

M3L6. Two Types of Negotiation

Slide #1



In this topic, we continue the explanation of negotiation and introduce the two types of negotiation.

Slide #2

The Purpose of Negotiation

Whenever we are trying to reach a goal and need help of another party who has different preferences we negotiate

In most negotiations we face two goals:
(1) claiming value,
(2) creating value.

Value defined as anything you would like to get out of a negotiation, more dollars, consulting contract, end of conflict, etc.

There are 2 typical ways to negotiate

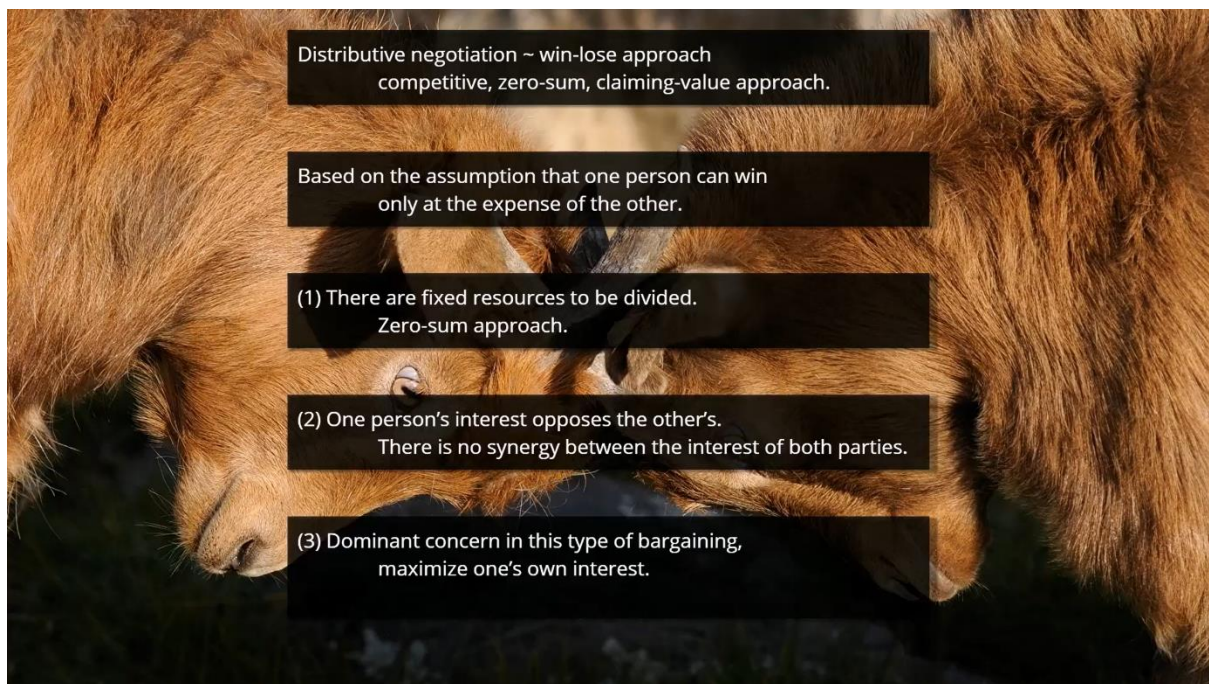
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In most negotiations, we face two goals, claiming value and creating value.

Value can be defined as anything you would like to get out of a negotiation, whether it will be more dollars, a consulting contract, an end to conflict, and so on.

There are two typical ways to negotiate.

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The first approach is called distributive negotiation or win-lose approach.

This is also called competitive zero-sum or claiming value approach.

This approach is based on the assumption that one person can win only at the expense of the other. It has the following three characteristics.

First, there are fixed resources to be divided, so that the more one gets, the less the other gets. That is why this is called a zero-sum approach.

The second characteristic is one person's interest opposes the other's. There is no synergy between the interests of both parties.

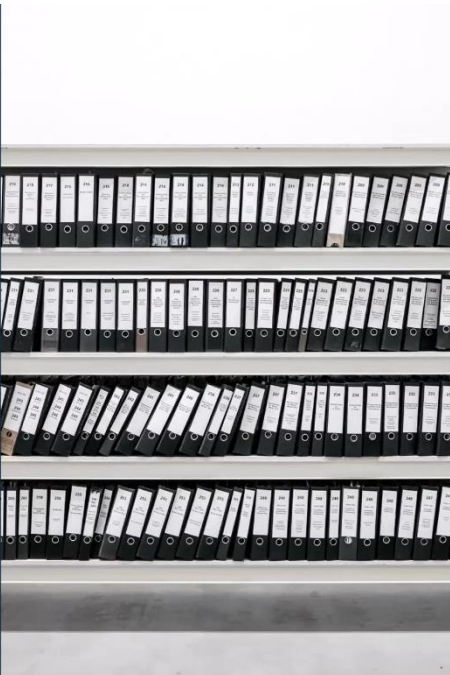
The dominant concern in this type of bargaining is usually to maximize one's own interest.

One side wins and the other side loses.

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Basic tactics in distributive approach:

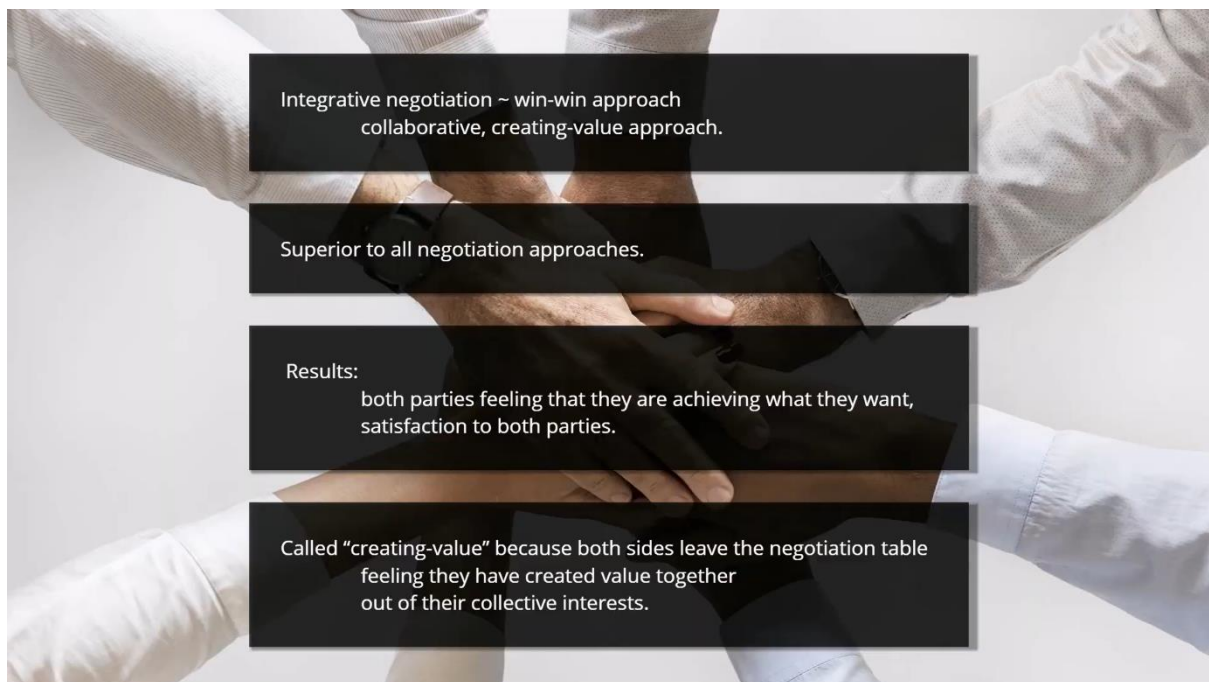
- (1) Learn as much as possible about other person's position, resistance point.
- (2) Influence the other person to believe what is possible.
- (3) Carefully protect their information, not to let their counterparts know their motivations, their interests.



The basic tactics open to negotiators in this kind of a distributive approach are to learn as much as possible about the other person's position, especially regarding resistance point, and influence the other person to believe what is possible.

At the same time, negotiators need to carefully protect their information, not to let their counterparts know their motivations, their interests.

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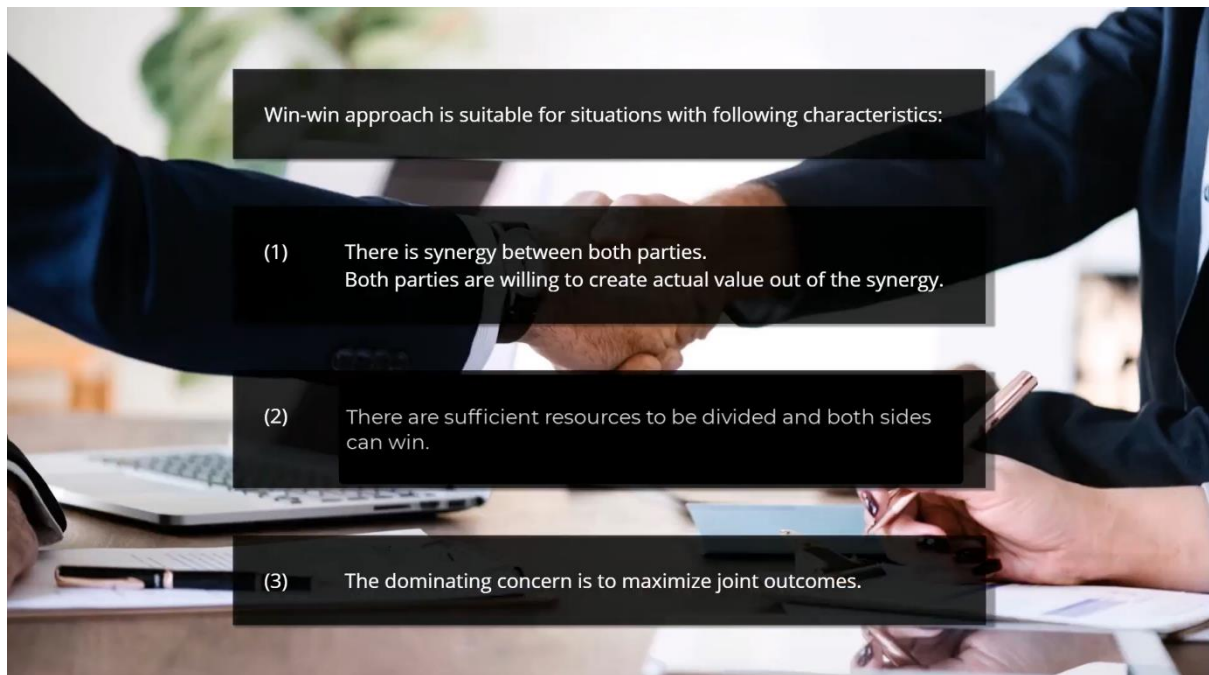


The second approach is a more constructive approach. It is called integrative negotiation or win-win approach.

This negotiation approach is also called collaborative or creating value approach. It is superior to all negotiation approaches. It results in both the parties feeling that they are achieving what they want. It results in satisfaction to both parties.

This approach is also called creating value because the goal here is how both sides leave the negotiation table feeling they have created value together out of their collective interests.

Slide #6



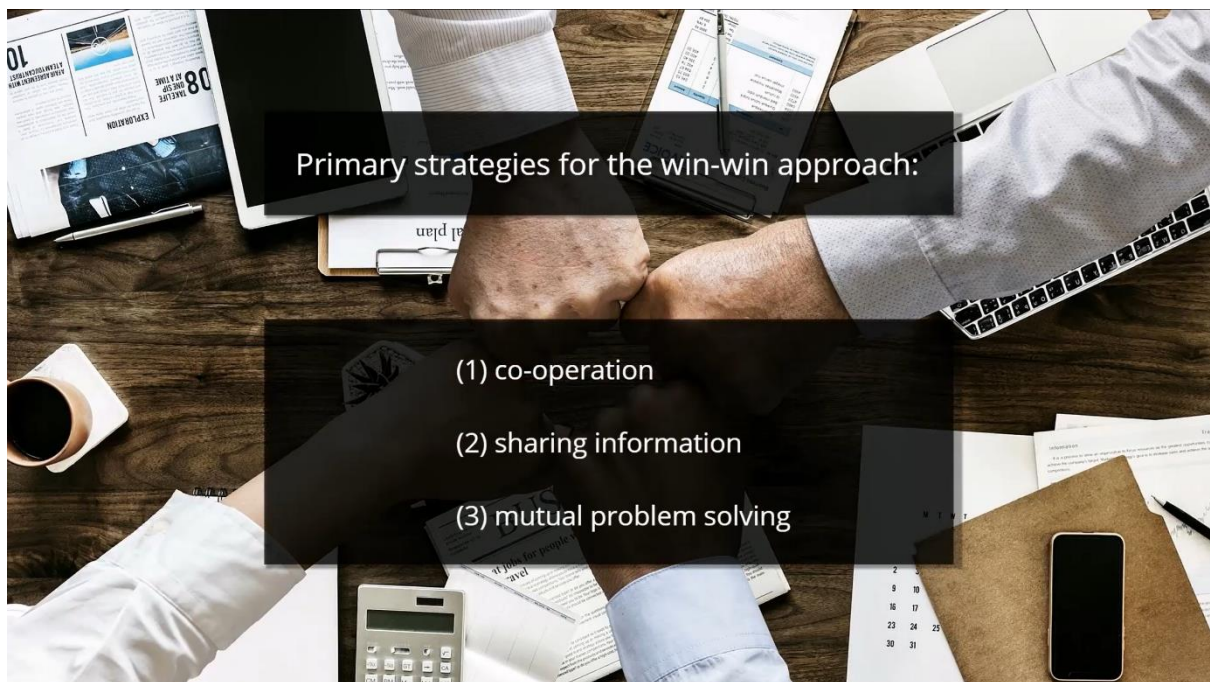
The win-win approach is suitable for situations with the following characteristics.

First, there is synergy between both parties, and both parties are willing to create actual value out of the synergy.

The second is, there are sufficient resources to be divided, and both sides can win.

Because of that, the dominating concern in the win-win approach is to maximize joint outcomes.

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The primary strategies for the win-win approach include cooperation, sharing information, and mutual problem solving.