Strategy and Tactics of Distributive Bargaining

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2024-07-22

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- 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 2024, chap. 2)

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

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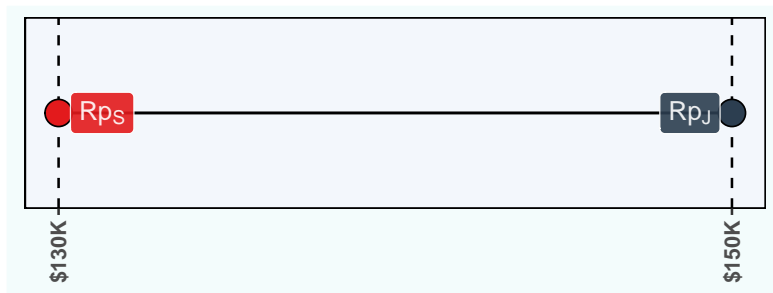 - Resistance point S, Rp_S: 130K USD

Figure 1: Resistance points

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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)

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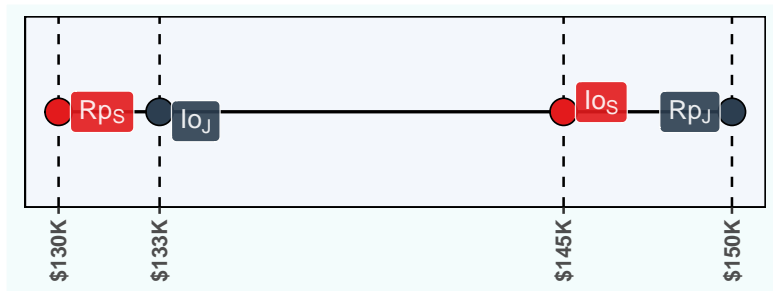   - Initial offer S, Io_S: 145K USD

Figure 2: Initial offers

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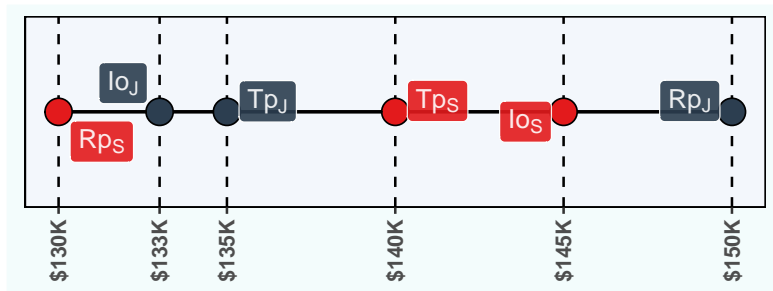 - Target point S, Tp_S: 140K USD

Figure 3: Target points

- Buyer: Jackson (J) and Seller: Sofia (S)
  - BATNA J, $BATNA_J$: 142K USD
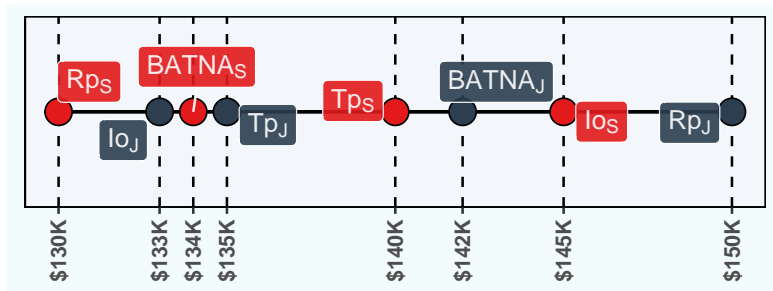 - BATNA S, $BATNA_S$: 134K USD

Figure 4: Best alternatives to a negotiated agreement

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

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

        - Is the result of $[\$130K, \infty) \cap [0, \$150K]$
        - 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
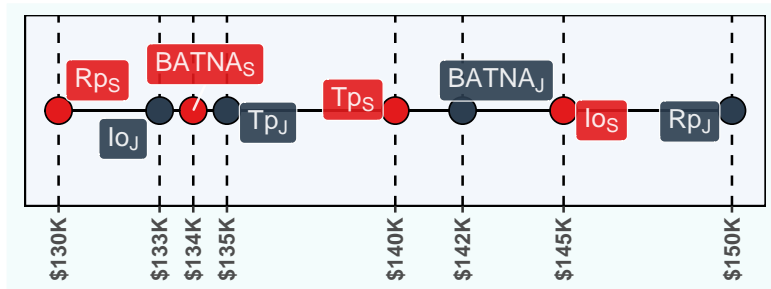

Figure 5: Bargaining range

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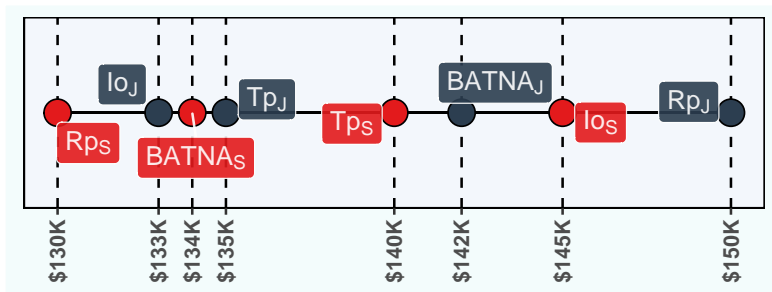

Figure 6: Possible values for a settlement point

- 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.

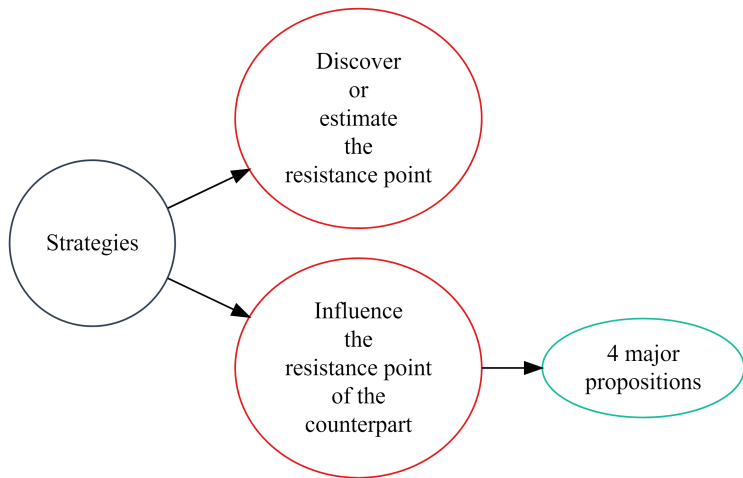[3]It is define as the set of issues that will be negotiated

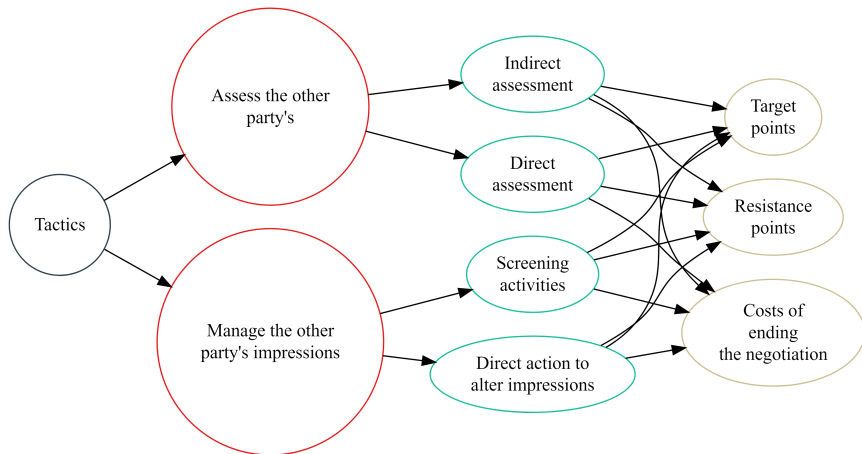**Figure 7:** Strategies distributive bargaining (Lewicki, Barry, and Saunders 2024, 39–41)

Figure 8: Tactics distributive bargaining (Lewicki, Barry, and Saunders 2024, 42–48)
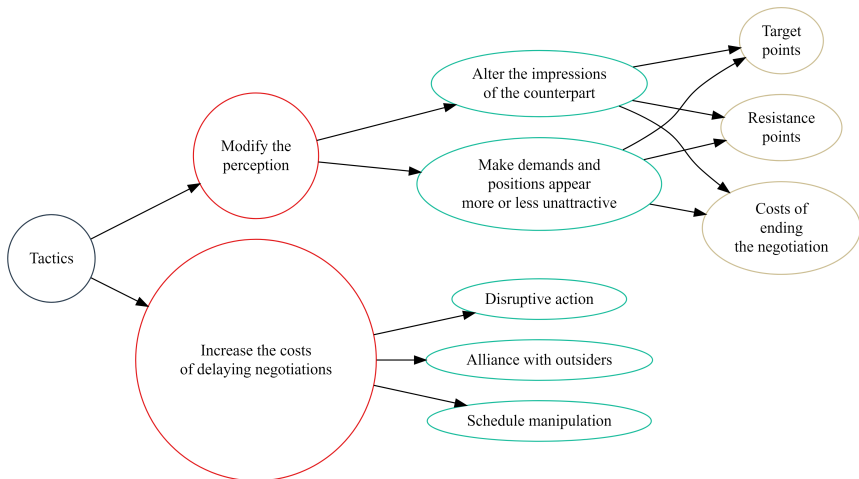
Figure 9: Tactics distributive bargaining (Lewicki, Barry, and Saunders 2024, 42–48)

- In (Lewicki, Barry, and Saunders 2024, chap. 2, p 48-55) the recommended positions to be taken with regard to the following elements are pointed out:

  - **Opening offers**

    - Who should make the first offer?
    - What should be the initial offer?
    - Should the offer be perceived as low, moderate or high by the other party?
    - 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?

- **Commitment** means taking a stance in a negotiation and making a explicit or implicit promise about future actions.
  - A commitment is a way to create a bargaining position by specifying a future action if a position is not reached.
  - A commitment aims to clarify the negotiator's planned actions and eliminate any uncertainty about their intentions.
    - However, they may also fix a negotiator to a particular position (Lewicki, Barry, and Saunders 2024, chap. 2, p 56)
    - That is why when making commitments, one should also make contingency plans for a graceful exit if needed
    - Also it is important to point out that good, sound and deliberate commitments take time to establish so it is important to don't commit prematurely (Lewicki, Barry, and Saunders 2024, chap. 2, p 56)
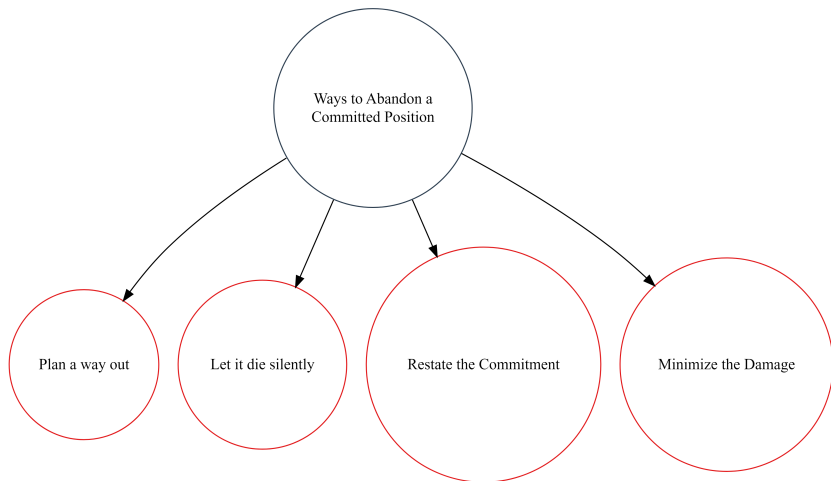
Figure 10: Ways to abandon a committed position (Lewicki, Barry, and Saunders 2024, 58–59)

- The negotiations seek to reach an agreement if possible[4]. 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 2024, chap. 2, p 59-60):

    - 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.

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

- Sometimes in negotiations people use **hardball tactics**. In general in (Lewicki, Barry, and Saunders 2024, chap. 2, p 61) 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.

- In (Lewicki, Barry, and Saunders 2024, chap. 2, pp 61-62) 4 possible strategies to face these tactics are pointed out:
  - Discuss them
  - Ignore them
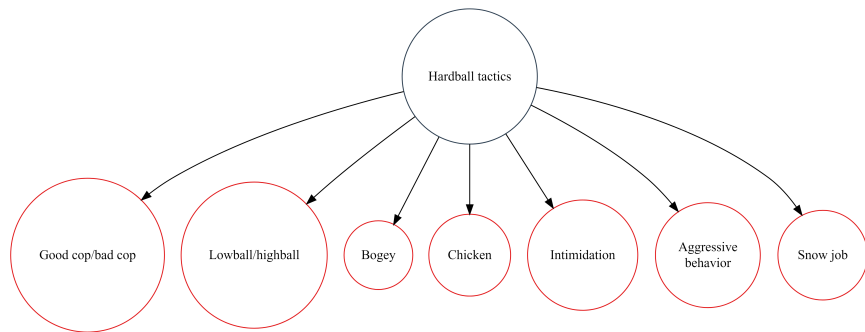 - Respond in kind
  - Co-opt the other party

Figure 11: Typical hardball tactics (Lewicki, Barry, and Saunders 2024, p 63)

- To my family that supports me

- To the taxpayers of Colombia and the **UMNG students** who pay my salary

- To the **Business Science** and **R4DS Online Learning** communities where I learn **R** and π-**thon**

- To the **R Core Team**, the creators of **RStudio IDE**, **Quarto** and the authors and maintainers of the packages **tidyverse**, **tidyquant**, **ggrepel**, **DiagrammeR** and **tinytex** for allowing me to access these tools without paying for a license

- To the **Linux kernel community** for allowing me the possibility to use some **Linux distributions** as my main **OS** without paying for a license

References I

Lewicki, Roy J., Bruce Barry, and David M. Saunders. 2024. *Negociación*. 9th ed. McGraw-Hill Education. https://www-ebooks7-24-com.ezproxy.umng.edu.co/?il=40562.

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