

# **Negotiation**

## **Fundamentals and underpinnings**

(Session: 9-13)

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9-10	Negotiation-Fundamentals	<ul style="list-style-type: none"> <li>• Is negotiation and bargaining the same?</li> <li>• Negotiation as a core management competency</li> <li>• Evolution in dynamics of negotiation</li> <li>• The Nature of Negotiation</li> </ul>	T1 Chapter 1 T2 Chapter 1, 14
11-13	Psychological underpinnings for negotiation	<ul style="list-style-type: none"> <li>• Perception</li> <li>• Cognition</li> <li>• Emotions</li> <li>• Biases in negotiation</li> <li>• Trust in Negotiation</li> <li>• Negotiating temperaments</li> </ul>	T1 Chapter 5 T2 Chapter 9, 5

# Negotiation

- Negotiations is not one-time stage, but can happen as:
  - That are about to happen (future)
  - Are in the process (present)
  - Result of previous negotiations (past)

**Negotiation** is “a form of decision making in which two or more parties talk with one another in an *effort to resolve their opposing interests.*”

- Possible reasons for Negotiation:

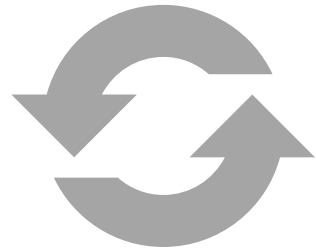
- (1) to agree on how to share or divide a limited resource, such as land, or money, or time

- (2) to create something new that neither party could do on his or her own

- (3) to resolve a problem or dispute between the parties.

\* Sometimes people fail to negotiate because they do not recognize that they are in a negotiation situation.

# What primarily influences negotiation



## Interdependence

Disintegrative/ Integrative  
Alternatives



## Mutual adjustment

Concession making  
Dilemma of honesty and trust  
Information (how much is too much)

# Interdependence and outcomes

- Most relationships between parties may be characterized in one of three ways:
  - Independent: are able to meet their own needs without the help and assistance of others; they can be relatively detached, indifferent, and uninvolved with others.
  - *Dependent*: parties must rely on others for what they need; because they need the help, benevolence, or cooperation of the other, the dependent party must accept and accommodate to that provider's whims and idiosyncrasies.
  - Interdependent: the parties need each other in order to accomplish their objectives, and hence have the potential to influence each other.

\* mix of convergent and conflicting goals characterizes many interdependent relationships.

## APPROACHING NEGOTIATION:

- Negotiators must be able to recognize situations that require more of one approach than the other: those that require predominantly distributive strategy and tactics, and those that require integrative strategy and tactics.
- Negotiators must be versatile in their comfort and use of both major strategic approaches.
- Negotiator perceptions of situations tend to be biased toward seeing problems as more distributive/competitive than they really are.

\*(Accurately perceiving the nature of the interdependence between the parties is critical for successful negotiation)

# Key differences between negotiators

- Differences in interests
- Differences in judgments about the future.
- Differences in risk tolerance
- Differences in time preference

\*The key is exploring both common and different interests to create this value and employing such interests as the foundation for a strong and lasting agreement.



# Characteristics of Negotiation

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There are two or more parties (they need each other to achieve their preferred outcomes/ objectives)

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There is a conflict of needs and desires between two or more parties

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Expectation of a “give-and-take” (but a complex) process that is fundamental to the usual understanding of the word “negotiation”

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The parties prefer to negotiate and search for agreement rather than have one side dominate and the other capitulate, permanently break off contact

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Successful negotiation involves the management of tangibles as well as the resolution of intangibles

# 7 Pillars of Negotiation



- **Interests.**
- **Legitimacy**
- **Relationships.**
- **Alternatives**
- **Options.**
- **Commitments.**
- **Communication.**

# When not to negotiate

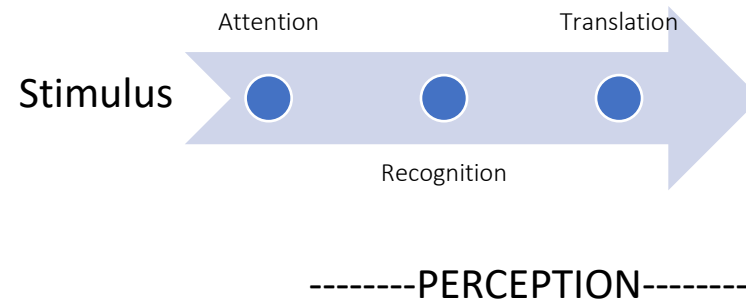
- When you'd lose the deal
- When you're sold out
- When the demands are unethical
- When you don't care
- When you don't have time
- When they act in bad faith
- When waiting would improve your position
- When you're not prepared

Is negotiation  
a  
Management  
competency?  
?



# Perceptions

(the process of screening, selecting, and interpreting stimuli so that they have meaning to the individual)



Behavior



# Perception Distortion

- *What creates perception in Perceiver:*
  - Needs
  - Desires
  - Motivations
  - Personal experiences/  
exposure

- *4 Major Perceptual errors*
  - Stereotyping
  - Halo effect  
(based on generalization)
  - Selective perception
  - Projection  
(Anticipating certain traits  
and attributes)



- Perception affects our **attitudes** (towards ourselves and others), **beliefs, goals, and decisions**.
- People's inferences about the causes of a communicator's statements **affect acceptance of, or agreement with** those statements as well as how inferences affect attitudes toward others.
- We try to make sense of our world through perception. We may perceive ourselves differently than others perceive us.
- In selecting the cause, or making the attribution, negotiators/ people **assess consensus, consistency, and distinctiveness**
- **Cognitive structures** are based on perceptions. We generally engage in these cognitive processes consciously. The reason for these may be attributed to external reality, which is referred to as **entity or environmental attribution**; to the situation; or to the personal characteristics of the communicator, which is referred to as **actor attribution**.

\*Misperceptions and cognitive biases typically arise out of conscious awareness as negotiators gather and process information. More complex the situation- more opportunities for misperceptions, bias; and distortion to hinder judgement and decision making



# Cognition

- Framing - the strategic use of information to define and articulate a negotiating issue or situation. (the subjective mechanism through which people evaluate and make sense out of situations, leading them to pursue or avoid subsequent actions)
- Information processing/ Cognitive biases- impact of various kinds of systematic errors, or ***cognitive biases*** which can impede negotiator's performance in negotiation.



# Cognition (Frames)

Some examples of frames:

- Substantive
- Outcome
- Aspiration
- Process
- Identity
- Characterization
- Loss-gain

- What plays into frames (another approach)
  - Interests
  - Rights
  - Power

# How frames work in negotiation

Negotiators can use more than one frame

Mismatches in frames between parties are sources of conflict

Parties negotiate differently depending on the frame

Specific frames may be likely to be used with certain types of issues

Particular types of frames may lead to particular types of agreements

Parties are likely to assume a particular frame because of various factors

The Frame of an Issue Changes as the Negotiation Evolves

# Cognition (Cognition Bias)

Cognitive biases can impede negotiator's performance in negotiation

- (1) the irrational escalation of commitment
- (2) the mythical belief that the issues under negotiation are all fixed-pie
- (3) the process of anchoring and adjustment in decision making
- (4) issue and problem framing
- (5) the availability of information
- (6) the winner's curse
- (7) negotiator overconfidence
- (8) the law of small numbers
- (9) self-serving biases
- (10) the endowment effect
- (11) the tendency to ignore others' cognitions
- (12) the process of reactive devaluation



Form of Bias	Definition
Escalation of commitment	Tendency for an individual to make decisions that persist in pursuing a failing course of action.
Mythical fixed-pie beliefs	Tendency to see negotiation as a zero-sum or win-lose situation with parties' interests diametrically opposed.
Anchoring and adjustment	Being overly influenced by a standard or reference point (an anchor) and failing to make adjustments from it.
Issue framing and risk	Tendency to be unduly influenced by the positive or negative frame through which risks are perceived.
Information availability	Tendency to overweight information that is easily recalled or otherwise readily available at the expense of information that is critical but less salient.
The winner's curse	Tendency to settle quickly on an outcome and then feel discomfort about a negotiation win that comes too easily.
Negotiator overconfidence	Tendency to believe that one's ability to be correct or accurate is greater than is actually the case.
The law of small numbers	Tendency to draw inappropriate conclusions based on small data samples or a small number of examples.
Self-serving biases	Tendency to make attributions about causes of behavior that are self-serving (take personal credit for successes, blame aspects of the situation for negative results).
Endowment effect	Tendency to inflate the value of something you own or have in your possession.
Ignoring others' cognitions	Failure to consider the other party's thoughts and perceptions, inhibiting an accurate understanding of their interest and goals.
Reactive devaluation	Placing less value on concessions made by the other simply because the other party offered them.



# Emotions

(as *causes of behavior* and as *consequences* of negotiated outcomes)

- Negotiations create both positive and negative emotions
- Emotions can be strategically used as 'Negotiation gambits'

# Emotions

(Aspects of Negotiation process can lead to positive/ or negative emotions)

- Positive emotions arising out of process
  - Positive feelings result from fair procedures during negotiation.
  - Positive feelings result from favorable social comparisons
- Negative emotions arising out of process
  - Negative emotions may result from a competitive mindset
  - Negative emotions may result from impasse
  - Negative emotions may result merely from the prospect of beginning a negotiation

# Emotions

(as direct relationship  
consequences for  
negotiations)

- Positive emotions generally have positive consequences
  - more likely to lead the parties toward more integrative processes
  - create a positive attitude toward the other side
  - promote persistence
  - set the stage for successful subsequent negotiations

- Negative emotions generally have negative consequences
  - may lead parties to define the situation as competitive or distributive
  - may undermine a negotiator's ability to analyze the situation accurately, which adversely affects individual outcomes.
  - may lead parties to escalate the conflict
  - may lead parties to retaliate and may thwart integrative outcomes
  - Not all negative emotions have the same effect (such as worry, disappointment, guilt, regret)

# Emotions

(as indirect relationship consequences for negotiations)



POSITIVE FEELINGS MAY HAVE  
NEGATIVE CONSEQUENCES.



NEGATIVE FEELINGS MAY  
CREATE POSITIVE OUTCOMES



# Responding to Negative Emotions

Separate	Separate the emotion from its expression
Empathizing	Try empathizing
Reflect	Reflect the emotion being expressed back to the other party
Ask	Ask questions to uncover the issue or interest behind the emotion
Be	* Be careful of strategic manipulation of positive as well as negative emotions

# Trust in negotiation

- Managing your reputation
- Making unilateral concessions
- Label your concessions/ make them felt
- Explain your demands (reasons)
- Target mutual gain

Suggested Read:

- [\[PDF\] Trust and negotiation | Semantic Scholar](#)

# References- Images

- <https://d1e4pidl3fu268.cloudfront.net/b8903108-8de9-42fb-b61d-614b2c8d7d74/Image58.jpg>

# References

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