

NEGOTIATION

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NEGOTIATION

*INTEREST

They are the motives from negotiation.

These are the concerns, hope& fears of the negotiators.

They are the reason why one negotiates.

They are non-quantifiable or non-negotiable.

They are included in the negotek planner & used in the preparation stage of negotiation process.

It's important to find out the inhibitors that may leads to other negotiator to reject our solution.

*ISSUES

They are the agenda of negotiation.

They are what negotiators want to deliver their interests.

They are quantifiable & negotiable.

They could be listed in negotek preparation planner then prioritized as high, medium & low.

To ensure a successful negotiation avoid deadlock, high importance issue should be very minimal.

Negotek preparation planner

It's a tool that presented by prof. Gavin Kennedy, to be used by efficient negotiators as a planning tool during preparation for a negotiation.

The negotiator approaches the preparation phase through the following steps:

1. **Data collection:** collecting the necessary data that will assist in case presentation.

2. **Data analysis:** to determine the interests, issues & positions.

Once the issues have been determined, then we have to prepare a negotek planner by which we prioritize the issues according to their importance.

H (High): most important to achieve, no deal without it.

M (Medium): would like to achieve, if not achieved will not put negotiation jeopardy.

L (Low): not very important, deal could be reached without it

Setting out the tradable in (H, M, L) order.

Adding the entry & exit points for each tradable which reflect the negotiators positions.

Now, we have addressed all of the objectives of preparation phase and we can make a first-cut proposal.

Issues	Priority	Entry price	Exit price
	H		
	M		
	L		

Personality testing

1. **Rubin & Brown** orientation

Postulated that 2 variables influence negotiation:

- a. **Interpersonal orientation:** social ability & social awareness.
- b. **Motivational orientation:** competitor or cooperative.

Collaborative	Competitor
Accommodator	Avoider

Low interpersonal orientation

Collaborative: go for results, team players, problem solvers.

Accommodator: relationship oriented, smooth, makes concessions.

Competitor: result through power rather than relationship, fight, trick, red.

Avoider: avoids, hide, pessimists, policy & procedures oriented.

2. **Gottchalk** identify 4 relevant personality types & combined them with two behavioral concept (a habit zone & a managed zone)

Habit zone changes slowly but a **managed zone** changes quickly to suit circumstance.

The four personality types are:

- A. **Tough style:** Dominant (aggressive, like control, take it or leave it)
- B. **Warm style:** Supportive (understanding ,people oriented)
- C. **Number style:** Analytical (conservative, issue oriented, heartless)
- D. **Dealer style:** Flexible (goal oriented, compromising, opportunistic)

However, personality testing has **limitations** as an effective preparation tool:

1. At any given negotiation of 2 parties, 16 personalities are at play, which make it very difficult to figure out which one are at play in a given scenario.
The situation go worth, when the 2 parties are represented by more than one person.
2. At any given time, a negotiator could exhibit all 4 types of personalities.
3. It has been noticed that, peoples throw away their personalities in the heat process of debate.

The effective negotiation behavior can be learned which is (purple negotiation behavior) of being assertive without being manipulative.

As a conclusion, **personality testing is not effective tool in negotiation**, teaching negotiator effective behavior for negotiation is more beneficial than learning people's personalities.

Game Theory & Prisoner's Dilemma:

- The RED / BLUE continuum: Extreme Red (aggressive) – Moderate Red (devious) – Moderate Blue (assertive) – Extreme Blue (submissive).

-There are two types of negotiators RED & BLUE in which Red style is always eager to take (more for me, mean less for him) & the Blue style always give with no gain.

-Negotiation is a process by which we obtain something from somebody who in turn obtains something from us, so it's two way transactions.

-The people play red at the start of the game for 2 reasons:

a- they prefer to be red with a manipulative ploys to abuse the submissive blue (I play Red because not I must, but because I want).

b- OR play Red due to lack of trust in the other party (I play Red because I have to, not because I want).

-To illustrate the Red/ Blue game, we can refer to the below table:

Player A	Player B		
		BLUE	RED
	BLUE	+3 , +3 Joint gain	-5 , +5 Lose , gain
	RED	+5 , -5 Gain , lose	-3 , -3 Lose , lose

-**Tit-For-Tat strategy** could be used with red stylist where both players (Red & Blue) can communicate after 4th & 8th rounds.

Player A	Player B
cooperation	Defection
D	D
D	C
C	D
D	C
C	D
D	C
C	C

Tit-for-tat show us the importance of communication & trust

It's build on that the blue player start with playing Blue then look for the other, if play Red, then play Red, when the other play blue so he FORGAIVE and play blue again.

-**Prisoner's Dilemma game** (developed in USA in 1950) has shown how people defect & play Red even after knowing the benefits of cooperation.

Prisoner A	Prisoner B		
		Confess	Not guilty
	confess	10 , 10	0 , 20
	Not guilty	20 , 0	3 , 3

Its strategy recommended for negotiator to apply the purple principle of conditionality (IF- Then) to deal with all types (aggressive Red & Submissive Blue)

DEBATE:

-debate is the second phase of the four phase negotiation approach, that postulated by Gavin Kennedy

-it takes 80% of negotiation time, so it's crucial phase in negotiation.

-in debate phase, each negotiator understands & discovers each other's wants & inhibitions, without giving away any of their respective positions.

-there are 2 types of debate: ***destructive & constructive***

*** Destructive debate** moving the negotiation away from solutions towards a deadlock, it includes the following:

- | | |
|---------------------------|------------------|
| 1. Irritation | 5. Blocking |
| 2. Interruption | 6. Point scoring |
| 3. Assertion & assumption | 7. Threats |
| 4. Attacking | 8. Arguing |

***Constructive debate** moving the negotiation towards an acceptable solutions & decisions, it includes the following:

1. Neutral Statement Inform the other party of view, opinions & attitude.
2. Assurance.... Assure the other party of your good intention & positive attitude.
3. Question....To be open one, that elaborate from the other party.

4. Summarizing To finding out that both parties have correct understanding.
5. Signalingan invitation to explore other possibilities.

PROPOSAL

- Proposal is the 3rd phase of the four negotiation phase.
 - Proposal is a tentative solution on the form that movement could take.
 - Signaling is the bridge to proposing.
 - Effective proposal consist of two parts:
 - a. Condition ... could be either vague-or-specific
 - b. Offer ... is always vague.
- The condition always comes before offer, take the form of (if.... Then) to be effective. E.g IF you commits to this, THEN I can consider to gives you this.
- Language is a critical tool to ensure a successful proposal, so an effective proposal combined with the ability to shift from loose informal proposal language-to-tight formal assertive proposal language.
 - Proposal is always tentative, decrease in tentativeness as bargaining phase approach.
 - After submitting the proposal, you should go silent (not to add anything more).

***Tradables:**

- These are the tangible & intangible issues that are exchanged during the negotiation to fulfill the interests of negotiators.
- They include issues & positions, they widen the focus of the deal to avoid deadlock.
- They can include price, warranty, delivery, installation... etc.
- Tradables should be linked together in bargaining phase to reach constructive agreement.

BARGANING

It's the 4th stage in the negotiation process at the closing stage of the agreement.

It consists of specific condition & offer.

	proposal	bargain
condition	Specific or vague	Always specific
offer	Always vague	Always specific

To ensure a successful bargain, tradables are linked into a bargain.

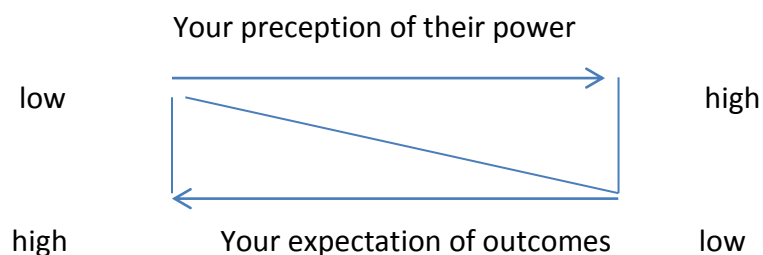
There are 4 types of bargain:

- 1- Traded concession bargain
- 2- Summary bargain
- 3- Adjournment bargain
- 4- Or else bargain (dangerous)

Bargain is the crunch of a negotiation & should always be summarized, after the Bargain; there is nothing left to do.

MANIPULATIVE PLOYS

- Ploys are manipulative tricks aimed to making the other negotiator believe they have less power than they actually do, so he begins to concede before negotiation starts.
- The negotiators claim that they manipulate only to protect themselves (I play red ploys not because I want to, but because I must)
- The expectation of negotiation outcomes derive from perception of the other party's power over you (the less power other party has, the higher are the expectation of outcomes for you)



- Power is the ability to get someone doing what they otherwise wouldn't do & ploys coerce you to concede more.

- **There are 3 types of ploys:**

1. Dominance (at early stage of negotiation)

Achieving dominance enable one party to set the tone & the tempo of the following sessions (so it's about defending extreme positions):

- a- Visual dominance ploys... early signs of insolvency.
- b- Pre-conditions ... let other party to accept a pre-settled condition before start negotiation.
- c- Non-negotiable Strong dominance ploys through which you manipulate the other party by saying this issue is non-negotiable.
- d- Rigging the agenda Either by rigging the content -or- rigging the order of business.

2. Shaping (at middle phase of negotiation)

Debating the parameters of a possible settlement that to shape the final deal in your favor.

- a. The Krunch- Karrass
Where the buyer tell the seller that (You can do better than this)
They invite the seller to red ploy of padding their price.
- b. The Boggy – Karrass
Where the buyer tell the seller that (I like your product, but it's out of my budget) the seller can counteract by checking it's flexibility & offering cheaper product.
- c. The Nibble – Karrass
Here, the buyer demands little of many things, so that it becomes big.
Seller can nibble by providing inferior merchandise, late delivery & extra charge.
Buyer can nibble by paying late, extra discount & extra invoices.
- d. Tough guy / soft guy Similar to good cop / bad cop
- e. Final offer.... The most famous ploy, if someone has no power over you, they can't start a negotiation with a final offer.
- f. Fait accompli By sending a signed contract to other party.
- g. Miscellaneous ploys:
 - 1. Salami ploy.... It comes in slices (similar to nibble)
 - 2. Sell cheap, get famous ploy ... common in entertainment & starting business.
 - 3. Add-on ploy ... used to increase the price after agreement.
 - 4. Limited authority ploy
 - 5. Higher, or escalating authority.

3. Closing (at the end of negotiation)

They are the pressure ploys to force the other party to settle on last offer.

- a. Quivering quill Giving extra concession, but after final deal agreement.
- b. Yes, but... trying to add something else to the deal.
- c. Now or never Preventing pending deadline.
- d. Take it-or- leave it When your BATNA is better than the deal, you can opt to leave it.
- e. Splitting the difference ... Asking the other negotiator to move 50%.

Finally, to combat the ploys we need to neutralize their effects which are going to be the best response; just to neutralize a ploy normally only requires that you identify it.

There are Blue ploys to counter Red ploys through use of the purple behavior of (IF ..THEN)

Hofstede & Trompenaars Theory

According to Hofstede, culture is defined as the collective programming of the mind of individual group which separate it from another.

Culture is that complex whole which includes beliefs, knowledge, art, law, tradition & any other capabilities required by man as a member of society.

There are two views on culture:

- a. **The culture relativists...** who believes that doing business worldwide requires the knowledge of the culture of the other negotiator.
- b. **The culture Universalists** ... who believes that while general awareness of culture maybe beneficial, but your competence in negotiation skills is much more important.

An example, an American negotiator, negotiates with a group of Japanese negotiator; she provides them a proposal & misunderstands their silence and gives further concessions as she think that their silence is a refusal to her proposal.

Here it's not a cultural mistake-But- it's a negotiation mistake as that she should have known the three condition of a proposal:

1. It should be conditional.
2. Should be presented without explanation.
3. On completing the proposal, you should go silent.

So, based on the above, it's advised that negotiator must concentrate to develop their negotiation skills & prepare for negotiation 4 phases instead of learning up on cultural differences.

According to Hofstede:

1. **Power of distance** Degree to which people can tolerate unequally in physical, mental characteristics, social status, prestige & political power, There is high power in countries like India, Philippines & less in Denmark & New Zealand.
2. **Uncertainty avoidance** ... degree to which people prefer-or-can deal with ambiguity.
3. **Masculinity vs femininity** Masculine culture are much aggressive than feminine one, example is japan has rate of masculine cultures, while Netherland has a high rate of feminine cultures.
4. **Individuality vs collectivity** Individual culture (USA) give less importance to relationship than collective culture (Pakistan).

Hofstede also found that, employee believe promotion are based on influence and not ability.

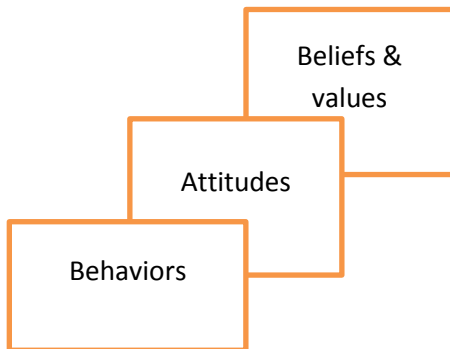
Hofstede drawback: the model didn't research into the impact of culture on negotiating behavior, so it's no more than a sophisticated analysis of attitude surveys.

According Trompenaars

Culture is the way in which group of people solve problems

1. **Universalism VS particularism** Rules rather than relationship
2. **Individualism VS collectivity** Individual VS group
3. **Specific VS diffuse** Range of involvement
4. **Neutral VS emotional** Range of feeling expressed
5. **Achievement VS ascription** How status is accorded.

Other researchers have asked not to base their negotiation on culture, such as Chinese Fang who developed four negotiation processes like Gavin Kennedy, 4 stages process, but has just given different names to his process, his use of ploys is also like the one used in the 4 stage process.



These 3 overlapping..... **Behaviors**: are in the front, because it's the most obvious for all.

Attitudes: can be hidden as that people speak of trust only to deceive.

Beliefs & values: which are handed down generation to generation.

Behavior can be arbitrary, attitude can be contradictory & beliefs can be hypocritical.

SIGNALS

Signals are a part of the constructive debate phase in which management for movement is done by negotiation without giving in their positions.

Signals indicate an invitation to explore other possibilities.

Signals can be vocal, language & physical.

Signals through change in vocal tone of a negotiator, should be understood & captured by the other one as it indicates that there is a chance of movement.

Signals through change in language from firm absolute statement (e.g it's impossible to do that) to a much vague relative statement (e.g it's difficult to do that)

Signals are the weakest & safest move on commitment.

Skilled negotiator is always listening for the other party & looking for a signal, as signal missed mean an opportunity missed.

Signals help negotiator to move forward from debate-to-proposal.

When signal has been identified, it's very important to ask questions to clarify the signal meaning.

Reciprocation is a very important step to drive the negotiation forward to the proposal phase.

Principled Negotiation

- It's a negotiation on the merits that serve the best interest.
- It's hard on merits & soft on people, it employs no tricks & no positional posturing, so it's an extreme blue negotiation approach.
- We need to consider how it's different from the four phase approach to negotiation process. (talk about 4 phase process)
So, we can see that, the 4 phase negotiation approach is very useful in reaching good solution as it's based on practical testing & observation.
- On the other hand, we can find that principled negotiation (Fisher – Ury) is a designed approach which isn't based on practical testing & observation.
- Fisher & Ury believe that problem should be resolved on the base of merit, they see principled negotiation as a search for mutual gain which working if there is high level of trust between negotiators.
- **The four prescription of principled negotiation are:**
 1. Separate people from the problem.
 2. Focus on interest not positions.
 3. Generate a variety of options.
 4. Insist on objective criteria.
- As we can see that, principled negotiation has many flaws & isn't practical and not testing well.

NEGOTIATION ALTERNATIVES

- Negotiation is the management of movement from conflict to agreement.
- It's normally used when the involved parties have mutual gain to benefit from the negotiation.
- Not all decisions could be taken through negotiation as the situation might not be right.

- Some of the alternatives are:
 1. **Say NO**
When you can't endure the offer, but can endure the consequences.
 2. **Persuasion**
Sales people persuade people to take decision in their favor by selling benefits.
 3. **Problem-solving**
Requires trust between parties & recognition that the problem is mutual.
 4. **Postpone**
Buys time to emotions to settle, but could be considered as a blocking move to refuse any agreement.
 5. **Chance**
Decide by tossing a coin.
 6. **Coercion**
Using pressure by informing other party by consequences of saying NO either by friendly force-or-blatant intimidation.
 7. **Instruct**
When the person instructed is obliged to carry out the instruction.
 8. **Arbitrate**
When NO agreement, third party can be involved, who is accepted by both parties & his decision must be accepted.
 9. **litigation**
In case that decision can only be reached through going to the courts.

Advantages:

- Avoid deadlock.
- Some alternatives as persuasion, arbitration help to arrive to a mutual beneficial decision.
- Time saving.

Disadvantages:

- Negotiation provides joint-gain situation with a mutually beneficial decisions.
- Party accepting decisions un-voluntary, may carry out activities to disrupt the agreed decision.
- In case of litigation parties becomes enemies.

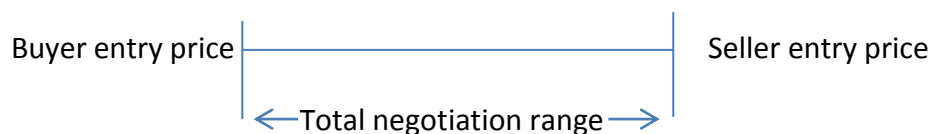
Distributive bargaining

- Firstly, we have to determine that there are two types of bargainers:
 1. Zero sum & non-comparative One gets everything on the expense of the others.
 2. Non zero sum & cooperative Both parties receive joint gains.
- Distributive bargaining exists in a single issue negotiation (usually price) in which there is no other ways to go around the negotiation and the outcomes involve one party winning & other losing.

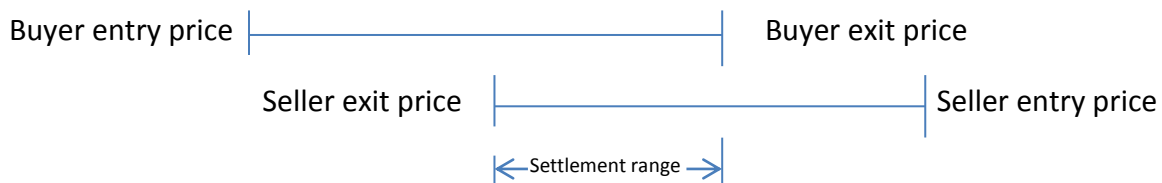
Entry price... it's the price which negotiators begin the negotiation with, so it's the position that they take in the negotiation.

Exit price... it's the price limit to which the negotiators can't cross, negotiators usually know their exit price-but-not the other party one.

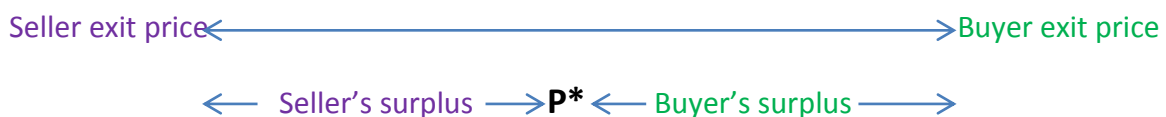
Negotiation range... it's determined one we know the entry price of both Buyer & Seller, so it's the distance between Seller's & Buyer's entry price.



Settlement range... it's determined one we know the exit price of both Buyer & Seller, once they are overlapping together, so it's the overlapping between Seller's & Buyer's exit prices.



Settlement price (P^*)... it's any price in the overlapping between the Exit prices.



← Negotiation surplus →

Negotiators surplus... it's the distance between the 2 exit prices.

- For every single issue negotiation to be true, the Seller's exit price < Buyer's exit price
- Amount gained by Seller as a result of Buyer paying a price closer to Seller's exit price (Seller surplus).
- Amount gained by Buyer as a result of buying at lower price than Buyer's exit price (Buyer surplus).

NEGOTIATION RATIONALITY

It's making the best decision to maximize your interests.

Deductive rationality:

- Herbert Simon's deduced behavioral model (Deductive model) for individual rational choice:
 - a. Identify the problem
 - b. Search for alternatives & their consequence
 - c. Preference order solon & select course
- People decide on satisficing criteria because of their bounded rationality.
- The maxi miser's choice ... determined by restrictive assumptions.
Satisficing choice... determined by negotiators perceptions.

DECISION MAKING BIASES (Negotiator Biases)

1. Irrational escalation... common in auctions staying to prove that you are the last one standing.
2. Fixed pies... the assumption of zero-sum bargaining.
3. Anchoring... giving a high-or-low initial entry position, thinking this will give them a better chance by end of bargaining.
4. Referent behavior... the way you frame an option can determine your willingness to accept an agreement.
5. Fallacies of prominence... influenced by the information that is easily available, than they are by its relevance to the current decisions.
6. Over confidences... common negotiation error, lead to inflexibility, lack of movement, lack of trading & deadlock.

Best wishes...