turns the bargain-statement into a bargain question: 'If I deliver this specific offer, will you accept these specific conditions?', to which the answer is often a 'no' (to test your resolve), or a 'not quite' (to demand an added concession).
- Once the habit of bargain questions is caught, it is not long before the negotiator gets into the rut of offering first and then forgetting to add in his conditions, and he or she becomes a regular unconditional bargainer.
- In the bargain-statement the rule is: **conditions before offers**.

Module 7 Styles of negotiation

Co-operation of defection

- Each party must choose to co-operate or defect..
- Outcome is often dependent on each parties simultaneous choice between cooperate and defection.
- Win-Win is only achieved if both choose to co-operate.

Example: Dan Case

Dan and the stranger changing of 50 £ in 1000 Quonk.

- Faced with the choice between defection and cooperation, we can set out in a simple diagram what each of them gets – their payoff – for any combination of possible choice they both make simultaneously.
- First, we name the choices facing Dan and the stranger,
'Cooperate' (C) when they choose to fulfil their part of the bargain, or
'Defect' (D) when they choose not to fulfil their part.
- Then we enter the outcomes in a diagram for all possible combinations of choices that they make,

		The stranger	
		C	D
Dan	C	+Q1000, +£50	-£50, +£50
	D	+Q1000, -Q1000	Q,0

FIGURE 12: PAY-OFF DIAGRAM FOR DAN AND THE STRANGER

Much of the success of negotiations depends on a willingness to **co-operate** and if there is **trust** between the parties. Lack of co-operation and trust leads to negotiating behavior that is not useful when attempting to reach agreement.

This is caused because there are incentives to **defect** from co-operation, or when lack of trust 'forces' one party to 'play safe' and defect and so minimize risk. In a series of transactions, spreading risk minimizes the chance of defection, because until the last transaction there is an incentive to co-operate.

Outcome is often dependent on each parties **simultaneous choice** between co-operate and defection. Win-win depends on simultaneous co-operation. Lose-lose is the opposite.

Trust in Time

The currency game highlights the nature of a dilemma by highlighting the tension between what is on one level the rational best choice – both cooperate – and on another the rational defensive choice – both defect.

The existence of these and similar dilemmas influences our negotiating behavior whether we are conscious of it or not. Our approach to other negotiators and our perceptions of their intentions determine our style of negotiation.

You / They	Co-operate	Defect
Co-operate	You incline to continue co-operate (Win -Win)	You incline to continue defect (Lose -Win)
Defect	You incline to continue defect (Win -Lose)	You incline to continue defect (Lose -Lose)

Time may assist you; you co-operate and have the chance to review the other parties choice, thus able to decide your next action.

Trust based on what people do and have done, not on what they say they will do

Example:

Rodney's strategy is to split up the risk and decide only 10 £ in 200 Quonk. Every round (co-operate or defect) influences the next actions (co-operate or defect).

Each day, Rodney and the stranger face the same choice of whether to cooperate or defect and they receive a payoff dependent both on what they do and what the other negotiator does simultaneously.

A repetitive deal could contain within it prospects of a trusting relationship building up. It is really a knife-edge situation: trust begets trust and cheating begets cheating, and the risk of cheating begets actions to protect ourselves that make us out to be cheats! Which way the game will be played is uncertain and it is this uncertainty, which creates the dilemma we are trying to resolve.

Interestingly, the introduction of a time dimension, with repeated plays of the currency game, does highlight the point that there is a better chance of a trusting relationship building up the longer the negotiators know that they are going to depend upon each other through repeated plays of their dependency.

One off deals excite suspicions.

Many businesses, anxious to hold onto their customers, go to great lengths to promote the sense of trust that their customers can place in them. They want a long-term relationship with their customers.

The Negotiator's Dilemma

The negotiator's dilemma is the occurrence of no-co-operative behavior whilst co-operative behavior leads to the best results. It is best illustrated with the **Prisoner's Dilemma**, illustrating why lack of trust between two parties causes the parties to make decisions which are not in the best interest of either of them.

The Prisoner's Dilemma

Prisoner's Dilemma has been much researched and written about in the 40 years of its life. You should recognize the similarity between it and the currency game.

Both imply a benefit from coordination – explicitly denied to them in the rules of the game – and both leave the players with the unhappy choice of defecting (in Prisoner's Dilemma choosing to confess; in Currency Dilemma choosing to hang onto their own money), either to protect themselves or to take advantage of a cooperative play by the other player.

As in Prisoner's Dilemma type games and with communication we can overcome the main barrier to coordination of choices. True, but the mere existence of an ability to communicate does not eliminate the imperatives. Indeed, communication can make coordination as difficult as if we were playing a dilemma game.

Merely deciding to be cooperative is fraught with dangers. The choice may be unilateral but the outcome is dependent on the other negotiator's independent choice.

The negotiator's dilemma can be summed up as follows: 'If I act to protect myself from my vulnerability to the other negotiator's predatory behavior, I will be assured of a smaller loss than if I actively trust the other negotiator's good intentions and discover afterwards that I was mistaken in trusting him.

- I know that my act of self-protection is likely to be reciprocated by the other negotiator and we will both be worse off than we might be if we could trust each other.
I would like to be different but can I take the risk?
I wonder what he is thinking.
"I defect, not because I want to, but because I must."

Two prisoners are charged with murder, but the magistrate cannot prove it from the evidence available and needs a confession. In order to secure a confession, he separates the prisoners so that they **cannot co-ordinate their response**, and have to **rely on trusting** the other prisoner to co-operate at the same time, and he offers them a deal:

- You can confess or plead not guilty
- If you both confess, you will both get 10 years in prison

- If you both plead not guilty, you will both get a 3 year prison sentence
- If you confess and the other pleads not guilty, you will go free
- But if you plead not guilty and he confesses, you will get 20 years and he will go free

The decision of the prisoners now depends on what they think the other prisoner will do: both pleading not guilty is the best overall solution, but means risking 20 years; confessing means a maximum sentence of 10 years. They confess, because they do not trust the other party to plead not guilty.

Prisoner's Dilemma

		prisoner B	
		Confess	Not-guilty
prisoner A	Confess	10,10	0,20
	Not guilty	20,0	3, 3

The success of the prisoner's dilemma lies in the fact that they *cannot* co-operate and have to rely on what they think the other does. The magistrate's success is that he can secure convictions, because the prisoner's irrational behavior interferes with their best interest.

The Prisoner's dilemma is whether to do **what is best for yourself** or **best for both of you**.

The Card Game

Another illustration of this principle is a profit maximizing game, in which negotiators play with blue and red cards and get scores depending on the combinations of cards they play:

- 10 rounds are played and the goal is to maximize their scores.
- After 4 rounds and after 8 rounds they can co-ordinate.
- The scores for rounds 9 and 10 are doubled.

Clearly, it is in the best interest of both players to play blue cards throughout the game, since they can maximize their scores to be 36 each.

This does not happen in 92% of the cases.

		Negotiator B	
		Blue	Red
Negotiator A	Blue	+3, +3	-5, +5
	Red	+5, -5	-3, -3

The fear of suffering a loss 'because the other might play red' makes the majority play a red card, thereby minimizing their risk of loss to 3 points, with a potential win of 5 points.

Playing blue with a potential loss of 5 whilst the prospective gain is 3 is often considered an undesirable risk: you can be taken advantage of (giving but not getting...).

Those who play blue and receive red usually play red over the next round in retaliation. At the end of 4 rounds, most players have less than 12 points.

Then they co-ordinate. If one player has played one blue, they could agree to even the scores in round 5 and then play blue cards. In the 10th rounds there is another incentive to play a red card.

Thus, players play red, not because they do not see that playing blue is better, but because they act in self-protection: playing red ensures a smaller loss than when good intentions are betrayed.

People do not defect because they want to, but because they must.

Red and Blue Styles of Negotiation

There are two main styles of negotiation behavior:

- **Red Style**

Can be thought of, as a sign of **danger**, of **war** and the negotiation style is **crudely**, -> 'more for me means less for you'

- Aggressive,
- domineering,
- immovable,
- devious
- Bad mannered.
- Bombastic and
- Patronizing manner.
- Results oriented.
- Competitive.

To protect themselves: 'I play red not because I want to, but because I must'.

To exploit others: 'I play red not because I must, but because I want to'.

In its extreme form, it summarizes the intentions of the haggler in the distributive bargain:

'Whatever else happens, I intend to get the largest slice of the negotiator's surplus.'

Red plays:

- **Tough guy/ soft guy**
- **Setting preconditions**
- **Threats etc.**
- **Overvaluing features of the deal or future opportunities**

Do not judge a Red style solely on the basis of the tone of the negotiators; rely instead always on your judgment of the content of the proposal.

Red style culture is very common in the business world (e.g. construction business small companies are bankrupt because the contractor didn't pay.)

➤ **Blue Style**

Blue is a sign of **submission**, for **peace**, of a desire for tranquility

- Based on **'more for me means more for you'**:
- The promotion of a long-term relationship and straight dealing.
- Submission,
- Preference for peace not war,
- Desire for tranquility.
- Collaborative.

Need desperately to be liked, even loved, and in pursuit of the goal they concede everything.

Blue is based on the ethos that if giving more to the other player creates the conditions for a happier **relationship** then it is better to save the relationship than risk it in competition for the 'largest slice'.

In its extreme form can become so unselfish as to be positively self-destructive:

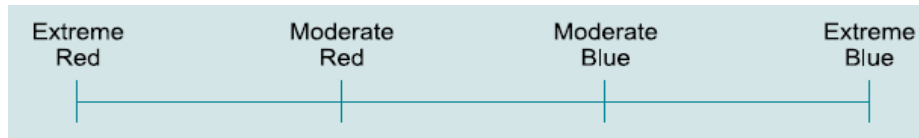
'Whatever else happens, I wish you to have as much as you want, even if there is little left for me because whatever makes you happy makes me happy.'

Blue plays:

- **Measured risk/ testing for blue responses on minor matters**
- **Always linking issues**
- **Realistic offers**
- **Seek and reveal interests**

One **takes** at the expense of the other and the other **gives** to the singular benefit of the other; therefore neither is a preferred style.

Red/Blue continuum: *Extreme Red – Moderate Red – Moderate Blue – Extreme Blue*



Neither **Red** nor **Blue** style is optimal; one **takes** at the expense of the other and the other **gives** to the singular benefit of the other; therefore neither is a preferred style.

The Purple Negotiator

The most effective behavior is not to adopt either of these styles, but rather to **switch between them**, as the circumstances require. This is referred to as the **Purple Style**.

Combine your Red side with your Blue side in assertive conditional proposals and bargains and do not let them be separated – ever!

People have preferred styles for different situations. People switch styles between Red and Blue.

Many people are fairly Red at work (unless they are in sales and promotion where a Blue style is trained into them).

Red with subordinates and same level colleagues than they are with the upper reaches of their hierarchy (some people acquire a reputation for ‘crawling’ before, or, as the Americans put it, ‘brown nosing’, their bosses, which is an extreme Blue style). Domestically, people tend to be blue but that depends on the state of their relationship.

This choice can best be illustrated by considering how the principle of conditionality derives from Red and Blue behaviors.

- A proposal or a bargain consists of two elements,
 - The condition
 - The offer.

The condition states: *what I want and is in the form*: ‘give me the following’.

- It tells you:
 - What you have to do –
 - what ‘price’ you have to ‘pay’ – for whatever you might want from me. It is my demand on you.

If I merely demand something from you without offering anything in return? **This is a Red behavior.**

The offer, which tells you *what I propose to give to you in return for meeting my condition*

- ‘Then I will give you the following.’ It is my offer to you.

Now answer the question: ‘how am I behaving if I am willing to give you something without demanding something in return?’ By now you will recognize Blue behavior. **The offer is my Blue side.**

Conditional proposal or bargain combines Red demands with Blue offers because by themselves neither of these behaviors (demanding without giving or giving without demanding) is good for your negotiating effectiveness, yet together there are an assertive traded solution:

“If you meet my (Red) demands then I will make a (Blue) offer.”

Condition	+	Offer
Your RED side	+	Your BLUE side
If you	+	Then I

Two negotiators who adopt Blue styles for their negotiation will make joint gains (‘more means more’), but the quandary is that neither negotiator knows how the other intends to play it, and if they play Blue to the other’s Red style they will be exploited. You will be exploited to the extent that you accept as true what the Red negotiator tells you (he bluffs etc.) and if you do not accept it as true you will be playing Red, perhaps to his Blue (he was not bluffing!).

Thus, we return to the negotiator's dilemma: 'I play Red not because I want to but because I must'. With both negotiators playing Red they end up with a Lose, Lose outcome, defined as anything less than the potential joint gain they could have achieved by playing Blue, Blue.

Purple style in a Red Negotiation

- Purple negotiators seek to:
 - Identify the interests of the other side –
 - And to be candid about their own – if only to assist them in addressing issues and in shifting positions.
 - Places an emphasis on what he wants to do rather than justifying what he feels he must do. Faced with a negotiator's dilemma he manages it by dividing the difficulties of choice into smaller manageable risks
 - Instead of a single choice, as in the original game of Prisoner's Dilemma, of cooperate or defect, which decides the final outcome, the Purple stylist breaks up the process into numerous little games of Prisoner's dilemma
 - Takes measured risks that help judge the Red or Blue intentions of other negotiators and which also train them to play Purple because each exchange demonstrates the benefits of conditional exchanges.
- Understanding the role of an interest can move a negotiation towards an agreement.
- The debate phase plays a significant role in determining the other negotiators' games. If they are arguing, a Red game is under way and caution is advised.

Purple style in a Red Negotiation

- Purple styles of negotiation: "Give me some of what I want, and I will give you some of what you want."
- The bitterest of disputes often concentrate on positions but the stances people take are driven by their interests.
- Many Red behaviours actually make it difficult to reach a settlement because they offend the interests of the other party. A Red ploy of 'take it or leave it' on a position or an issue, for example, can provoke resistance, even where the negotiator is willing to consider accepting the offer, because the way the offer was presented compromises the sense of dignity in the negotiator.
- Purple negotiators seek to identify the interests of the other side – and to be candid about their own – if only to assist them in addressing issues and in shifting positions.
- Understanding the role of an interest can move a negotiation towards an agreement.
- Purple negotiators may also protect their negotiating stances by adopting measures that test the other negotiator's intentions.
- The purpose of the Purple negotiator using a Red test is to allow the other negotiator to reveal whether he is playing Red or Blue, i.e. Purple player avoids being exploited.

The difficult Negotiator

In the games we have seen so far, the goal was to maximize scores. We saw that this is difficult because a lack of trust 'forces' one to play red. How do you deal with a negotiator that deliberately plays red? **You get results based on the merits of a case**, rather accepting something because of behavior.

The consequences of matching blue and red styles are as follows:

		negotiator A	
		blue	red
negotiator B	blue	joint gain	exploited, gain
	red	gain, exploited	lose, lose

Playing blue means being exploited, thus negotiators often play red, at least not to be exploited. Thus, we return to the negotiator's dilemma: 'I play Red not because I want, but because I must'. But this hardly leads to desired outcomes...

Robert Axelrod showed with his **Tit-for-Tat** (TFT) game that a structural reaction to the behavior of the other party shows them the right way. If they play red, you play red. What you really want is to get them to play blue. By reacting consistently the other negotiator will find that if they play red, you do and if they play blue, you will.

Winning Strategy of Tit-for-Tat (TFT)

- Player A is playing a strategy that co-operates on the first move (play Blue in the Red or Blue game), and then plays in each subsequent move whatever his opponent plays in the previous move. -> Red play will never stop!
- Instantly forgiving and not to carry grudges

TABLE 7: STRATEGY TIT-FOR-TAT

Round	Player A	Player B
1	C	D
2	D	D
3	D	C
4	C	D
5	D	C
6	C	D
7	D	C
8	C	C

Drawbacks of Tit-for-Tat:

Needs a Player B that respond the initial Blue play of Player A not immediately but some rounds later with also Blue.

TABLE 8: HOW TO AVOID ESCALATION?

Action	Reaction	Recommended Reaction
Speaks louder	Shouts	Speak softer
Speaks fast	Speaks faster	Slow down
Interrupts	Interrupts interruptions	Give way
Swears (<i>verfluchen</i>)	Swears back	Never swear
Threatens	Counter-threatens	Ignore

Dealing with a difficult negotiator

- Is he generally difficult or only difficult with you?
- It might be you that is the cause of the difficulty and not them.
- Their behavior is their business but let their (your) behavior not affect the outcome.
- **Do not encourage behavior by giving in:** concentrate on the disputed issues by concentrating on the merits of the case or by the principle of trading
- Realizing that his behavior is not going to influence the outcome does more to change his behavior than confronting the behavior directly.
 - The pseudo game of passing the blame and responsibility for the alleged damage of the strike to the other side
 - Employers who agreed with their employees that they had a right to go on strike but that their strike would not affect the outcome would fare better.
 - Letting them know how effective their behavior is by showing how much it upsets you only reinforces their behavior; 'If my manner hurts you the remedy is in your hands - give me what I want and I will stop bullying you'.
- For the Purple Negotiator **toughness is the resolve to come to a traded outcome..**
- Combine red and blue; **red conditions combined with blue offers.**
- **Negotiate exchangeable tradables.**

How to handle difficult negotiators?

- Separate people who are difficult only with you from those who cause problems for everyone. It might be you that is the cause of the difficulty and not them.
- 'Your (Red) behavior will not affect the outcome' – Disconnect the others negotiators behavior from the outcome.
- Tackle difficult behaviors in private not public
- Avoid ascribing motivations to their bad behavior
- Stick to the positive steps you can take
- Avoid diluting your arguments
- Do not make concessions to seek peace

Making progress with a Purple style in an Red negotiation

The **Purple** stylist places an emphasis on what he wants to do rather than justifying what he feels he must do.

- **Break** the negotiations **down into smaller parts** to measure the risk and style of the other party. **Purple** stylist breaks up the process into numerous little games of Prisoner's dilemma.
- To **open with** a joint problem solving approach (such as **own vulnerabilities**) like problems with deadlines or cash flow **could be dangerous**. The determined **Red** negotiator always exploits the too open **Blue** negotiator what is seen to be a weakness.

Given that the debate phase is a series of exchanges across a wide range of topics, there are plenty of opportunities to test the nature of the game played by the other side and to take measured risks that do not expose you to sudden death exploitation.

On each topic the negotiator must listen to what is being said and must ask questions that probe for information both about the issue and about the intentions of the other negotiator. How the negotiator answers – if at all! – tells you something about the game being played. A refusal to disclose information can send warning signals to you immediately and the tragedy is that the signals may be clear but the cause of them may not be justified.

- Red behavior can arise from a misunderstanding as well as from the situation. When the negotiator is sending Red signals inadvertently, he can correct this mistake by taking a measured risk.
- Dependent upon the answer, the negotiator will know what game they are playing.
 - **If they say 'No'**, and assuming they have understood the contents of the question (which is perhaps worth testing), you know that their Red stance has some other motivation (which is perhaps worth questioning too);
 - **If they say 'Yes'**, you know that your disclosure of information is a potential means of solving the dispute.
- All the activities **summarized** by 'SAQSS' (Statements, Assurance, Questions, Summaries and Signals) are measured risk **Blue** behaviors. None of them are sudden-death risks.
- Negotiations tend to concentrate on issues and the positions people hold on the issues.
 - **Interests** – overriding motivator – why somebody wants something
 - **Issues** – agenda item – what they want, expressed in positions
 - **Positions** – focus of stance on the issue

Example: A wage rate is an **issue**, £20 an hour is a **position**. An adequate standard of living is an **interest**.

Disputes are about positions but their stances are driven by their interests.

⇒ Therefore dig to identify the interests of the other side so that the proposals and offers can satisfy both your own, and their interests. Interests can be used to change the positions, and therefore facilitate settlement.

Some interests are irreconcilable (the Irish Troubles) those interests may become an obstacle, not facilitator, to a settlement. In those cases it is best to concentrate on reconciling substantive issues and positions.

- **Test the style (Red or Blue) of the other party**

- **Reverse deal to test the style**

If a fair proposal is made by yourself to another party and it is rejected, turn it around so that they are offered the same deal you asked for. If that too is rejected, out of hand, you are dealing with a **Red** style play.

- **Agreement without quibble**

If other party agrees to a contingency without a quibble he must be pretty certain of his forecasts (price profit). Similar tests are common with delivery dates and for performance standards (with penalties for failing to meet them).

- Conditional proposition or a red demand joined with a blue offer, 'IF-THEN'
Conditional Purple propositions trump all styles.

In the Art of the Deal Donald Trump says: 'If you have what the other person wants, you have a deal'. Negotiation is about getting what you want from someone who wants something from you. That's trading – a purple conditional style.

The **Purple** stylist understands what the **Red** player is up to (a **Red** ploy recognized is a ploy disarmed) and can indulge in some controlled '**Red**' behavior to send a signal or to test the intentions of the other negotiator.

A **printed contract** is the written expression of the distrust each partner has of the other.

⇒ The over detailed contract says that you do not trust them (especially in Japan). In other contexts, a contract is a useful test of somebody's intentions. If they are willing to sign the contract, then they are willing to be bound by the written obligations and promises they made in the negotiation. If they are unwilling to sign a contract then they are not to be trusted at all. However, if you insist on a contract, you might cause offence by making them think that you do not trust them!

Being **Red** is a short-time advantage.

Module 8 Rational Bargaining?

We have seen that behavior and willingness to co-operate often determine the outcome of negotiations, but irrational behavior and lack of trust result in non-co-operative play. So is rational bargaining possible at all?

You negotiate because it makes you in some sense better off, because you both expect to gain something over what you have before your bargain.

John Nash's economic focus

Nash and the Bargaining Problem

Nash (awarded the Nobel Prize for economics in 1983) asserted that the economic situations of monopoly versus monopsony (condition in which there is one consumer who has a monopoly which enables him to dictate prices and salary), of trading between two nations, and of negotiation between employers and labor unions, are **bargaining not market pricing problems**

John Nash's solution to the bargaining problem is about **what makes one solution better than all the other potential solution**, not about the *process of bargaining* or human behavior.

Nash is solely interested in the content of the solution, and takes an economical approach.

Nash assumes:

1. Highly rational bargainers who can accurately compare each other's desires for various things
2. bargainers who have equal 'bargaining skills'
3. bargainers who have full knowledge of the tastes and preferences of the other
4. bargainers who desire to maximize their gains in bargaining - Utility maximizing behavior
5. A tradable has a certain numerical utility to the bargainers - the players will trade those goods that they value less for those that they value more
6. each knows the true value the other places on each possession, neither can bluff the other
7. every player is co-operative und play rational, danger is taking a Red (zero sum / non co-operative) approach, it will not bring the best solution (also proved by the Dilemma game)

Nash model of bargaining

Uses numerical utility theory, which is an economist's way of 'measuring' the satisfaction.

- However defined, that an individual receives from possessing this or that set of goods.
- Nash, fortunately, provided an arithmetical example to demonstrate his solution.

Example of a negotiation based on Nash:

Bill's possessions	Utility for Bill	Utility for Jack if acquired
box	4	1
book	2	4
whip	2	2
ball	2	2
bat	2	2
	12	
Jack's possessions	Utility for Jack	Utility for Bill if acquired
pen	1	10
toy	1	4
knife	2	6
hat	2	2
	6	

Utilities before trading

Bill's Utilities			Jacks's Utilities	Priority
pen	10			high
	9			
	8			
	7			
knife	6			medium
	5			
box, toy	4	4	book	
	3			low
ball, whip, hat, book	2	2	whip, ball, bat, knife	
	1	1	pen, box, toy	

The Nash solution in a Negotek® PREP format

The differences in their priorities or valuations enable Bill and Jack to solve their exchange problem. Because each of them wants something from the other, they can find mutually acceptable terms for the trade.

The main difference between being in a negotiating process and defining a Nash solution is that the former have to work through a process to arrive at a solution, while Nash bargainers *find the optimal solution without enduring the uncertainties of working through a process.*

Nash postulated that the solution in this and every other case would be where **the 'product of the utility gains is maximized'**.

The bargainers would agree to exchange the goods in whatever way that maximized their joint gains in utility.

Bill			Jack		
Goods received in trade	Utility		Goods received in trade	Utility	
	Gains	Loses		Gains	Loses
knife	6	2	book	4	2
pen	10	2	whip	2	1
toy	4	2	ball	2	1
		2	bat	2	
Total	20	-8	Total	10	-4
Net gains	12		Net gains	6	

This leaves Bill with his box and Jack with his hat. You should note that Bill would be unwilling to exchange his box for the hat because this would mean giving up a higher valued item for a lower valued item, i.e. Bill values his box at '4' and Jack's hat at '2'.

Jack is likewise unwilling to trade his hat for Bill's box, because he would be giving up his hat, which he values at '2', for Bill's box which he values at '1'.

Nash (safely) assumes that the players will trade those goods that they value less for those that they value more (an important principle of bargaining).

TWO WAYS OF NEGOTIATING A TRADE:

The two ways of playing the dilemma game correspond closely to the great dichotomy of negotiation behavior

1. Zero sum/ non-cooperative behavior = maximizing your personal gain

If you interpret the game as being about maximizing your personal gain at the expense of the other player, you will demonstrate **zero-sum or non-cooperative behavior**. Your partner, whatever her first interpretation of the way to play the game, will be forced to retaliate using zero-sum behavior too. The scores at the end of the game will not maximize your joint gains and, worse, could minimize the joint gains, leaving you both with negative or very low positive individual scores

2. Non-zero sum/ cooperative behavior = maximizing your joint scores

If, on the other hand, you interpret the game as being about maximizing your joint scores, and this coincides with the predilections of the other player, you will demonstrate **non-zero sum or cooperative behavior**. Your eventual positive scores, in this case only, are maximized (at 36 points each) and you are as close as you can get to a Nash solution

Empirical: Nash Solution

The majority of those who play the game for the first time adopt non-cooperative Red style strategies and many of the others, who try initially to play a cooperative Blue style strategy, soon switch to non-cooperative Red behavior in retaliation.

Nash behavior is remarkable by its relative absence.

Maximizing joint gains as a bargaining objective is a minority choice of the thousands of negotiators playing the dilemma games that I have observed.

Depressingly for the Nash solution, most bargainers behave as if they reject maximizing joint gain as their objective in an, often futile, attempt to maximize their individual gains. The overwhelming majority of bargainers end up with suboptimal, non-Nash, outcomes.

Benefits of Bargaining

Negotiators have at least one common interest because the consequences of non-agreement means acceptance of the status quo. The fact that they are willing to negotiate implies each believes something can be improved.

Maximizing joint gains as a bargaining objective. Cooperation must be present!

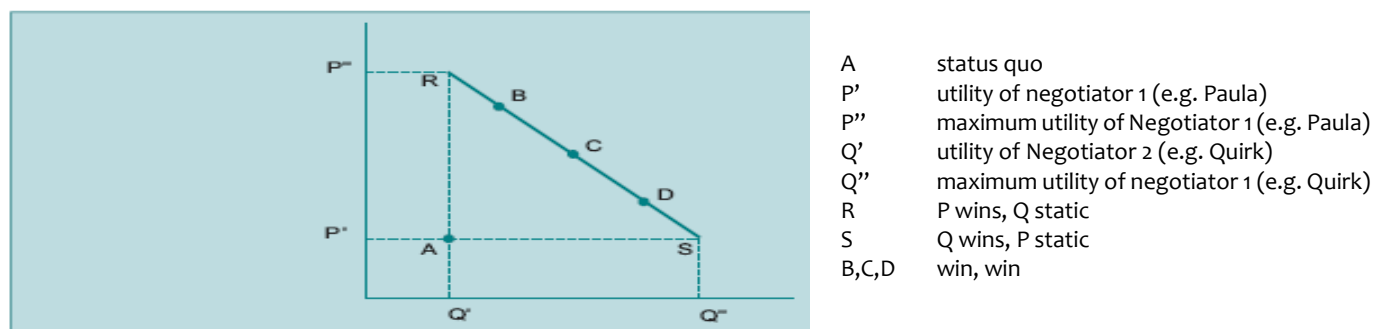


Figure 8.1 The benefits of bargaining

The boundary line (RS) as being scribed between the extremes of Paula getting all the available extra utility (P''), including what she enjoys at A, or Quirk getting all the available extra utility (Q''), including what he enjoys at A. The RS boundary scribes through all the possible combinations of extra utility distributed between Paula and Quirk. Neither can move to a position outside the boundary because combinations of utility are not available beyond that boundary. The negotiators can only distribute utility between themselves by being on or inside the boundary.

- Now to get to any point northeast of A, the negotiators have to at least **cooperate** enough to deter either of them using their veto. If either of them uses their veto, they will both remain at the utility distribution represented by A and forego the potential benefits of additional utility to each of them from jointly deciding to move northeasterly towards some point on the boundary line.

Negotiating is an act of tentative cooperation, no matter how hostile the negotiators feel towards each other as rivals or deadly enemies. This constitutes one of the common interests of negotiators.

Apart from cooperating by negotiating, parties have common interests in a negotiated outcome. If they freely negotiate an outcome, then the benefits of their agreement will address some of the interests of each party. In so far as these interests benefit each party, then they have a common interest in reaching and in implementing that agreement.

Idealisation would suggest that two parties freely enter into a search for the terms upon which they can exchange what they value less for what they value more. If they find such terms, they agree; if they do not, the negotiation aborts, freeing both parties to attempt to contract with others. It also leaves them without the gains they could have made if they had found acceptable terms.

- They stay at A and cannot get closer to C because each insists on distributions, such as B or D, neither of which is acceptable to the other.

The Real Bargaining Problem

The real bargaining problem lies in the dichotomy of **zero sum** and **non-zero sum**, or **non-co-operative** and **co-operative**, behaviors in negotiation.

Achieving a maximization of the net benefits in a Nash solution depends upon the behaviours of the bargainers, which in turn depends upon the coincidence, or otherwise, of their attitudes to bargaining.

The real bargaining problem is **not** just **how people choose to behave** that counts, **it's how both independently choose to behave** and then how their choices interact when they negotiate together.

Distributive Bargainer:

- You can only benefit at the other negotiator's expense. (Other losses)
- Zero sum and non-cooperative
- One gets everything - at the expense of the other party
- Claimers

Integrative Bargainer:

- Means both joint gain at neither party's expense
- Non-zero sum and cooperative
- Both parties receive joint gains
- Creators

Two distinct methods of negotiation:

• Claimers

- See negotiation as the distribution of a fixed amount between them and you.
- The bigger their share the smaller is yours.
- This type of zero-sum transaction, they gain, you lose, often leads to manipulation and power games.

Where claiming predominates, manipulative ploys, tricks and power perceptions are the tactical imperatives of your behavior, reaching their 'highest' level of competence in 'streetwise' negotiating.

• Creators (See negotiation as a means to joint gain)

Create a joint gain by three ways:

1. **an agreement that both parties voluntarily enter into is likely to be better than no agreement at all**
First, an agreement that you both voluntarily enter into is likely to be better than no agreement at all, on the safe assumption that, as both of you have the right to veto any deal with which you are uncomfortable, it is the value created by the deals you agree to which makes you say 'yes' rather than 'no'. In saying 'no' to any deal, you prefer to forego what you would 'gain' from saying 'yes'.
2. **it must create additional value for both parties (win, win)**
Second, by accepting another deal, replacing the one that is unacceptable to one or both of you, it must create additional value to you both in some way. If it does not, because, for instance, it made one of you worse off than no deal, the loser would veto it.
3. **could create previously un-thought of solutions, which creates additional value**
Thirdly, negotiators, by iterating towards an agreeable deal that makes both of them better off, or no worse off, could create a previously unthought-of solution, which creates additional value.

Negotiators have a choice in the way they behave (it is limited to **reactive behavior towards the other negotiator's choice**--and vice versa--This being the case, **awareness of this fact is the first step to proactively changing behavior** in the negotiation process towards Nash's solution)...

Rationality and Irrationality

People do not instinctively behave rationally and only a small minority opt for joint maximization. That proportion can be increased by prompting and training but it is still difficult to achieve – even approach – the much lauded ‘win-win’ outcome without considerable investment in long term relationship building

The assumptions of the Nash solution are questioned by observing how people play dilemma games and negotiate.

According to **BAZERMAN AND NEALE**:

‘Negotiating rationally means making the best decisions to maximize your interests’.

They aim to help you:

- Decide when it’s smart to reach an agreement and when it is not’
- Avoid decisions that leave both you & those you negotiate with worse off’.

In their work with executives in US business, they observed that they appeared to have ‘decision making biases that blind them to opportunities and prevent them from getting as much as they can out of a negotiation’.

Decision-making biases

Decision-making biases that blind negotiators to opportunity and prevent them from gaining as much as possible from a negotiation:

1. Irrational Escalation

Staying in the game just to prove that you will be the last one standing (even if it means you no longer have any feet to stand on!)

Escalation behavior is common in auctions (\$20 bill), as well as strikes, marketing campaigns, price wars and competitive acquisitions.

In auction, game participants escalate irrationally and produce a net profit for the auctioneer. Somebody joining the auction is soon trapped into continuing to bid long after it is rational to do so. They continue bidding to avoid losing whatever they have bid so far, but what is true for them is true for other bidders.

2. Fixed Pies

The assumptions of **zero-sum bargaining** lead people to believe that they can only **gain at the expense of the other party**.

The advice to negotiate the ‘easy issues first’ is a fixed pie philosophy. Asserting that it is best to negotiate the ‘easy’ issues before the ‘difficult’ ones ignores the potential for tradeoffs between the preferences of the negotiators, and views negotiation as the division of a **fixed pie**

It leads to **claiming** and ignores that negotiation can also lead to the **creation** of more.

3. Anchoring

People give a high or low initial entry position, thinking that this means they will have a better chance of ending up with a better bargain.

Your initial entry position acts as an anchor upon which the changing pressures in the negotiation pull you towards a settlement or deadlock. The anchor influences perceptions of the other negotiator about what is possible.

CHESTER KARRASS advocates that you open ‘high’.

If too early, a reaction is irrational, so is collapsing towards the other’s extreme position and so is taking too personally what they are doing.

Irrationality of anchoring on non-relevant information leads to entry points that deter negotiation when they appear to be unrealistic for the other party (other partner walk away).

4. Referent Behavior

The way you frame an option can determine your willingness to accept an agreement. **Example:** Bank customers are more willing to pay increases in charges and fees than they are increases in interest rates.

Reframing referent points is a more rational response to unintended deadlock over them and can dramatically change your choice of alternative outcomes. Reframing is a matter of perception. Is the glass half empty or half full?

5. Fallacies of Prominence

Negotiators are influenced more by the information that is easily available (see problems from own specialism) than they are by its relevance to the current decision.

The rational remedy for negotiators is a more thorough search for relevant data and proper analysis of what is available.

6. Overconfidence

Overconfidence is one of the more common errors of negotiators. Deciding what you want is the main task of the preparation but finding out what they want is the main task of the debate.

Overconfidence in the likely success of your preferred position is one of the more common errors of negotiators. When you prepare your negotiating stance, you often overestimate the likelihood of you prevailing. You do not take the other party's role sufficiently into account.

Overconfidence produces inflexibility, lack of movement, lack of trading, impasse and deadlock.

Deductive rationality

HERBERT SIMON'S deduced behavioral model (deductive model) for individual rational choice:

- Identify the problem
- Search for alternate solutions and their consequences
- Preference order the solutions and select a course of action

Simon assumed rational choice on the part of a decision maker. His model is not linear in nature. At each step, further identification, discussion and backtracking is possible – by iteration. Caveat: What works for the rational individual may not work for a negotiating pair.

Herbert Simon asserted that decision-makers are not perfectly rational because they are bounded by deficits in the information necessary to be perfect decision-makers: people do not have the time or the information processing ability to make perfect decisions.

People thus decide on **satisficing** criteria because of their **bounded rationality**: they decide upon minimum acceptable criteria.

The **maximizer's** choice is determined by restrictive assumptions and the **satisficing** choice is determined by the negotiator's perceptions.

PRINCIPLED NEGOTIATION

FISHER AND URY

Principled Negotiation is negotiation on the **merits that serve the best interest**.

You look for **mutual gains**, and one must insist that the result will be based on **objective standards**

The method of principled negotiation is:

1. **Hard on the merits and soft on the people.**
2. **It employs no tricks and no positional posturing.**
3. Shows you how to obtain what you are entitled to and still be decent.
4. It enables you to be fair while protecting you against those who would take advantage of your fairness.'
5. Finds its best expression in assisting in the sorting out of public or communal disputes (new airport runway) than to commercial bargaining and it lies closer to mediation methodology than to traditional bargaining. It's an extreme (naive) **Blue** approach.
6. An insightful process but it is **not the alternative** to traditional negotiation that its proponents celebrate.

Table 8.6 Two extremes and a principled solution

Problem		Solution
Positional bargaining: which game should you play?		Change the game – negotiate on the merits.
Soft	Hard	Principled
Participants are friends. The goal is agreement.	Participants are adversaries.	Participants are problem-solvers. The goal is a wise outcome reached efficiently and amicably.
Make concessions to cultivate the relationship.	Demand concessions as a condition of the relationship.	Separate the people from the problem.
Be soft on the people and the problem.	Be hard on the people and the problem.	Be soft on the people and hard on the problem.
Trust others.	Distrust others.	Proceed independent of trust.
Change your position easily.	Dig into your position.	Focus on interests, not positions.
Make offers.	Make threats.	Explore interests.
Disclose your bottom line.	Mislead as to your bottom line.	Avoid having a bottom line.
Accept one-sided losses to reach agreement.	Demand one-sided gains as the price of agreement.	Invent options for mutual gain.
Search for the single answer: the one they will accept.	Search for the single answer: the one you will accept.	Develop multiple options to choose from; decide later.
Insist on agreement.	Insist on your position.	Insist on using objective criteria.
Try to avoid a contest of will.	Try to win a contest of will.	Try to reach a result based on standards independent of will.
Yield to pressure.	Apply pressure.	Reason and be open to reasons; yield to principle not pressure.

Extracted from Fisher and Ury (1982) *Getting to Yes: negotiating agreement without giving in*, Century Hutchinson, London

Fisher and Ury's Prescriptions

This prescriptive model is widely used by mediators in dispute resolution, but may have less value for commercial negotiators, who need to realize joint gain.

These prescriptions deserve support as well as critique.

The four prescriptions of principled negotiation:

1. **Separate the people from the problem**
2. **Focus on interests, not positions**
3. **Generate a variety of possibilities before deciding what to do**
4. **Insist that the result be based on some objective standard**

1. SEPARATE PEOPLE FROM THE PROBLEM

- Do not get personal.
- Separate emotions

The behaviors of people should be irrelevant with respect to the outcome of the negotiation: it is not the people you are interested in. The outcome is going to be affected only by the merits of what they have to offer. You are not interested in changing these people either. Let them get their own counsel.

However, the contradiction lies in that *disconnection of people from the problem requires co-operation, Blue style behavior.*

Strengths:

- People problems emotional baggage, can be a key to unlocking a solution with co-operation -> It might be necessary for the parties to consider each other's interests.
- They can force people to people to decide on issues on the basis of which person makes the suggestion.

Weaknesses:

- Easier said than done. People are often part of the problem (sometimes they are the problem!) and it can ignore the relationship side of the negotiators.
- It is similar to a third party intervention method, such as mediation, where the third party is independent of the parties. Negotiators are not independent of each other.

2. FOCUS ON INTERESTS, NOT POSITIONS

Often good advice, especially when dealing with fiercely defended positional posturing. But the advice suggests that positioning itself is a barrier and that is only true when positions are separated from the issues they are connected to.

Focus on interests is not enough: *what* we want (a position) cannot simply be separated from *why* we want it (an interest). **A focus on interests does not remove the need to decide on positions.**

- Positions are *what* we want; interests are *why* we want them. The two are inseparable.
- Issues are the agenda of the negotiation, expressed (normally) in positions.
- Fisher and Ury appear to emphasize that the interests of the negotiators are the only way to resolve disputes as attempting to resolve positional stances alone is likely to be unproductive.
- However, if they assume that considering the interests of the parties removes the need to decide on positions. Instead, interests and positions are not mutually exclusive; they are intertwined.

Strengths:

- Negotiators who focus on their interests and the interests of the other party address the prime motivations of the parties and not the current positions.
- Several configurations of issues and positions can deliver an interest

Weaknesses:

- Interests are not a substitute for positions. Negotiators must still consider the details of their positions if they are to deliver their interests.
- Principled Negotiators can become trapped into merely considering interests which while necessary is not sufficient.

Example Cold War:

For example, a verification issue in the Cold War arms control negotiations (cited by Fisher and Ury) consists of numerous positions: how many inspections, who by, at what notice, what limits to access... etc.. The interest of the parties is that they are not to be caught out by a surprise attack and hence they must ensure that the other side relinquishes the means to launch one.

The Soviet Union eventually moved to a maximum of three inspections per year – originally they opened at none!, while the Americans moved to a minimum of ten inspections per year – originally they opened at 20. This left a large gap which Fisher and Ury blame on the United States government!

The Blue negotiator must surely test for a Red stance in the other negotiator? If the Soviet Union quibbles about the number of inspections, they either fear that they will discover from ten inspections that the USA is not cheating on its commitments (if they were not sure they would press for more than ten inspections), or that the USA will discover from more than three inspections of Soviet sites that they are cheating on theirs.

Go after what motivates the position, be remember that interests and positions are intertwined.

3. INVENT OPTIONS FOR MUTUAL GAIN: GENERATE A VARIETY OF OPTIONS

Fisher and Ury advise to do more than just deal with two competing solutions, for example by brainstorming and developing new solutions, which commit everyone and thus moving from red to blue play. Judgment is suspended until the options are listed.

In one-on-one negotiations that dominate private decision-making, this prescription may be too ambitious because there are simply no more options than the ones available.

- Do more than just accept what appear to be the only two competing solutions on the table, particularly as these may be narrowly framed and also, as they stand, mutually exclusive.
- Recasting the problem by reference to interests enables other options for a solution at least to be considered, while suspending judgment (Brainstorming sessions).
- Requires both parties to be 'Blue'.

Strengths:

- Brainstorming techniques are constructive aids to open negotiation behavior.
- Considering as many options as is feasible assists in developing mutually acceptable solutions, particularly if both negotiators contribute to the range of options.

Weaknesses:

- It ignores the situation where the alternative options are known and not reconcilable in the short-run.
- It is not necessarily a process likely to be resolved in the short term.

4. INSIST ON OBJECTIVE CRITERIA

To **insist on objective criteria is to misunderstand negotiation in a commercial environment.**

Objective criteria might be helpful in legal battles, but in commercial negotiations subjectivity rules! Perhaps industry benchmarks are available as objective criteria but it is doubtful if they have any relevance in a negotiation.

Third parties might be allowed to **arbitrate on behalf of parties, but they cannot decide on behalf of them...**

Facilitators, tribunals, counsels etc. may work for larger organizations, but do not for day-to-day negotiations.

- Principled negotiation include the necessity for deciding disputed issues on objective criteria, they are introducing judicial methods into negotiation.
- Criteria are often controversial, as are 'facts', based on subjective preferences.
- The search for agreed objective criteria achieves is to shift the focus of the negotiators' debate from their positions on the issues to their positions on their criteria for settlement

Strengths:

- As an alternative to pressure as the deciding factor it has much to
- Recommend it to rational decision makes.

Weaknesses:

- This judicial approach may not be feasible in the business setting.
The parties are likely to be partisan to different criteria, the selection of which would influence the outcome for or against them.
- Fisher and Ury's inventing a plausible, but impractical, device of the 'convenient third party', who just happens to be available, to uncover objective criteria for resolving the disputes they cite in their text.

Example:

In the case of two partners designing their future home, there is a helpful architect who takes away their ideas – some of which are mutually conflicting – and re-designs the house to meet their expressed criteria.

All that the search for agreed objective criteria achieves is to shift the focus of the negotiators' debate from their positions on the issues to their positions on their criteria for settlement. In an ideal world that may be a step forward, but in reality it achieves little for practical negotiators, particularly when the solution criteria are as controversial as their positions.

A dispute over which criteria to select could be just as unrewarding as a dispute over which position to adopt. Principled negotiation once again slides into a special case of positional bargaining.

Objective criteria do not remove the basis of a dispute – they are often the kernel of a dispute. E.g., workers base wage demands on comparability; managements on productivity; sellers base price on costs; buyers on use value; Argentina bases its claim to the Malvinas on a common continental shelf; Britain on the long duration of its settlement of the Falklands.

In short: criteria based solutions are seldom ‘objective’.

Principled negotiation in practice appears suited to public or communal disputes rather than to commercial bargaining and it lies closer to mediation methodology than to traditional bargaining.

BATNA

FISHER & URY'S

Best Alternative To No Agreement - Best Alternative To a Negotiated Agreement

BATNA stands for Best Alternative to a Negotiated Agreement. It was proposed by Roger Fisher and Bill Ury in their seminal work ‘Getting to Yes (1981)’. It is a useful tool for benchmarking the acceptability of proposals. The BATNA is also a useful tool for preparation, e.g. by focusing on your levels of dependence and commitment; it gives you a feel for your power in a negotiation.

An analogy with the economic opportunity cost principle: pursuing an opportunity ‘costs’ its best alternative (buying an Audi A8 ‘costs’ an apartment in Prague).

A BATNA is not an agreement, but the alternative that remains when no agreement is reached. Obviously, an agreement on an issue should always be better than its BATNA.

A useful tool for preparation, e.g. by focusing on your levels of dependence and commitment, it gives you a feel for your power in a negotiation.

- BATNA asks the negotiator to consider the very best that could happen if he fails to make a deal and to compare the deal on offer with that alternative.
- BATNA provides negotiators with a means of deciding the basis on which they would agree or walk away from a bargain.
- If your BATNA is better than the deal on offer you can wait for a better deal. Your BATNA is an indicator of your bargaining power.

For example:

If you are selling your car and were offered £2000 yesterday then anything you are offered today has a BATNA of £2000. If you are offered £3000, that's above the BATNA so you might take it. If you are offered £1000 that's below the BATNA so would probably reject it.

It is one of principled negotiation's main contributions to negotiating practice:

- Similar to economist's opportunity cost
- What is the very best outcome should negotiations fail, therefore if negotiations succeed they must be better than the BATNA. -> If your BATNA is better than the offer you can wait for a better deal.
- If the BATNA is better than what is on offer it strengthens the negotiator's bargaining power; if worse, it weakens it.
- Provide data on the ‘walk-away’ or ‘take-it’ positions

Negotiators as Mediators

Mediators can help if parties are stuck on:

- Issues (positional bargaining) or
- on interests (Principled Negotiation) or
- On both (traditional negotiations)?

They **facilitate** agreement.

If there is no third party, one of the parties in the negotiation could play this role, but it is doubtful whether this is acceptable to the other party because of a conflict of interest.

All one can do, is try to display effective negotiating behavior and 'independent' behaviors like **going to the balcony to reflect, look at it from their side** etc.

Definition:

Mediation is an intervention by an acceptable, impartial and neutral third party, who has no authoritative decision-making power, to assist the disputing parties in voluntarily reaching their own mutually acceptable settlement of the issues in dispute.

There is no third party available, instead it involves one of you acting as a third party without the knowledge or awareness of the other.

Table 8.8 Ury's advice for negotiators as mediators

Don't react	Go to the balcony
Disarm them	Go to their side
Change the game	Don't reject – reframe
Make it easy to say 'yes'	Build them a golden bridge
Make it hard to say 'no'	Bring them to their senses, not their knees

Extracted from Ury, W., (1991) *Getting Past No*, Century Hutchinson, London.

Epilogue

- Principled negotiation is an insightful process or as another decision, making technique appropriate only to some circumstances, but it is not the alternative to traditional negotiation.
- Principled negotiation is largely about the conduct of mediation, conciliation, counseling or joint problem solving, and it provides several useful insights into the avoidance of negative outcomes by applying its four main prescriptions instead of purple style.

Module 9 Streetwise Manipulation (Chester Karrass)

Negotiation has always had associations with devious and manipulative ploys that vary from the secretly sly, through to openly barefaced rip-offs. Becoming streetwise is another approach to negotiation.

'Every ploy has its counter'

Bad 'playing' behavior only looks good to people whom avoid looking in mirrors.

Ployers usually lack evidence to support their positioning.

DR. CHESTER KARASS

(Give and Take: The Complete Guide to Negotiating Strategies and Tactics, 1974)

One of the best for teaching ploys, and as such files in the face of Red, Purple and Blue styles as ploys are typically for the reds (zero sum).

His book include over 200 tactics and introduce to the tactical (manipulative) negotiation. The tactical play approach suggests that there is always is a winner and a loser (Red style approach).

- Ploys range in sophistication from the subtle to the obvious. They all have counters, which you can use to defeat the ploy's purpose of tricking you into giving far more away.
- A ploy recognized is (still!) a ploy disarmed"
- To combat use of ploys **identify** it then expose or **counter** the ploy. The downsides is to embarrass others affecting long term relationship or risking a disaster if its not a ploy!
- A style solely based on ploys is fraught with danger as it lacks substance and sustainability. A brilliant ploy can result in a strategic defeat.

Power and Ploys

Ploys are common enough in negotiations for you to need to be aware of their consequences for your interests if the other negotiators who use them are 'successful'.

The danger is that in your disappointment about manipulative conduct, when you feel cheated, you are tempted to replicate on others the same moves that resulted in what you suffered.

Power is the ability to get someone to do what they otherwise would not do, and manipulative ploys and tricks are about making people do more than they otherwise would. In short, manipulation coerces you to concede more.

- Those negotiators who express a preference for manipulative negotiation claim that they manipulate others because others manipulate them.

Those negotiators claim they manipulate only to protect themselves

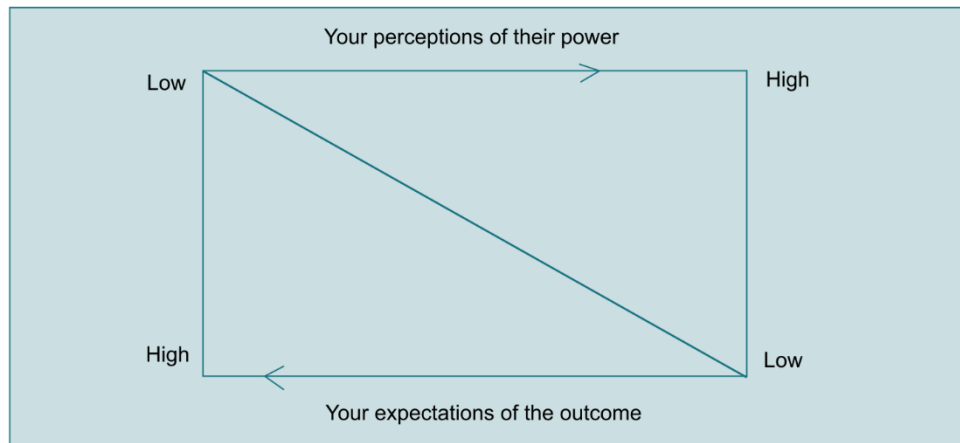
('I play Red ploys not because I want to, but because I must!')

All ploys aim to influence your expectations of the negotiated outcome. Your expectations of a negotiated outcome derive from your perceptions of the other party's power over you.

'The less power you believe that I have, the higher your expectation of the outcome in your favor.'

You often accord greater relative power to other negotiators than the context warrants and you lower your expectations accordingly. In short, you end up negotiating with yourself.

- Briefly, if you believe that your power over me is high, you are likely to be bullish about the outcome. You expect to do better than in the opposite case, where your perceptions of your power over me are low. The more powerful that you feel I am, the less well you expect to do.



Your perceptions of their power

- Power perceptions run left to right from low to high and your expectations of the outcome run right to left from low to high.
- It is an inverse relationship: the less power you believe that I have, the higher your expectation of the outcome in your favor.

Power is the ability to get someone to do what they otherwise would not do, and manipulative ploys and tricks are about making people do more than they otherwise would. Manipulation coerces you to concede more.

Three Types of Ploys

All ploys belong to one of three main types: **dominance**, **shaping** and **closing**.

- **Dominance (early stages of the negotiation)**
 - Achieving **dominance** enables one party to set the tone and the tempo (not to say the temper) of the following sessions.
 - It coincides with the most conflict-ridden phase of negotiation because the struggle for dominance involves conflict-enhancing behaviors.
 - Characteristically, dominance behavior is about defending extreme positions, revealing narrow grounds for manoeuvre and generally bullying 'opponents' into early concessions, or into revising how far they will have to move to get a settlement.
- **Shaping (middle phase of negotiation)**
 - In the middle phases of negotiation, with the concentration of the parties on debating the parameters of a possible settlement (signaling, proposing, packaging and bargaining), numerous opportunities appear that can **shape** the deal in their favor.
 - This is where ploys flourish and the literature abounds with ploys to shape the perceptions of what is possible and to shape expectations of what is likely. Some are out rightly dishonest and do not have any ethical justification whatsoever. **They are about cheating in its crudest form and negotiators who use them are using disreputable methods – true 'dirty' tricks.**
- **Closing (end of negotiation)**
 - Certain ploys flourish in the end game, or the **close**, of the negotiation and are about pressurizing the opponent to settle on the last offer or to close the deal in their terms.

To combat the use of ploys you need to neutralize their effects:

- Understand their purpose
- Identify it
- Expose or counter
 - Exposing risks embarrassing the perpetrator
 - Forget expose if you wish maintain the relationship and not interesting in 'Winning' an ago contest
 - Exposing what you believe is a ploy could be disastrous if it is not a ploy

Neutralizing a ploy seems by far the better response, with some slight risk that they interpret your neutralizing move as your ploy. **To neutralize a ploy normally only requires that you identify it.**

Dominance Ploys

Dominance is intimidation facilitated with props include all those symbols, signs and stage settings (e.g. fountains, jets, helicopters...) that create an image of the power balance between you and the other party, aimed at softening you up to induce you to move the most.

The remedy: Turn the props around -> If they can afford the opulence of a lavish setting, maybe your prices are too low.

- Those of a bullish disposition feel the need for **dominance** in the opening debate phases of negotiation. They need to dominate to control the situation.
- They push for dominance to limit the prospect of any other decision than the one they want, just in case you are awkward enough to say 'no'.
- Many of the plays for dominance begin before the negotiations really get under way.
- The 'props' of negotiation include all those symbols, signs and stage settings that create an image of the power balance between you and the other party, aimed at softening you up to induce you to move the most.
- **Visual dominance ploys.** The early signs of insolvency. Prop your prices up.

Pre-conditions.

Could be helpful (NDA's), but are mostly irrelevant. You do not negotiate not to negotiate. Distinguish between **plys** and **confidence-building measures**.

- When face to face, or just before it, the verbal dominance ploys begin, as if on cue. The **preconditions** ploy sets the scene between you. Either you meet the conditions and comply or there is no purpose in meeting. Their preconditions include insistence on 'vendor's contracts only', 'assignment of intellectual property rights', 'prohibitions on working for competitors', and such like. These are tricky ones.
- Preconditions are tried in extremely difficult negotiations where the parties have a history, often a bloody one, and each side demonstrates its reluctance to negotiate their differences by attempting to impose a precondition.
- To be sure, some preconditions enable the parties to accept negotiation as the solution to their problems.
- As confidence building measures, some preconditions and the willingness of the parties to accept them create the right conditions for a negotiation to begin.
- In business, similar preconditions can be a useful test of intentions.

Non-negotiable.

It means that it is very important to them and you want something back for it!

- This widely used ploy prohibits renegotiation of the fixed terms and conditions insisted on by powerful vendors and buyers.
- Taking vendors first, included in the nonnegotiable issues are their 'standard terms of sale', often printed in closely set type. Whether you accept that they are nonnegotiable depends a great deal, on how you perceive the relative power balance.
- Demands that issues are nonnegotiable are a well-known dominance ploy.
- They aim to weaken your negotiating stance by taking away the possibility of you weakening theirs. Sometimes they are emotional, sometimes logical. Such is the emotion that clouds judgment that they will not discuss other issues unless you agree to certain issues being set aside.
- You can accept this in total or you can bend partially by suggesting that, for the moment, you will set aside the forbidden issues and see what progress you can make on the others, while reserving, or at least indicating, that the whole deal depends on all the issues being aired.

Rigging the agenda

Either by rigging the **content** or by rigging the **order of business**. It presupposes hidden constraints on what will follow.

- The third type is to rig the agenda, either by rigging the content or by rigging the order of business.
- Generally, unilateral determination of either the agenda or the order of business is not compatible with the normal negotiating practice.

- Both parties have a veto on what they negotiate about – if they won't attend your meeting to discuss whatever it is you demand, you cannot negotiate for them – and they have a veto on the order in which you go through the agenda.
- In some circumstances, a party tries to gain advantage by trying to separate issues into a particular order, which suits them because it presupposes hidden constraints on what follows.

Shaping Ploys

The early shaping ploy warns you of their intentions:

- **Final offers.**
The most fatuous one of all ploy in the opening exchange before much has been said by either party. 'This ploy is so crude it is a wonder anybody takes it seriously. How can an opening position be a final offer, unless you have the absolute power to enforce it?'
If someone has no absolute power over you, they cannot start a negotiation with a final offer. Why bother to negotiate?
- **Fait accompli** by sending a signed contract to the other party.

Shaping ploys *shape deals in their favor*. Every deal can be cut several ways and the manipulator aims to pick up concessions here and there, often without offering much, if anything, in return.

- **Tough guy/ soft guy.**

Either two people as a team in roles or a single person with the unsympathetic boss or the distant committee... in the background. Similar to good cop/bad cop.

- In negotiation, you meet the players of this ploy in many guises. They can appear as two people, different individuals but in reality working as a team. This helps you to identify the game they are playing.
- Or they can be a single person, using the device that while they are amenable to your position they have a distant committee, or an unsympathetic boss, and unless you help them by making concessions they will be unable to help you.

- **The Bogey – KARRASS**

- The bogey 'is simple, effective and ethical'.
- They adore the product, but it does not fit the budget.

It consists of convincing the seller that you 'love his product' but you have a strictly limited budget and that if he wants to sell his product he must come down in price.

They are testing you. I also love Rolls-Royces, but only start buying one when I think I can finance it. If not, they must buy something else somewhere else.

- Also, the red player implies padded prices, which insults your cost accountants: never change the price of your offer just like that!
 - Depending on the seller's reaction, a new, better deal is possible.
- The bogey does several things. It can be used to test the credibility of the seller's price.

- **The seller might react positively –**

'How can you get hostile with someone who likes you and your product?' – by revealing information about the details of his costing, such that you are in a better position to force his price downwards.

- **On the other hand, it might provoke the seller to look at your 'real needs'.**

'It is discovered that some things in the original price can be trimmed away, others can be changed and still others can be adjusted by the buyer himself to meet the budget. Each party has helped the other reach its overall goals'. This, somewhat wishful, Blue outcome, however, is less likely than the more common one of simply confirming the Red buyer's suspicions that all prices are padded, and the Red seller's belief that all prices should be padded in self-protection from a buyer's bogey.

- There are, of course, **counters and all involve the seller blocking the bogey with Red style counters**:
 1. He can **test the bogey and seek flexibility**. It is a typical Red response to assume that all budgets are flexible upwards.
 2. He can be ready to **offer an alternative** (cheaper) package that meets the budget. This is the Red ploy of switch selling from what the buyer wants to an *El Cheapo* version. (ex: Russian Front).
 3. He can **escalate the decision to another level** – find out who controls the finance for the deal. This is a highly provocative Red ploy as it risks offending the other negotiator who is usually in his position because he carries out his financial boss's instructions to squeeze the seller's prices.
 4. He can also come **prepared with Red blockers**, such as minimum order value, minimum quantities, compulsory joint purchases, fixed warranties, high volume discounts, exclusive supply clauses, special prices for special specifications, charges for redesign and advance payments.

- **The Krunch. - KARRASS**

A buyer tells a seller: 'You have got to do better than that'. This is the **KARRASS Krunch**. It works because, according to KARRASS, there is always some slack in a seller's prices. He also notes that he believes that the ploy is ethical.

If buyers are known to resort to the krunch, they invite sellers to anticipate it by the Red ploy of padding their prices. This is self-defeating in all but the short run.

The Karrass solution to the krunch from the seller's viewpoint is for him to 'discover what the problem is' (a Blue approach) and to use a version of the seller's well worn 'apples and pears' defence (i.e. no two offers are strictly comparable).

Counter is to use a version of the seller's well-worn 'apples and pears' defence (i.e. no two offers are strictly comparable). Therefore, the sellers should resort to persuasion and standard sales techniques for overcoming the buyer's objections.

- **The Nibble - KARRASS**

Nibbling on the deal by shipping just too much, delivering late, adding hidden charges, slightly inferior merchandise. Red play that leads to revenge, but worse, firms spend astronomical amounts patching this kind of nibbling up.

'Nibbling pays: "If you can't get a dinner, get a sandwich." The nibbler goes for the sandwich. It may not do much for his ego but it helps his pocketbook.'

The single greatest cause of loss of your competitive advantage in favor of those firms that avoid the nibble and deliver what they promised. 'Buyers nibble on sellers and sellers nibble on buyers,'.

- **Sellers nibbling** by making over shipments, by supplying slightly inferior merchandise, by not performing promised services, by delivering late, by adding special charges.
- **Buyers nibble** by paying bills late, by taking discounts not earned, by requesting special delivery or warehouse services, by asking for slightly better quality than contracted for, by demanding extra reports, certifications or invoices, by getting free engineering charges, and by requesting extra consulting and training help for nothing'.

All of this is Red play and it is ultimately self destructive.

- **Miscellaneous Plays**

- **Salami ploy.**

Get firm agreement in stages that add up to what couldn't be agreed to before.

- The **salami** ploy is similar but different to the Karrass nibble. Salami comes *in slices*. Unable to get agreement to a major change – such as a company pension scheme – the negotiator attempts to salami by trying for agreement, a thin slice at a time.

- **Sell cheap, get famous ploy**

- The **sell cheap, get famous** ploy is legendary in the world of entertainment and in any circumstance where you are pitching for business for the first time.
 - The power of the ploy is founded on the sheer determination of its target victim to get a foot in the door, that they will consider almost any pricing proposition put to them by a buyer with a plausible line in having some 'golden key' to their future.

- **Add-on ploy.**

Increase the price after agreement. What good is a house with no roof?

- Sellers use the **add on** ploy in the often successful attempt to raise the final price paid by the buyer for the product.
 - Until you are satisfied that everything you want covered is included in the price, do not agree to anything.

- **Limited authority ploy**

- **Limited authority** gives the playmaker a power he is not entitled to, though he is entitled to claim it if you are willing to acquiesce in his deception. If he tells you his authority to vary a deal is strictly limited, and you are already at that limit, you have a problem if you want the deal (he has a problem if you don't).
 - He is not refusing to move, it is somebody else (echoes of 'tough guy/soft guy?') who is the cause of the problem. How can you argue against that?
 - It is difficult to expect the seller to overturn company policy on your behalf. If he does not have discretion he cannot use it. You either accept the deal, within the parameters of his limited authority, or you start again with somebody else.

- **Higher, or escalating authority**

- Akin to limited authority is higher, or escalating, authority, in which the deal has to be referred to the next most senior person in the organization, and the next, and perhaps the next above him.
 - Of course, you are dependent on how they report on the deal – with enthusiasm or by them just going through the motions – and it can provide an excuse to come back for more because the members 'won't agree to what is on offer'.
 - Many deals are also agreed 'subject to Board approval', giving the negotiator a passable excuse for coming back with a couple of yes, buts, and at least one quivering quill.
 - One useful tip he gives is: 'Do not repeat your arguments at each level.'

Closing Ploys

Closing ploys tend to be pressure ploys. Momentum builds up towards agreement and the final shape of the deal looms.

Careful pressure here by a manipulative negotiator pays him dividends at the other negotiator's expense.

- **Quivering Quill.**

Fountain pen in the hand, and begging for **extra concessions**. Never give anything away for free!

- It is often observed that the most dangerous time in a negotiation is when the joy of agreement is building up, the more so when the negotiations have been difficult and time consuming and you are ready to go home.
- Extra concessions can be extracted by the **quivering quill**. It relies on your enthusiasm for a settlement overcoming your judgment.

Ex. **The deal is close, they have their writing instrument in their hand**, hovering above the page, and then they spring it. 'I'm still not happy with clause XI', he says, laying down his pen, 'for reasons I have already stated.'

- **Yes, but...**

Everything is agreed, but... As soon as they find that the yes, but... ploy does not lead to a quick win but to another negotiation, they will stop it.

- If you only moved conditionally and kept the deal as a *package* – 'nothing is agreed until everything is agreed' – you could insist that all of the remaining 'little difficulties' were identified before you responded to any.
- Also insist that these new items could be discussed only if they were taken care of within the present package limits, otherwise you would have to reopen the package to make adjustments across the other items.

- **Now or never.**

Foreshadowed by the hints of a *pending deadline*.

Deadlines are always questionable. Some are serious, some are dubious. Best to ignore.

- The hints become more explicit as you near deadlock over some of the issues. If the deadlock is right across every issue, now or never becomes a challenge.
- It is the gentle hint of a 'natural' termination of the negotiations that works most effectively, particularly if the deadline has some apparent, though spurious, credibility.
- The pressure intentions of now or never are obvious. It works when you accept that you are under time pressure to take what is on offer and, though you are dissatisfied with aspects of the offer as it stands.
- You are more concerned that prolonging your search for better terms might jeopardize the deal if it runs into a credible deadline imposed by the other party.
- Deadlines are always questionable. Some are serious, many are dubious, which is hard to determine in advance. If the *deadline bluff* is called and it is a bluff, all well and good. If it isn't a bluff, you end up without a deal.
- You test a deadline by running right up to it to see what happens when it looks like it will not be met. You can also turn the deadline against the person.

- **Take it or leave it.**

Another 'all or nothing' gamble (as the now or never ploy is).

- **Take it or leave it** is a pressure close. It is the antithesis of negotiation, hence the earlier it is tried in the negotiation the less credible it must be, but the later it is tried the more credible it becomes in the sense that they probably mean it.
- Your choice is to do exactly what they demand:
 - *Take it*, if you believe this is the best you can do, or
 - *Leave it*, if you can do without whatever they are offering.
- This is a major part of the case for developing what **FISHER AND URY** call your BATNA (best alternative to a negotiated agreement).
- If your BATNA is better than taking the deal, you can opt to leave it.

- **Split the difference...**

Means that the other is prepared to move 50%. You must insist that while she may be allowed to move 50%, you are not...

- A seductive closing ploy, as a fair and sensible compromise, is the old stager, **split the difference**. It seems so reasonable and equitable.
- Splitting the difference makes person vulnerable as shown willingness to move.
- While attractive, is deficient as a bargaining move because it is unilateral, unconditional and vulnerable to rejection.

PLOYERS ARE LIKE 'FASTEST GUN IN THE WEST', THERE ARE ALWAYS FASTER ONES SOMEWHERE WHO ARE READY FOR A SHOWDOWN.

ONLY OFFER TO MOVE CONDITIONALLY

Epilogue

- The side effects of a ploy approach include an over excitement of the Red style latent in all negotiators and a narrowness of vision.
- It is not Red ploys that determine their interests but their interests that should determine their behaviors and their interests are only served by a Red-Red confrontation.
- An overly ploy approach causes interests to fade from consideration, and once interests fade from view, Red battles can only be engaged on issues and positions, with each side taking his revenge for losing on a detail by failing to deliver what was promised, or more correctly, enforced, under the pressure of the other's Red ploys.
- Red lifestyle as a negotiator should contemplate the thought that no matter how smart or Red they are, there will always be someone smarter, and Redder, about to join them at the table.
- A brilliant ploy can result in a strategic defeat.
- Only by addressing each party's interests, through debate and proposals on issues and positions, is it possible to secure a lasting and implementable deal (Purple style).

Module 10 Personality and Power in negotiation?

A Divorce negotiation

- If similar or different personality traits of people living together can produce incompatibilities, how does a knowledge of their personalities help us to acquire insight? and
- If almost anything is possible when personalities interact, what is unique about the influence of personality on the outcome?

Personality

The role of personality in negotiation and its effect on negotiating style is much debated. Certain personalities are supposed to have ineffective negotiating styles. It would be useless to train someone to become a negotiator if this were true.

Conversely, if personality did influence behavior, you have no hope of analyzing, identifying and responding to another person's personality in time for it to make any difference to the outcome. (External perspective)?

GAVIN KENNEDY - makes a case for dealing with the behavior of the other negotiator (Purple conditionality), rather than psychoanalyzing him and masking our own ineffective behavioral tendencies (internal perspective).

In practice, Kennedy believe, personality is a dead-end for working negotiators.

By the time you identify the other negotiator's personality and consider what you need to do, it is too late to apply what you think you now know.

Personality Style of Negotiators

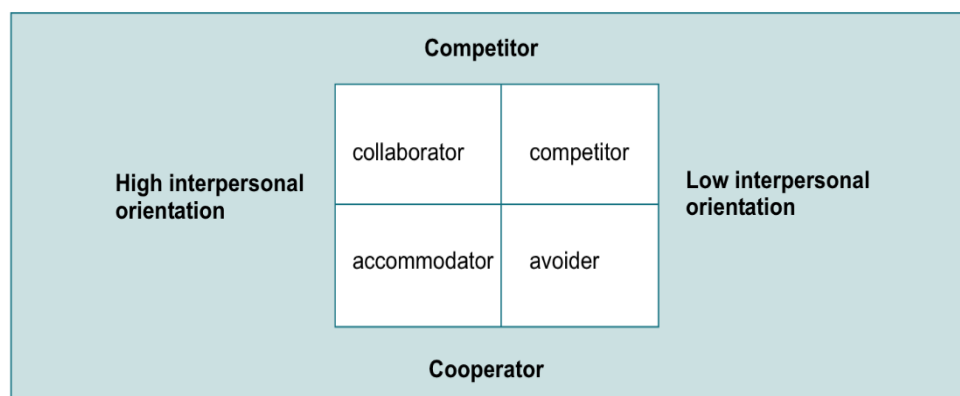
Traits are your 'predispositions to respond in characteristic ways' and different 'situations simply trigger what comes "naturally" to each individual'.

All of the popular versions of the role of personal traits or styles in negotiation originate from the work of Rubin and Brown (1975, The Social Psychology of Bargaining and Negotiation, London: Academic Press) using two variables to determine the traits.

RUBIN & BROWN postulated that two variables influence negotiation:

- **Interpersonal orientation (social ability and social awareness)**
 - By **interpersonal orientation** is meant their sociability towards other people- do they react or not react to other people's behavior. (your degree of social ability and social awareness).
 - If you are **high** on this variable then you are responsive to the interpersonal aspects of your relationship with the other negotiator;
 - If you are **low** on interpersonal orientation then you are non-responsive.
 - The highly interpersonally oriented negotiator reacts to changes in the other person's behavior; her counterpart at the low end of the continuum does not.
- **Motivational orientation (competitor or co-operator)**
 - By their **motivational orientation** is whether they tend to be competitive or co-operative. (are you one of nature's competitors or cooperators?)

Laying these variables across each other, we get the four-box matrix.



1. Collaborators:

- **Results-oriented:** They are results oriented through pragmatic problem solving and establishing good relationships.
- **Team players:** They are good team players and seek not to dominate the other negotiators but to involve everybody in solving the problem through prolonged discourse.
- **Problem-solvers:** They are good 'fixers' and even manipulative at a high enough level of intrigue, though a trifle Machiavellian.
- **Networkers:** They are networkers who play the informal influence game.

2. Competitors:

- **Achieving results through power,** rather than relationships, matter to this type of person.
- **Fight:** They are aggressive, domineering and seek to win at all costs.
- **Trick:** Openly manipulative, they use ploys and tricks, including threats, and they talk much more than they listen.
- **Red:** They make demands – they are takers – and seldom make offers.

3. Accommodators:

- **Relationship-oriented:** They are relationship-oriented, and hence
- **Make concessions:** try to placate persons by making early (and unnecessary) concessions if conflict threatens.
- **Smooth:** They involve people in the negotiation process, they seek friendly agreement and they work at ingratiating themselves with friendly responders, often by smoothing over difficulties with verbiage.

4. Avoiders:

- **Avoid conflict:** They prefer to avoid conflict, as implied in negotiating, and are happy to hide behind procedures, rulebooks and precedents.
- **Avoid decisions:** They avoid decisions, except those that maintain the status quo, and are suspicious of change, and are generally pessimistic (the bottle is half-empty).
- **Pessimists:** They have few social skills and are not good at using them.

Which personality style is best for negotiators?

- It is not possible, in my view, to predict the comparative success rates of the four personality types because personality is neither the sole nor the dominant determinant of the negotiated outcome. However, certain behaviors as distinct from specific personalities work less well in certain circumstances than others.
- All personality types **can change their behavior for a negotiation** without necessarily having to change their personalities.
Indeed, if this were not true, what would be the point of training people in appropriate negotiation behavior? If behavior can override personality why bother with personality?
- If almost anything is possible when personalities interact, what is unique about the influence of personality on the outcome? This is reason enough, in my view, to be sceptical of the validity of the personality approach.

GAVIN KENNEDY offers the hypothesis that all personalities can negotiate or can learn to negotiate and personality typing of the other negotiator does not make you a better one.

Personality typing in negotiation: Two Weak Assumptions

1. Are able to identify accurately our own and our counterpart's personality traits.
2. Can remember how to deal with any of the 16 combinations of the four personality styles that are possible (which become much more complex when we negotiate in teams).

Although it features so strongly in some training programmes, this is reason enough, in **GAVIN KENNEDY** view, to be skeptical of the validity of the personality approach.

Researchers have made the interesting point that personality affects initial behavior but has a lesser or no impact on later behavior.

- Initial have no information to rely upon, therefore resort to 'natural-personality' responses
- As information becomes more available through the negotiations (what the other parties are like, their style, and their behavior) we adapt our approach (Purple behavior model).

Trainer on Personality

ANDREW GOTTCALK

GOTTCALK identified **four relevant personality types** and combined them with **two behavioral concepts**:

- **Habit Zone:**
 - Habits change slowly – after all, it took a long time to form your core beliefs into their current shape
 - fixed in the short run
 - **Managed Zone:**
 - Can change speedily to suit circumstance.
 - The managed zone should prevail and one can be trained to display more managed behavior.
- This welcome conclusion weakens the case for personality typing because if behavioral training can modify personality, what is the case for identifying the four personality styles?
 - In a negotiation, you display a mixture of your habit and managed behaviors. The more in control, you are the more you adapt to the requirements of the particular negotiating situation and the specific behaviors of the other negotiators. Your personality style, which you relapse to in moments of loss of self-control, is overridden by your behavior.

GOTTCALK defines style as :

‘The way we come across. It is the pattern of behavior that other people see and hear when we negotiate. Each negotiating style is a recognizable “bundle” of behaviors.’

- GOTTCALK asserts that:
 - Your negotiating personality style comes from your genetic inheritance, upbringing, social background, education and training, national culture and job experiences.
 - Acknowledges that you do not neatly fit into one single personality style ‘but most of us come pretty close to one or other of them’ such that ‘we have a 60-80% fit’.
- This presumably means that up to 40 per cent of your personality fits into another personality style, with a possibility that it is spread across several other personalities.
- Your personality consists of mixed degrees of one or all four of the personality traits (maybe you are a *warm dealer* with *tough* tendencies and a nagging weakness for *numbers*?).
The unbalanced mixture or degree of adherence to the same trait could reverse your predicted behavior into its very opposite
- This is another disconcerting problem for using styles to improve performance.
 - That people can only change their styles by cathartic events and mentions a midlife crisis, a major career change or a bereavement.

Gavin Kennedy does not believe this too, he only believes on his Purple style behavioral approach!

GOTTCALK identifies four personality styles:

1. **Tough Style**
Dominant, aggressive and power-orientated person
2. **Warm Style.**
Supportive, understanding, people-oriented
3. **Numbers Stylist**
Analytical. Conservative. Reserved. Issue-oriented. Heartless.
4. **Dealer.**
Flexible. Goal oriented and compromising

- **Tough Style**

Dominant, aggressive and power-orientated person

Positive:

- Clear in what he wants,
- Take control and
- Not avoid conflict
- Decisive in a crisis
- Can seize opportunities as they arise
- Risk-taker,
- Competitive
- Assertive.

Negative:

- Off-hand (take it or leave it)
- Unconcerned by other think or feel.
- Argumentative,
- Manipulative
- Impulsive.

Counter:

- Be direct, give recognition, not flattery,
- slow down the process
- You do not have to give in and you can say 'no' too.
- Avoid small talk
- Emphasize common goals

- **Warm Style.**

Supportive, understanding, people-oriented.

Does not say what they want. *Best dealt with by building trust but keep a friendly distance.*

Positive:

- Friendly,
- Interested in other people,
- Listens well
- Good at asking questions. He
- Understands the needs and values of other people and
- Emphasizes common goals.
- He will support proposals from other people and bring them into the decision process.
- Trusting of others and seeks and takes advice.
- Patient and calm under pressure
- Generally optimistic.

Negative:

- Seldom
- Puts his own views or what he wants in a negotiation, being too concerned with relationships.
- He can be soft on the issues, even personally submissive,
- Can jeopardize his own interests.
- Not credible in the making of threats – even apologises for appearing to make them –
- Easily becomes disillusioned.
- His trusting traits can slip into gullibility,
- Dependent joiner and follower.
- He relies on time to solve most problems,'
- Panics under pressure.

Counter: you should

- Build trust but keep a friendly distance.
- Trade information to get them on your side, but ask for more,
- Putting on pressure if it is necessary,
- Go slowly
- Continuing with caution.
- Check with him that his colleagues will agree to deliver whatever it is he offers to arrange.

- **Numbers Stylist.**

Analytical. Conservative. Reserved. Issue-oriented. Heartless.

Best dealt with by showing respect for the expertise, but keep thinking of the larger objectives.

Positive:

- Good grasp of the fact, logic and detail.
- Mainly concerned with the practicality of the deal,
- Weights the options in a methodical and orderly manner.
- Always prepares well and is well organized with her files and notes.

Negative:

- Emotionally cold to others and
- Does not volunteer information
- Considers that a 'yes' or 'no' suffices.
- Will not decide until has number crunched the data
- Can find it difficult to 'see' the problem rather than focus on tiny details.
- Can suffer from 'analysis paralyzes.
- Impatient with the sloppy arguments of others and will question their logic before offering her own reasons for or against their proposals.
- Can be obsessive and pessimistic.

Counter:

- Build and use the agenda to keep it moving and refrain from parking it to return to it later.
- Take an interest in her 'facts' as they might reveal more than she thinks.
- If you do use numbers at all, make sure that they are accurate, as she cannot pass a set of numbers without checking the count.
- Emphasize mutual gain and show respect for her expertise.

- **Dealer.**

Flexible. Goal oriented and compromising. Sees opportunities in everything and knows how to do it as well. Do not finish what they start.

Best dealt with by being positive but keep your controls up, even repeating your demands.

Positive:

- Sees opportunities and ways to make it work.
- With charm and almost cynical manners he deploys formidable persuasion skills and avoids giving offence.
- Open to new ideas and can be imaginative as well as pragmatic.
- Articulate and will use any available argument or fact to make progress.

Negative:

- Can be too much of a compromiser, an 'all things to all men' debater,
- Can sacrifice his own interests, perhaps from insufficient consideration of the details.
- Shifts positions too fast, too often and can thereby seem to be too tricky, insincere, even too clever by half.

Counter:

- Be positive
- Focus on your target, even repeating your demands.
- Prepare to trade information and let them talk to collect more information.
- Avoid being sidetracked, so summaries and take notes
- Be direct,
- give recognition,
- not flattery,

Kennedy has the same reservations about the effect of your personality traits and as different culturally traits.

Most cultural studies into negotiating behavior use similar research techniques to identify the influence of cultural traits on negotiators.

The more consciously we can switch personality traits, the more effective we might become but keep in mind there also 16 possible combinations of the four styles.

Power in Negotiation

Considerations of power influence perceptions that influence behavior once face to face with the other party. Time spent on assessing the power balance before negotiation opens, and re-assessing it during the face-to-face phases, is time well spent.

- Embedded in their sources of power is the relationship between the parties, through which power impacts one way or the other. Changes in the sources of power will change the relationship and changes in relationships alter the distribution of power.
- Negotiating power enables you to secure terms of agreement favorable to yourself.
- There is also a wider context in which power influences not only how you might overtly behave but also how it might influence your attitudes as a prelude to changing your intended or usual behaviors. This is why power is felt rather than seen.

Power Definition:

- **Power** is the ability to get someone do something that they otherwise would not do and, the ability to stop them doing what they otherwise would.
- **Power** is the ability to resist the power of another, and re-assess power as the amount of resistance that must be used to overcome the exercise of somebody else's power.
- **Power** as an ability to do something can come from different sources that motivate (positively or negatively) the person who feels it.

FRENCH & RAVEN

Systematized the source of power into 5 types:

1. **Reward:**
The capacity to exert influence by providing **positive outcomes** and preventing negative outcomes.
2. **Coercive:**
The capacity to exert influence by the use of **punishment** and threat
3. **Legitimate:**
The capacity to direct the behavior of others due to one's position in the **organizational hierarchy**
4. **Referent:**
The extent to which the power-holder is well liked and admired by others
5. **Expert:**
Power gained through the possession of specialized expertise, which is valued by the organization (ex: control of information, solving key organizational problems, etc...).

Changes in the sources of power will change the relationship and changes in relationships alter the distribution of power.

But by the time you know that you have negotiation power, it is already too late to exploit your knowledge. Negotiation is a process and the tactical moves play an important part in that process.

Negotiation power is subjective, it's in your head and the other part head.

As power only becomes available to you through perceptions, your judgment about its relevance is purely subjective. With subjective judgment comes uncertainty and risk, both of which weaken the practical relevance of an objective measurement of power.

What you require is something enabling you to assess the role of power in the forthcoming negotiation so that you can **prepare tactical imperatives to deliver your overall strategy**.

Analyzing what you can do and what you must avoid to operationalizing ideas of power.

Negotiating is a process and the **tactical moves play an important part in that process**.

Negotiating power is subjective, it's in your head and, because there are at least two parties to a negotiation, it is in at least two heads and play a greater role in your negotiating behavior than any objective measure of power. You can alter the power balance through refusal to acknowledge certain perceptions.

Atkinson on Power

Atkinson pointed out that while the sources of power (from French and Raven) and the personal skill and ability of the negotiators are important, these factors are 'seen by the other party in the context of the third factor: your proposal'.

By undertaking an Atkinson type assessment, a negotiator systematically considers those factors that constitute the power balance and, even if the numbers and weighting are inaccurate.

The act of considering these factors is beneficial to the inevitable power assessment other negotiators make – usually as a prelude to negotiating with themselves before they meet the other negotiator.

Debate opens the way to proposals but it does not follow that time spent in debate (or argument).

The key question in preparation is:

Will he prefer to accept or reject your solution to the problem?

He will take whichever course of action he judges (Urteil fallen) will hurt him least.

(Formula from Levinson '1966, Determining Forces in Collective Wage Bargaining)

$$\text{Negotiating Power} = \frac{\text{Costs or disadvantages to him of rejecting the proposal}}{\text{Costs or disadvantages to him of Accepting the proposal}}$$

The word disadvantages cover what **hurts** him and cover consequences, like:

Loss of face, reduced flexibilities, reduced alternatives, changes in importance of the outcome, even the psychic costs of despair, demoralization, loss of heart and suchlike.

Therefore, you can influence power and use for tactical and strategic decisions.

Atkinson's method is very simple and uses simple arithmetic to derive some feeling for the weighting of Levinson's ratio and it can be summarized as follows:

- State proposal to be tested as accurately and specifically with same detail as required in the talks
- List the disadvantages to the other party as they will assess them both above (Disadvantages of rejecting) and below (disadvantages of accepting) the line.
 - Rate each disadvantage on a scale of 1-10 (10 is very hurtful)
 - Weight the disadvantages from other parties perspective (0,0=impossible, 0,5=even chance, 1,0=certain) -> Probably
 - Multiply weighting by the likelihood of occurrence
 - If disadvantages of rejecting exceed disadvantages of accepting by a ratio of 3:1 then you have the power.

EPILOGUE

- Some researchers agree with this assessment: 'There are few significant relationships between personality and negotiating outcomes'.
- Role of personality have to overcome the practical reservations that in a face-to-face interchange there is not a lot of time – or room in the agenda – to identify accurately the other negotiator's personality and react appropriately.
- The acceptability of dimensioning power in a negotiation is reversed.
- It is practical, providing the outcome is worthwhile set against the time costs of undertaking the exercise, to give some notional arithmetic weight to the balance of power between the negotiators.

Example:

The bank has power over the customer if the ratio $> 3:1$;

the bank does not have power over the customer if the ratio $< 3:1$.

The ratio 28.0/7.1 which is greater than 3:1.

The bank, in this example, has power over the customer.

Anything nearer parity (1:1) is clearly negotiable.

Disadvantages of customer saying 'no'	Weighting (1-10)		Probably (0-1)		
Withdrawal (<i>Abbuchung</i>) of overdraft (<i>Überziehung</i>)	7	x	1.0	=	7.0
Hassles of transfer to new bank	8	x	1.0	=	8.0
Disruption in relationship services	8	x	0.6	=	4.8
Closing meetings/letters/forms etc.	6	x	0.6	=	3.6
Credit 'scares' on news of change	9	x	0.6	=	5.4
	Total			=	28.8
Disadvantages of customer saying 'yes'	Weighting (1-10)		Probably (0-1)		
Increased bank charges	4	x	1.0	=	4.0
Loss of 'face'	3	x	0.7	=	2.1
Precedents for future	2	x	0.5	=	1.0
	Total			=	7.1

Tactic could be increase the other disadvantages to increase your the power or minimise your disadvantages for the same effect..

Atkinson's power assessment method operates in a two-way relationship. Each party can make estimates of the power ratio and these estimates need not be a mirror image of the other.

Power issues and their effects are felt throughout the negotiation and beyond during the relationship as a whole. For complex, higher value negotiations, power is omnipresent.

Module 11 Culture and negotiation?

Correcting the cultural error for a Japanese negotiation would not help the Westerner to avoid the same negotiating mistake elsewhere, however correcting the negotiation mistake would help her wherever she negotiated.

Whenever you make a proposal you do not follow a silence with an elaboration of your proposal, and certainly never follow with 'improvements' (ie. unilateral concessions) to it.

Silence in negotiation can be a powerful signal and is only intimidating to inexperienced negotiators from any culture.

A (negotiating) Tale of Two Cities

Was the Californian actions the result of her cultural ignorance or a major negotiating mistake on her part? It could be both, of course. Correcting the cultural error for a Japanese negotiation, however, would not help her to avoid the same negotiating mistake elsewhere.

Her negotiating 'mistakes' would not be corrected by culture training

Basic negotiating training would show her that she should not move from her proposal until she has heard the other side's alternative proposal.

If she receives criticism, including a rejection, of her proposal, she is entitled to ask: 'Well, what would you suggest in its place?' And she should await the answer.

Cultural Relativism

The **cultural relativist**:

Believes that if you want to do business with people the world over, knowing about the differences between them is an obvious, necessary, essential advantage.

The **cultural Universalist**:

Believes that, while awareness of the cultural norms of the people you visit may be beneficial, your competence in negotiation skills is more important.

The process of negotiation is universal across all cultures.

Different cultures may exhibit different nuances of red, blue and purple behaviors, much as the world's different languages use different sounds and rules of grammar, but the core intentions (red players take; blue players give; purple players trade) driving these negotiating behaviors are the same.

Culture like personality, influences behavior but neither fundamentally changes the universal negotiating process of 'obtaining what we want from someone who wants something from us'.

Culture defines a group and personality defines an individual, but neither defines negotiation a phased process.

There are no such phenomena as 'western' or 'eastern' negotiating processes, though there are many different eastern or western 'cultures'.

Undoubtedly, there are differences in manners and courtesies and in the articulation (in different languages) of interests, values, wants, positions and expectations. These differences, while partly culturally determined, coexist within the common four phased process of negotiation (prepare, debate, propose and bargain).

Cultural relativism's main weakness is that it makes its assertions without direct evidence from negotiations.

A selective example of difficulties when different cultures interact does not show that their interaction has significance for the question of whether culture determines negotiation behavior, or whether the outcome of poor negotiating behavior is the same in all cultures.

Guanchi is a traditional personal relationships cemented by continuous, often life long, reciprocal favors in Chinese business, administration and politics. Cultural relativists are left stranded as the exponents of special cases like this Chinese culture 'trait' ceased to be. Negotiators, as exponents of the enduring and universal phenomenon, are not required to revise their concepts as economies develop.

Do People Negotiate in Different Processes?

Philip Gulliver's cross-cultural research concludes that the negotiating process is universal, and is an 8-phase model, similar to **Gavin Kennedy's** 8-step model.

Nobody to date has reported evidence to sustain the cultural relativist's assertion that there are different negotiating processes.

Some however assert that culture must make a difference, apparently because cultures are, well, different.

Yet, if culture is partly formed by history and history of necessity changes, then culture itself will change over time and the absolute certainties as to how to behave in negotiation with different cultures will dissolve.

There are many other explanations for deadlocks in international negotiations that have little to do with cultural ignorance, though they are unfortunately and mischievously presented as such by cultural relativists.

It is important, however, to recognize the existence of cultural diversity and it is advisable to acquire knowledge of the relevant cultural imperatives and how they interact for working in, or managing, a group of culturally diverse employees.

Cultural knowledge has the same significance as that of language fluency but fluency will not save you if your negotiating skills are primitive.

It is important to recognize the existence of cultural diversity and it is advisable to acquire knowledge of the relevant cultural imperatives and how they interact for working in. However, cultural knowledge will not save if your negotiation skills are primitive. Understand the universality of the negotiating process. Cultural relativism misses the target.

What is culture?

Culture is about those values, beliefs, self-justifying assumptions and 'world views' of members in the distinctive groups with whom we deal.

Culture encompasses their histories, received experiences, accounts of events, political perspectives, myths, folklore, collective memories, religious or mystical ideas, philosophical outlooks, rituals and social preferences. (Differences between a country's sub-cultures.)

Aggregating people from a culture is problematic. Anthropologists warn rightly against ethnocentric conclusions about other cultures. Each cultural identity has several 'dialects'.

In studying the role of culture, you embark on a vastly complex field, much of which is still tentative, deeply controversial and weak in applicability.

Cultural Relativists' Challenge

Richard D. Lewis, (When Cultures Collide: managing successfully across cultures, 1996) persuasively argues for the significance of culture in international negotiations.

He claims that **'the moment international and intercultural factors enter into the equation, things change completely'** because **'nationals of different cultures negotiate in completely different ways'**.

Is this assertion true?

How different can we be without being completely different?

The influence of culture on negotiation is analyzed on two levels.

1. **The impressionistic analysis** describes the varying manners, courtesies and curiosities of everyday contacts between people from different countries.
2. **Scientific Analysis**, level incorporates detailed analyses of attitudes according to national origins.

In both these levels, it is common for the authors to equate membership of a 'culture' with the national origins of the people they write about. But a person, who has one national origin, may be influenced in behaviour by many 'cultures' in a lifetime.

GEERT HOFSTEDE'S work, based on IBM and data processing, showed that attitudes and values varied with the nationality of the respondents. He defines culture as the 'collective programming of the mind which distinguishes one human group from another' and initiated the scientific study of the impact of culture on business behavior. He used a concept of power distance to measure the interpersonal power or influence of bosses over subordinates in 40 different countries.

Dimension (indexes):

- Power distance,
- Individualism vs. Collectivism,
- Masculinity vs. Femininity,
- Uncertainty avoidance.

But again, changes suggest that cultural imperatives are fragile. And HOFSTEDE'S research is biased by a non-representative international sample, ie. IBM employees only.

Dimension	Measure	High	Low
Power distance	Tolerance of unequal power distribution	India	New Zealand
Individualism v Collectivism	Degree of focus on individual	USA	Pakistan
Masculinity v Femininity	Extent to which values masculine	Japan	Netherland
Uncertainty avoidance	Extent to which comfortable with ambiguity	Greece	UK

- **Power distance,**
 - Cultures with greater power distance tolerate unequal power distribution.
 - HOFSTEDE included in power distance such inequalities as exist in physical and mental characteristics of individuals, their social status and prestige, their wealth, the exercise of political power, and how laws, rights and rules may operate in their favor.
 - HOFSTEDE found that there was a high tolerance of unequal power distribution in the Philippines and India and markedly less tolerance of power distance in Denmark and New Zealand.
- **Individualism vs. Collectivism,**
 - HOFSTEDE asserts that individualist results oriented cultures (USA) focus less on relationships than collectivist cultures (Pakistan).
 - The relationship between individuals and the collectivity of their society influences the norms, or values, attributed to that society.

- **Masculinity vs. Femininity,**

- 'Masculine' cultures, according to HOFSTEDE, are more competitive than more caring 'feminine' cultures.
- This is the least convincing of HOFSTEDE indices.
- HOFSTEDE introduced masculine and feminine characteristics – broadly against a 'nurturing' versus 'achievement' dimension – that conformed to traditional stereotypes of the roles of the sexes in society, work and management.

- **Uncertainty avoidance.**

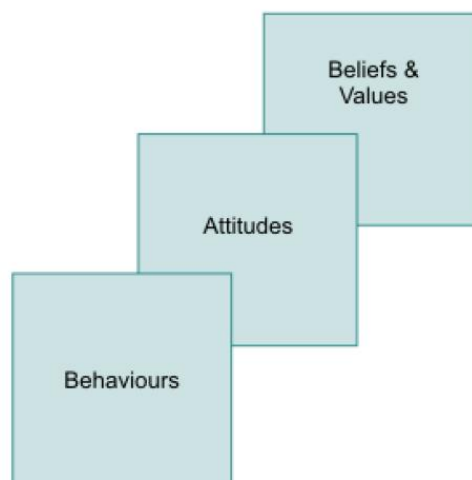
- HOFSTEDE uncertainty avoidance refers to the extent to which employees are comfortable with ambiguity.
- Everybody feels the pressures of uncertainty – because we cannot predict the future accurately – and as far as we rely on uncertain future events for our future daily necessities, and rely on our ambitions to access future power and prestige, we react with varying degrees of stress to uncertain guarantees that we will get what we want.
- As individuals, we do not accept with identical equanimity the gap between 'getting what we want' and only 'getting whatever we get'.

HOFSTEDE model did not research into the impact of culture on negotiating behavior. His was a study of attitudes and values, not behaviors, and it is vulnerable to the above comments on the reliability of their relationships. This qualification has not prevented brashly confident inferences being made by others that the impact of culture on negotiation is 'obvious'.

Typical of these is the assertion by Dean Allen Foster that HOFSTEDE four dimensions of culture have 'particular importance for us when we negotiate across cultures' with no evidence.

- In short, HOFSTEDE method is no more than a sophisticated analysis of attitude surveys.

HOFSTEDE explains particular behaviors in terms of the professed attitudes and beliefs of a particular 'culture' (Simple model:



- **Behaviors'**

'Behaviors' is shown at the front as a complete box because behaviors are the most visible of the three elements. You can see, hear and feel other people's behaviors, while you cannot be sure of their private attitudes and beliefs.

- **Attitudes**

Attitudes can be hidden even in confidential surveys. Attitudes that you choose to reveal to others are less reliable indicators of your true intentions than is your behavior.

In the red blue dilemma game nobody misses your behavior when you play red to their blue. Subsequent explanations for your playing red – a 'mistake' or to 'protect' yourself, etc., – are less reliable than the fact of your behavior and its result

Negotiating experience shows that some practitioners express attitudes that bear no resemblance to their intentions. They speak of trust but they intend only to deceive.

- **Beliefs**

Behind your attitudes stand your relatively firm beliefs. Where attitudes can be thought of as short, coded guides to instant behavior.

Belief systems take longer to form than specific attitudes. They tend to form in your early and formative years.

These behaviors may be completely explained from within the universal paradigm of negotiation and do not require tenuous connections to specific sets of local attitudes and beliefs.

Negotiating with members from a particular culture it is more beneficial to be trained to deal with **Red** and **Blue** negotiating behaviors than it is to be trained to identify ascribed characteristics according to national identity, leading negotiators to assume mistakenly that the individuals who happen to be at the table share these ascribed cultural imperatives.

TROMPENAARS' research:

Culture is the way in which a group of people solves problems.

Fons Trompenaars conducted research into cultural diversity. His data were extracted from 15 000 managers of 30 companies in 18 countries, plus another 30 companies with offices in 50 countries.

He defined 'Culture,' as the way in which a group of people solves problems'.

Five orientations :

- Universalism vs. Particularism,
- Individualism vs. Collectivism,
- Neutral vs. Emotional,
- Specific vs. Diffuse,
- Achievement vs. Ascription

Those orientations describe the way culture influences how human beings deal with each other. Trompenaars draws his conclusions from many examples of non-business interactions and transcribes these to business negotiations with varying degree of (im)plausibility

Orientation	Description	Former	Latter
Universalism v Particularism	Rules rather than relationships	USA	South Korea
Individualism v Collectivism	The individual versus the group	Portugal	Turkey
Neutral or Emotional	Range of feelings expressed	Japan	Italy
Specific or Diffuse	Range of involvement	UK	Singap
Achievement or Ascription	How status is accorded	UK	Oman

Cultural relativism's main weakness is that it makes its assertions without direct evidence from negotiations.

In addition, however, he provides helpful suggestions on handling value differences whenever you confront a different value system to your own in, say, handling diversity in a workforce.

His orientation of 'Rules versus Relationships' expresses different attitudes to a business contract. To a Universalist, a contract is inviolate, while the particularist thinks it should take account of new circumstances.

This orientation echoes HOFSTEDE'S 'Uncertainty Avoidance' Index, in so far as a contract reduces uncertainty about what a partner is supposed to do in the future.

TROMPENAARS' individualism versus the Group dimensions is a fundamental choice, as can be seen in the Prisoner's Dilemma game.

Here, the stark choice is to do what is best for the pair of you and 'not confess' (play blue), or do what is best for you and 'confess' (play red). The majority response (just over 51 per cent) to the dilemma game is uniform across all cultures, i.e., behave at the expense of the other player (only 8 per cent of pairs achieve a 'win-win' or 'blue-blue' outcome over ten rounds).

The real point is that people orientation on the individualism versus collective dimension is not a safe predictor of their behavior in negotiation. Individual choice of behavior under risk apparently is more complex than one's cultural imperatives!

The fact that the norm in certain countries is to be Specific (in the sense that a manager separates a work relationship completely from any other relationship the parties may have) rather than Diffuse (the social relationship of the manager permeates all other relations that exist with the subordinate) is interesting but how relevant is this to negotiation?

In a negotiation between two managers from different organizations, the specific or diffuse relations each manager has with subordinates would be irrelevant to the relationship the managers had with each other.

To some extent, a diffuse relationship outside of the specific business deal is helpful to securing the deal.

Chinese Negotiations /?

The time spent pursuing unique negotiation advice for specific countries or cultures would be better spent on raising basic negotiation competences that have universal application in all countries.

Tony Fang (*Chinese Business Negotiating Style*, 1999) illustrates the technique of slanting commonly known negotiating structures into a classic cultural relativist format, allegedly not understood by 'western' negotiators.

Interestingly, researchers into Chinese business apply a 'four stage' model to Chinese negotiation ('opening moves, assessment, endgame and implementation') recognisable by any experienced negotiator.

Fang asserts (accurately) that the Chinese 'for centuries' have been adept in the 'subtle art of negotiating', but implies this is unknown to Europeans.

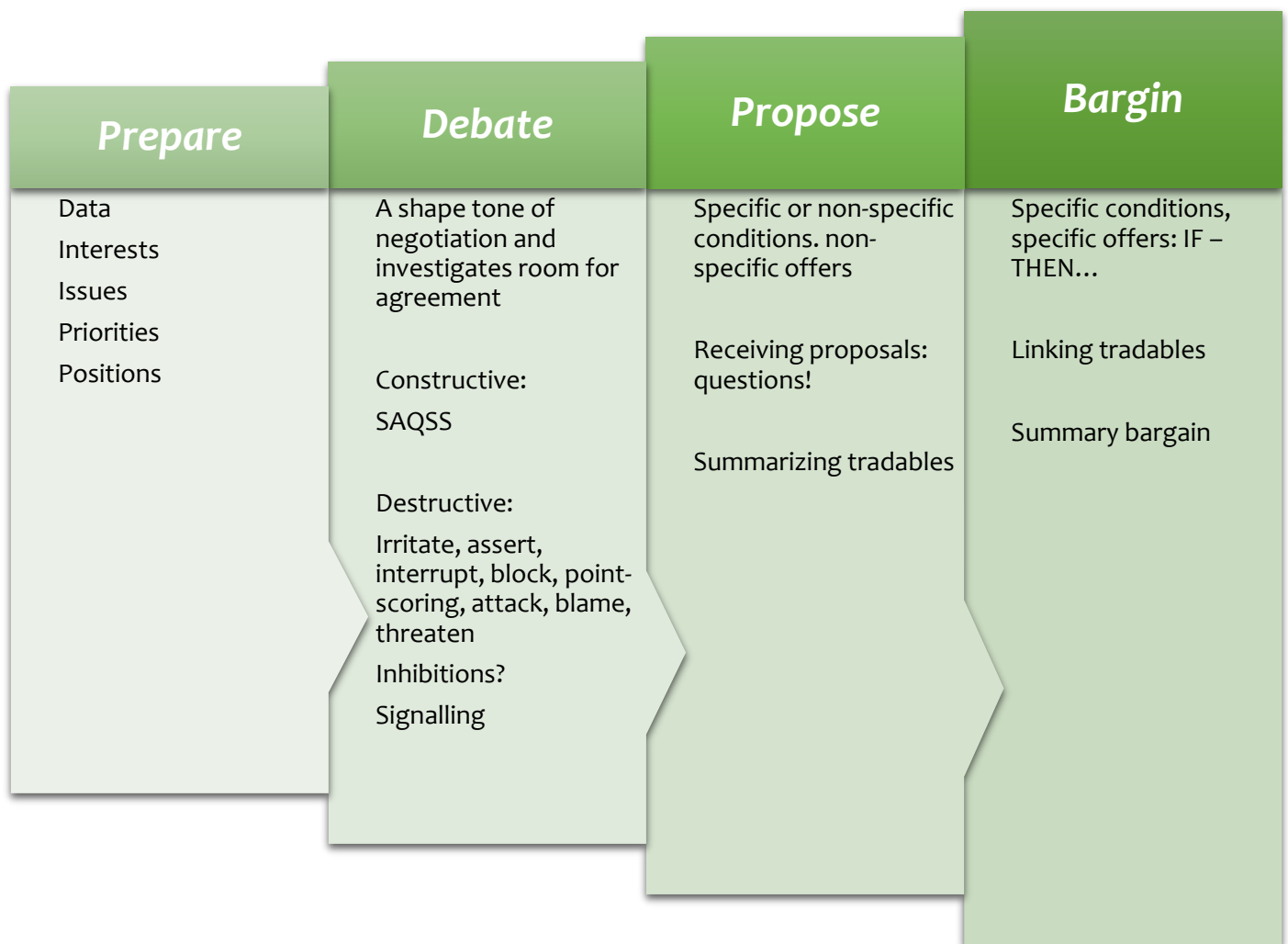
Unique Negotiations in India

It is typical of the cultural relativist's approach to present advice on doing business in a specific country as if the advice is of unique relevance to negotiations with nationals of that country. Most often these assertions are questionable.

This makes the writing of articles on negotiation from a 'cultural' perspective somewhat pointless.

Cultural relativism reveals relevant and interesting 'things you should know' about the habits and manners of other societies, and all competent negotiators must become familiar with it if they really want to do serious business.

Four Phases/ Two Styles approach



Red Style:

More for me means less for you

Tough guy/ Soft guy
Overvaluation
Preconditions
Threats

Ploys
Aggressive, dominant, devious

Purple Style:

Combine your play of red moves with blue moves
Red conditions, blue offers

Blue Style:

More for me means more for you

Measured risk
Linking issues
Realistic offers
Seek and reveal interests