Strategy and Tactics of Distributive Bargaining

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Please Read Me

- Check the message **Welcome greeting** published in the News Bulletin Board.

- Dear student please edit your profile uploading a photo where your face is clearly visible.

- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.

- This presentation is based on (Lewicki, Barry, and Saunders 2016, chap. 2)

Purpose

Understand the basic elements of a distributive negotiation situation, as well as the strategies and tactics that can be applied in this context.
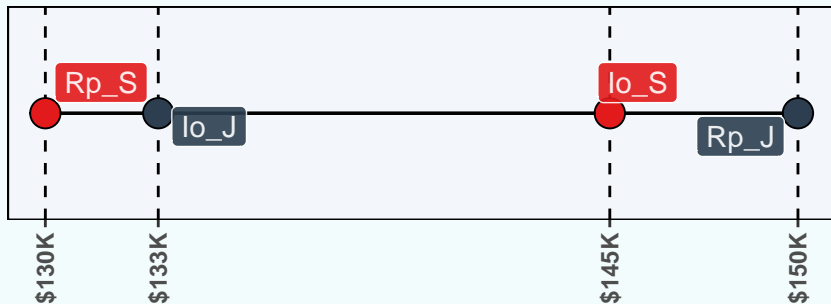
Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)[1]
    - Resistance point J, Rp_J: 150K USD
    - Resistance point S, Rp_S: 130K USD

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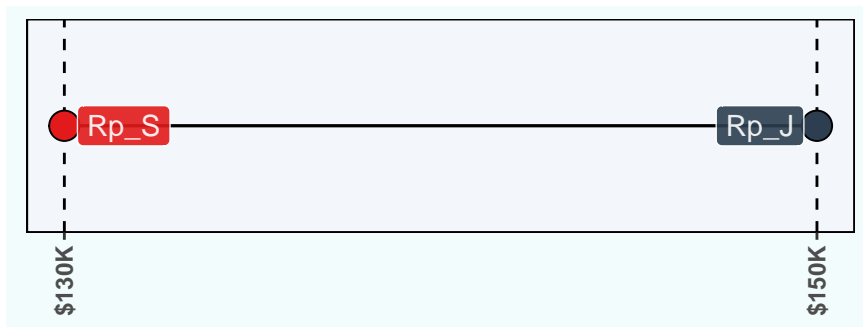
[1]Both J and S have a common interest in cooperating but conflicting interests on how exactly to cooperate. For that reason a negotiation situation arises (Muthoo 1999)
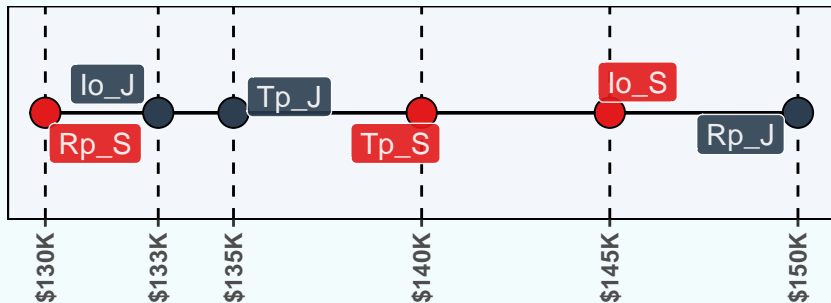
Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)
  - Initial offer J, lo_J: 133K USD
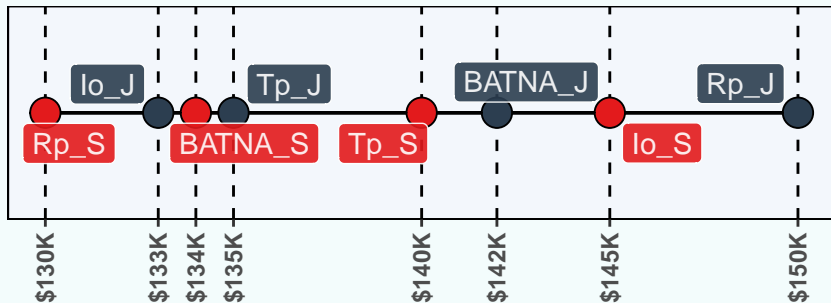 - Initial offer S, lo_S: 145K USD

Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)
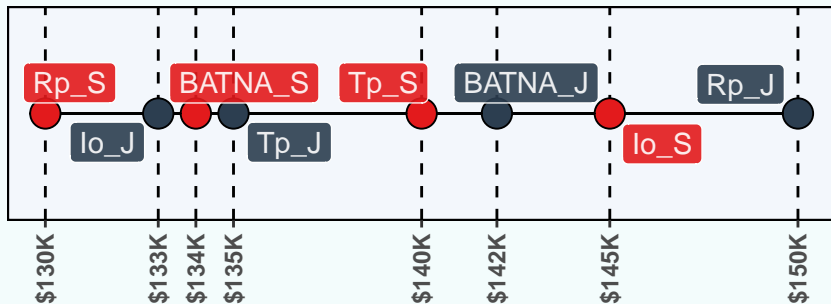 - Target point J, Tp_J: 135K USD
  - Target point S, Tp_S: 140K USD

Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)
  - BATNA J, Tp_J: 142K USD
  - BATNA S, Tp_S: 134K USD
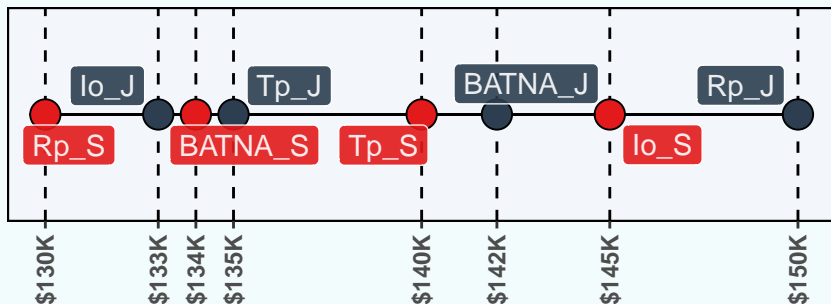
Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)

    - Bargaining range[2]: [$130K, $150K]

        - Is the result of [$130K, ∞) $\cap$ [0, $150K]
        - If the bargaining range is $\neq \emptyset$, Rp_S $\leq$ BATNA_J and BATNA_S $\leq$ Rp_J then an aggrement between J and S is possible

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[2]Also known as settlement range or zone of potential agreement

Elements of a distributive negotiation situation

- Buyer: Jackson (J) and Seller: Sofia (S)
  - In this example the settlement point $\in [\text{Tp\_J}, \text{Tp\_S}] = [\$135K, \$140K]$

Elements of a distributive negotiation situation

- In the case of a distributive negotiation, it is most likely that the settlement point does not correspond to the target points of the participants in the negotiation.

- In the example of J and S it was implicitly assumed that the negotiation element was the price. This element is known as a **bargaining mix**[3] where it does not necessarily have to be a single element.

  - For example J and S also can include in the bargaining mix the final date of the sale, whether or not renovations are included or if other items such as furniture and household appliances are added.
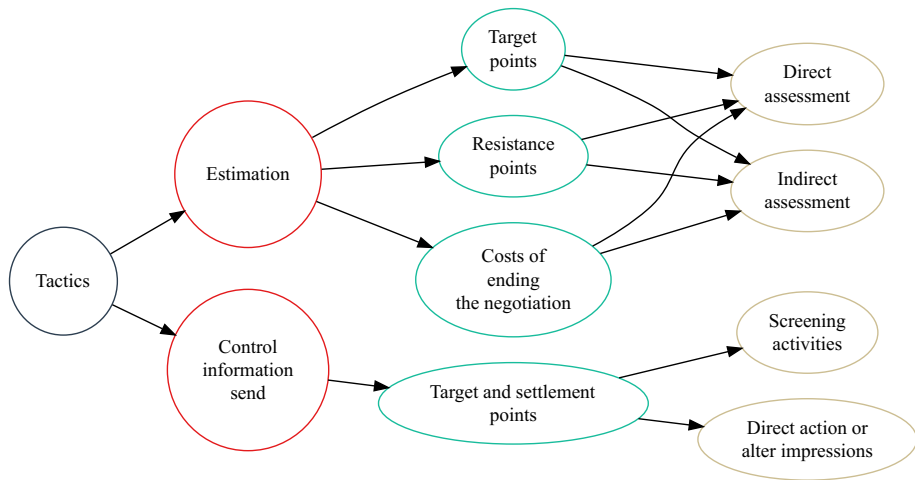

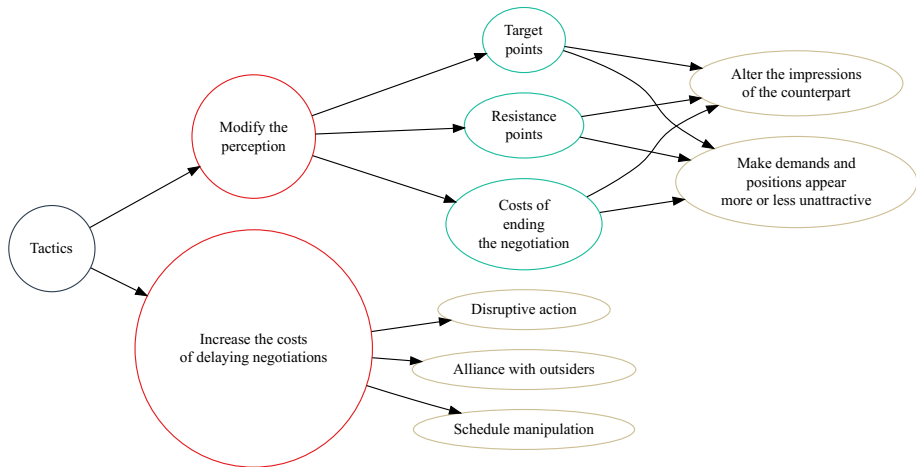[3]It is define as the set of issues that will be negotiated

Strategies[4]
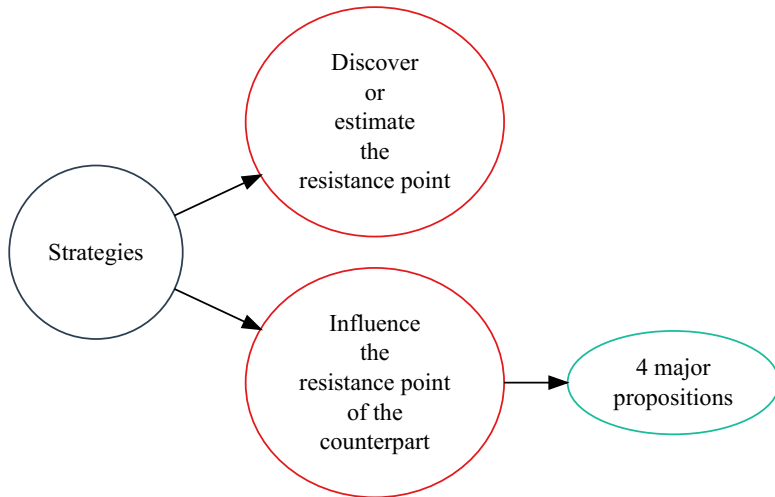
[4]Check out (Lewicki, Barry, and Saunders 2016, chap. 2, p 33-35)

Tactics[5]

[5]Check out (Lewicki, Barry, and Saunders 2016, chap. 2, p 36-42)

Tactics[6]

Aspects about taking positions during a negotiation

- In (Lewicki, Barry, and Saunders 2016, chap. 2, p 43-49) the recommended positions to be taken with regard to the following elements are pointed out:

  - **Opening offers**
    - What should be the initial offer?
    - Should the initial offer be near or far from our own resistance point?

  - **Opening stance**
    - Should a moderate or aggressive stance be taken?

  - **Initial concessions**
    - How wide should the initial concession be?

  - **Final offer**
    - How to communicate that a particular offer is a final offer?

Closing a deal

- The negotiations seek to reach an agreement if possible[7]. In order to achieve that goal with a greater probability, the following practices are recommended based on what is pointed out in (Lewicki, Barry, and Saunders 2016, chap. 2, p 49-50):

    - Offer similar options to the other parties to make the negotiation more flexible.

    - Assume a closing technique or stance.

    - Split the difference when a **mutual adjustment** process has been carried out.

    - Use **exploding offers** that refers to setting a deadline where a specific proposal is in force for a limited time.

    - Use **sweeteners** that refers to granting special concessions before closing.

[7]Remember that negotiation as a form of decision making is not the only method that exists!

How to face hardball tactics?

- Sometimes in negotiations people use **hardball tactics**. In general in (Lewicki, Barry, and Saunders 2016, chap. 2, p 50) the authors recommend not to use them as they cause damage in the negotiation process. However, it is important to know them and know how to deal with them.

- The most common **hardball tactics** are pointed out in (Lewicki, Barry, and Saunders 2016, chap. 2, p 52-58): Good Cop/Bad Cop, Lowball/Highball, Bogey, Nibble, Chicken, Intimidation, Aggressive Behavior and Snow Job.

- In (Lewicki, Barry, and Saunders 2016, chap. 2, p 51) 4 possible strategies to face these tactics are pointed out: discuss them, ignore them, respond in kind and co-opt the other party.

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References

Lewicki, Roy J., Bruce Barry, and David M. Saunders. 2016. *Essentials of Negotiation*. Sixth Edition. Dubuque: McGraw-Hill Education.

Muthoo, Abhinay. 1999. *Bargaining Theory with Applications*. New York: Cambridge University Press.