

Essentials of Negotiation

Seventh edition

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Queen's University

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Vanderbilt University

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ESSENTIALS OF NEGOTIATION, SEVENTH EDITION

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Dedication

We dedicate this book to all negotiation, mediation, and dispute resolution professionals who try to make the world a more peaceful and prosperous place.

And to John W. Minton (1946–2007): friend, colleague, and co-author.

About the Authors

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Preface

Welcome to the Seventh edition of *Essentials of Negotiation*! Again, this book represents our response to many faculty who wanted a brief version of the longer text. *Negotiation* (Eighth Edition). The objective of this shorter version is to provide the reader with the core concepts of negotiation in a more succinct presentation. Many faculty requested such a book for use in shorter academic courses, executive education programs, or as a companion to other resource materials. It is suitable for courses in negotiation, labor relations, conflict management, human resource management, and the like.

Overview of This Book

The organization of this volume generally follows the more complete Eighth Edition of *Negotiation*. The fundamental difference between this and the Eighth Edition text is that this book contains only 12 chapters, while the complete Eighth Edition contains 20 chapters. The first four chapters have only been minimally shortened for this volume, because we believe that the content is essential to any negotiation course. (The shortening process includes editing out some of the more research-oriented references and descriptions, deleting many of the boxes and sidebars, and occasionally some secondary sections.) Similarly, the last chapter is reproduced in full. The other seven chapters from *Negotiation*, have been included, but shortened by 25–50 percent each.

For the instructor who is not familiar with *Essentials* (the first six editions) or *Negotiation* (Eighth or earlier editions), a brief overview is in order. The first five chapters introduce the reader to “Negotiation Fundamentals.” The first chapter introduces the field of negotiation and conflict management, describes the basic problem of interdependence with other people, and briefly explores the challenges of managing that interdependence. Chapters 2 and 3 then present the two core strategic approaches to negotiation: the basic dynamics of competitive (win-lose) bargaining (Chapter 2) and the basic dynamics of integrative (win-win) negotiation (Chapter 3). Chapter 4 describes the fundamental prework that negotiators must do to get ready for a negotiation: selecting the strategy, framing the issues, defining negotiation objectives, and planning the steps one will pursue to achieve those objectives. In Chapter 5, we examine the ethical standards and criteria that surround negotiation. The effective negotiator must recognize when ethical questions are relevant and what factors must be considered to address them effectively.

The next three chapters describe the fundamental psychological subprocesses of negotiation: perception, cognition, and emotion; communication; and power. In Chapter 6, we review the basic processes of perception, cognition, and emotion in negotiation. We specifically examine common cognitive and judgment biases made by negotiators and how emotion can affect negotiations. In Chapter 7, we examine communication dynamics. We look at the ways that negotiators communicate their interests, positions, and goals and how this information is communicated to the other. Chapter 8 focuses on power. We look at the capabilities negotiators can muster power to pressure the other side, so as to change his or her perspective or give in to our arguments.

The next two chapters examine the social contexts in which these negotiations occur and influence how they evolve. In Chapter 9, we examine how the negotiation process


changes when the parties have an established relationship with each other and how the type of relationship affects the negotiation process. We also examine the key roles played by trust, justice, and negotiator reputation in shaping negotiations. In Chapter 10, we look at multiparty negotiations, when multiple individuals must work together as a group, team, or task force to solve a complex problem or make a decision.

In Chapter 11, we attempt to clarify how international and cross-cultural differences can shape the diverse ways that parties approach negotiations.

Finally, in Chapter 12, we present a new concluding chapter, summarizing the book's content and offering ten best practices principles for all negotiators.

Comparison of This Book to the Sixth Edition of *Essentials*

- All of this book has been revised and updated. The authors reviewed every chapter, utilizing extensive feedback from faculty who have used the book in previous editions. The content in some of the chapters has been reorganized to present the material more effectively.
- We have further improved the graphics format and page layout of the book to make it visually more interesting and readable.
- The authors have published a book of readings and classroom activities, *Negotiation: Readings, Exercises and Cases*, Seventh Edition, edited by Roy Lewicki, Bruce Barry, and David Saunders. This book has not been revised, but all of the readings, role plays, cases, and questionnaires are still available online. Adopters of *Essentials* can purchase these activities individually or package them together with chapters from *Negotiation* or *Essentials of Negotiation*. Consult McGraw Hill's *Create* services for more information.
- **Instructional resources, including a test bank, chapter outlines, PowerPoint slides, a list of role plays, cases, and questionnaires to accompany each chapter, and extensive assistance on ways that new instructors can improve their teaching of negotiation skills, are available to accompany this volume. Instructors should contact their McGraw-Hill representative for access to these instructional resources.**

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Appreciation

Once again, this book could not have been completed without the assistance of numerous people. We especially thank

- Many of our colleagues in the negotiation and dispute resolution field, whose research efforts have made the growth of this field possible and who have given us helpful feedback about earlier editions to improve the content of this edition.
- The following individuals who reviewed the text and offered their helpful feedback.
- The work of John Minton, who helped shape the second, third, and fourth editions of this book and passed away in the Fall of 2007.
- The Staff of McGraw-Hill/Education, especially associate portfolio manager, Laura Hurst Spell; product developer Julie Scardiglia, Integra; director of management and organizational behavior Michael Ablassmeir; and marketing staff Lisa Granger and Julia Blankenship.
- Our families, who continue to provide us with the time, inspiration, and opportunities for continued learning about effective negotiation and the personal support required to sustain this project.

Roy J. Lewicki

David M. Saunders

Bruce Barry



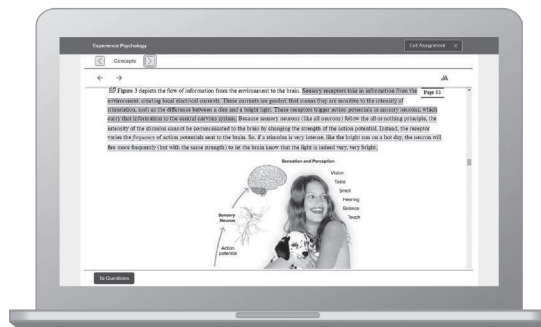
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- Jordan Cunningham,
Eastern Washington University



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Essentials of Negotiation



The Nature of Negotiation

Objectives

1. Understand the definition of *negotiation*, the key elements of a negotiation process, and the distinct types of negotiation.
2. Explore how people use negotiation to manage different situations of interdependence—that is, that they depend on each other for achieving their goals.
3. Consider how negotiation fits within the broader perspective of processes for managing conflict.
4. Gain an overview of the organization of this book and the content of its chapters.

“That’s it! I’ve had it! This car is dead!” screamed Chang Yang, pounding on the steering wheel and kicking the door shut on his 10-year-old Toysun sedan. The car had refused to start again, and Chang was going to be late for class (again)! Chang wasn’t doing well in that management class, and he couldn’t afford to miss any more classes. Recognizing that it was finally time to do something about the car, which had been having numerous mechanical problems for the last three months, Chang decided he would trade the Toysun in for another used car, one that would hopefully get him through graduation. After classes that day, he got a ride to the nearby shopping area, where there were several repair garages and used car lots. He knew almost nothing about cars and didn’t think he needed to. All he needed was reliable transportation to get him through the next 18 months.

A major international airline company is close to bankruptcy. The fear of terrorism, a number of new “budget-fare” airlines, and rising costs for fuel have all put the airline under massive economic pressure. The company seeks \$800 million in wage and benefit cuts from the pilots’ union, the third round of cuts in two years, in order to head off the bankruptcy. Rebuffed by the chief union negotiator for the pilots, the company seeks to go directly to the officers of the Air Line Pilots Association—the international union—to discuss the cuts. If the pilots do not agree to concessions, it is unlikely that other unions—flight attendants, mechanics, and so on—will agree, and bankruptcy will be inevitable.

Janet and Jocelyn are roommates. They share a one-bedroom apartment in a big city where they are both working. Janet, an accountant, has a solid job with a good company, but she has decided that it is time to go back to school to get her MBA. She has enrolled in Big City University’s evening MBA program and is now taking classes. Jocelyn works for an advertising company and is on the fast track. Her job not only requires a lot of travel but

also requires a lot of time socializing with clients. The problem is that when Janet is not in evening class, she needs the apartment to read and study and has to have quiet to get her work done. However, when Jocelyn is at the apartment, she talks a lot on the phone, brings friends home for dinner, and is either getting ready to go out for the evening or coming back in very late (and noisily!). Janet has had enough of this disruption and is about to confront Jocelyn.

A country's government is in a financial crisis, created by a good old-fashioned "smack-down" between the newly re-elected president and the legislature. The president insists that taxes must be raised to pay for ongoing government services, particularly the taxes of the richest 1 to 2 percent of the taxpayers. In contrast, a majority of the elected legislature, whose political party favors the wealthy, insists that the president cut government spending instead! Moreover, a group of the legislators have taken a public "pledge" to not agree to *any* tax increases and fear losing their jobs in the next election if they give in on their pledge. If the crisis is not resolved in a few days, a financial doomsday is predicted.

Ashley Johnson is one of the most qualified recruits this year from a top-25 ranked business school. She is delighted to have secured a second interview with a major consumer goods company, which has invited her to its headquarters city and put her up in a four-star hotel that is world-renowned for its quality facilities and service. After getting in late the night before due to flight delays, she wakes at 6:45 a.m. to get ready for a 7:30 a.m. breakfast meeting with the senior company recruiter. She steps into the shower and grabs the water control knob to turn it, and the knob falls off in her hand! There is no water in the shower and at all; apparently, repairmen started a repair job on the shower, turned all the water off somewhere, and left the job unfinished. Ashley panics at the thought of how she is going to deal with this crisis and look good for her breakfast meeting in 45 minutes.

Do these incidents look and sound familiar? These are all examples of negotiation—negotiations that are about to happen, are in the process of happening, or have happened in the past and created consequences for the present. And they all serve as examples of the problems, issues, and dynamics that we will address throughout this book.

People negotiate all the time. Friends negotiate to decide where to have dinner. Children negotiate to decide which television program to watch. Businesses negotiate to purchase materials and sell their products. Lawyers negotiate to settle legal claims before they go to court. The police negotiate with terrorists to free hostages. Nations negotiate to open their borders to free trade. Negotiation is not a process reserved only for the skilled diplomat, top salesperson, or ardent advocate for an organized lobby; it is something that everyone does, almost daily. Although the stakes are not usually as dramatic as peace accords or large corporate mergers, everyone negotiates; sometimes people negotiate for major things like a new job, other times for relatively minor things like who will take out the garbage.

Negotiations occur for several reasons: (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; or (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. By choosing options other than negotiation, they may fail to achieve their goals, get what they need, or manage their problems as smoothly as they might like to. People may also recognize the need for negotiation but do poorly because they misunderstand

the process and do not have good negotiating skills. After reading this book, we hope you will be thoroughly prepared to recognize negotiation situations; understand how negotiation works; know how to plan, implement, and complete successful negotiations; and, most importantly, be able to maximize your results.

A Few Words about Our Style and Approach

Before we begin to dissect the complex social process known as negotiation, we need to say several things about how we will approach this subject. First, we will briefly define negotiation. 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.”¹ Moreover, we will be careful about how we use terminology in this book. For most people, *bargaining* and *negotiation* mean the same thing; however, we will be quite distinctive in the way we use the two words. We will use the term *bargaining* to describe the competitive, win-lose situations such as haggling over the price of an item at a yard sale, flea market, or used car lot; we will use the term *negotiation* to refer to win-win situations such as those that occur when parties are trying to find a mutually acceptable solution to a complex conflict.

Second, many people assume that the “heart of negotiation” is the give-and-take process used to reach an agreement. While that give-and-take process is extremely important, negotiation is a very complex social process; many of the most important factors that shape a negotiation result do not occur during the negotiation; they occur *before* the parties start to negotiate, or shape the context *around* the negotiation. In the first few chapters of the book, we will examine why people negotiate, the nature of negotiation as a tool for managing conflict, and the primary give-and-take processes by which people try to reach agreement. In the remaining chapters, we examine the many ways that differences in the substantive issues, the people involved, the processes they follow, and the context in which negotiation occurs enrich the complexity of the dynamics of negotiation. We will return to a more complete overview of the book at the end of this chapter.

Third, our insights into negotiation are drawn from three sources. The first is our personal experience as negotiators ourselves and the rich number of negotiations that occur every day in our own lives and in the lives of people around the world. The second source is the media—television, radio, newspaper, magazine, and Internet—that report on actual negotiations every day. We will use quotes and examples from the media to highlight key points, insights, and applications throughout the book. Finally, the third source is the wealth of social science research that has been conducted on numerous aspects of negotiation. This research has been conducted for almost 60 years in the fields of economics, psychology, political science, communication, labor relations, law, sociology, and anthropology. Each discipline approaches negotiation differently. Like the parable of the blind men who are attempting to describe an elephant by only touching and feeling different parts of the animal, each social science discipline has its own theory and methods for studying outputs of negotiation, and each tends to emphasize some parts and ignore others. Thus, the same negotiation events and outcome may be examined simultaneously from several different perspectives.² When standing alone, each perspective is clear but limited; combined, we begin to understand the rich and complex dynamics of this amazing animal. We draw from all these research traditions in our approach to negotiation. When we need to acknowledge

the authors of a major theory or set of research findings, we will use the standard social science research process of citing their work in the text by the author's name and the date of publication of their work; complete references for that work can be found in the bibliography at the end of the book. When we have multiple sources to cite, or anecdotal side comments to make, that information will appear in an endnote at the end of each chapter.

We began this chapter with several examples of negotiations—future, present, and past. To further develop the reader's understanding of the foundations of negotiation, we will develop a story about a husband and wife—Joe and Sue Carter—and a not-so-atypical day in their lives. In this day, they face the challenges of many major and minor negotiations. We will then use that story to highlight three important themes:

1. The definition of negotiation and the basic characteristics of negotiation situations.
2. An understanding of *interdependence*, the relationship between people and groups that most often leads them to need to negotiate.
3. The definition and exploration of the dynamics of conflict and conflict management processes, which will serve as a backdrop for different ways that people approach and manage negotiations.

Joe and Sue Carter

The day started early, as usual. Over breakfast, Sue Carter raised the question of where she and her husband, Joe, would go for their summer vacation. She wanted to sign up for a tour of Southeast Asia being sponsored by her college's alumni association. However, two weeks on a guided tour with a lot of other people he barely knew was not what Joe had in mind. He needed to get away from people, crowds, and schedules, and he wanted to charter a sailboat and cruise the New England coast. The Carters had not argued (yet), but it was clear they had a real problem here. Some of their friends handled problems like this by taking separate vacations. With both of them working full time, though, Joe and Sue did agree that they would take their vacation together.

Moreover, they were still not sure whether their teenage children—Tracy and Ted—would go with them. Tracy really wanted to go to a gymnastics camp, and Ted wanted to stay home and do yard work in the neighborhood so he could get in shape for the football team and buy a motor scooter with his earnings. Joe and Sue couldn't afford summer camp and a major vacation, let alone deal with the problem of who would keep an eye on the children while they were away. And Sue was already "on the record" as being opposed to the motor scooter, for obvious safety reasons.

As Joe drove to work, he thought about the vacation problem. What bothered Joe most was that there did not seem to be a good way to manage the conflict productively. With some family conflicts, they could compromise, but given what each wanted this time, a simple compromise didn't seem obvious. At other times, they would flip a coin or take turns—that might work for choosing a restaurant (Joe and Ted like steak houses, Sue and Tracy prefer Chinese), but it seemed unwise in this case because of how much money was involved and how important vacation time was to them. In addition, flipping a coin might make someone feel like a loser, an argument could start, and in the end nobody would really feel satisfied.

Walking through the parking lot, Joe met his company's purchasing manager, Ed Laine. Joe was the head of the engineering design group for MicroWatt, a manufacturer of small electric motors. Ed reminded Joe that they had to settle a problem created by the engineers in Joe's department. The engineers were contacting vendors directly rather than going through MicroWatt's purchasing department. Joe knew that purchasing wanted all contacts with a vendor to go through them, but he also knew that his engineers badly needed technical information for design purposes and that waiting for the information to come through the purchasing department slowed things considerably. Ed Laine was aware of Joe's views about this problem, and Joe thought the two of them could probably find some way to resolve it if they really sat down to work on it. Joe and Ed were also both aware that upper management expected middle managers to settle differences among themselves; if this problem "went upstairs" to senior management, it would make both of them look bad.

Shortly after reaching his desk, Joe received a telephone call from an automobile salesman with whom he had been talking about a new car. The salesman asked whether Sue wanted to test-drive it. Joe wasn't quite sure that Sue would go along with his choice; Joe had picked out a sporty luxury import, and he expected Sue to say it was too expensive and not very fuel efficient. Joe was pleased with the latest offer the salesman had made on the price but thought he might still get a few more concessions out of him, so he introduced Sue's likely reluctance about the purchase, hoping that the resistance would put pressure on the salesman to lower the price and make the deal "unbeatable."

As soon as Joe hung up the phone, it rang again. It was Sue, calling to vent her frustration to Joe over some of the procedures at the local bank where she worked as a senior loan officer. Sue was frustrated working for an old "family-run" bank that was not very automated, heavily bureaucratic, and slow to respond to customer needs. Competitor banks were approving certain types of loans within three hours, while Sue's bank still took a week. Sue had just lost landing two big new loans because of the bank's slowness and bureaucratic procedures—and the loss of the salary bonus that landing a big loan would bring. But whenever she tried to discuss the situation with the bank's senior management, she was met with resistance and a lecture on the importance of the bank's "traditional values."

Most of Joe's afternoon was taken up by the annual MicroWatt budget planning meeting. Joe hated these meetings. The people from the finance department came in and arbitrarily cut everyone's figures by 30 percent, and then all the managers had to argue endlessly to try to get some of their new-project money reinstated. Joe had learned to work with a lot of people, some of whom he did not like very much, but these people from finance were the most arrogant and arbitrary number crunchers imaginable. He could not understand why the top brass did not see how much harm these people were doing to the engineering group's research and development efforts. Joe considered himself a reasonable guy, but the way these people acted made him feel like he had to draw the line and fight it out for as long as it took.

In the evening, Sue and Joe attended a meeting of their town's Conservation Commission, which, among other things, was charged with protecting the town's streams, wetlands, and nature preserves. Sue is a member of the Conservation Commission, and Sue and Joe both strongly believe in sound environmental protection and management. This evening's case involved a request by a real estate development firm to drain a swampy area and move a small creek into an underground pipe in order to build a new regional shopping mall. All projections showed that the new shopping mall would attract jobs and revenue to the area

and considerably increase the town's tax treasury. The new mall would keep more business in the community and discourage people from driving 15 miles to the current mall, but opponents—a coalition of local conservationists and businesspeople—were concerned that the new mall would significantly hurt the downtown business district and do major harm to the natural wetland and its wildlife. The debate raged for three hours, and finally, the commission agreed to continue the hearings the following week.

As Joe and Sue drove home from the council meeting, they discussed the things they had been involved in that day. Each privately reflected that life is kind of strange—sometimes things go very smoothly, and other times things seem much too complicated. As they went to sleep later, they each thought about how they might have approached certain situations differently during the day and were thankful they had a relationship where they could discuss things openly with each other. But they still didn't know what they were going to do about that vacation . . . or that motor scooter.

Characteristics of a Negotiation Situation

The Joe and Sue Carter story highlights the variety of situations that can be handled by negotiation. Any of us might encounter one or more of these situations over the course of a few days or weeks. As we defined earlier, *negotiation* is a process by which two or more parties attempt to resolve their opposing interests. Thus, as we will point out later in this chapter, negotiation is one of several mechanisms by which people can resolve conflicts. Negotiation situations have fundamentally the same characteristics, whether they are peace negotiations between countries at war, business negotiations between buyer and seller or labor and management, or an angry guest trying to figure out how to get a hot shower before a critical interview. Those who have written extensively about negotiation argue that there are several characteristics common to all negotiation situations:³

1. There are two or more parties—that is, two or more individuals, groups, or organizations. Although people can “negotiate” with themselves—as when someone debates in her head whether to spend a Saturday afternoon studying, playing tennis, or going to a football game—we consider negotiation as a process *between* individuals, within groups, and between groups.⁴ In the Carter story, Joe negotiates with his wife, the purchasing manager, and the auto salesman, and Sue negotiates with her husband, the senior management at the bank, and the Conservation Commission, among others. Both still face an upcoming negotiation with the children about the vacation . . . and that motor scooter.
2. There is a conflict of needs and desires between two or more parties—that is, what one wants is not necessarily what the other one wants—and the parties must search for a way to resolve the conflict. Joe and Sue face negotiations over vacations, management of their children, budgets, automobiles, company procedures, and community practices for issuing building permits and preserving natural resources, among others.
3. The parties negotiate by *choice*! That is, they negotiate because they think they can get a better deal by negotiating than by simply accepting what the other side will voluntarily give them or let them have. Negotiation is largely a voluntary process. We negotiate because we think we can improve our outcome or result, compared with

Sign in a New York Deli

BOX

1.1

“For those of you who need to haggle over the price of your sandwich, we will gladly raise the price so we can give you a discount!”

not negotiating or simply accepting what the other side offers. It is a strategy pursued by choice; seldom are we required to negotiate. But there are also times to negotiate and times not to negotiate. Our experience is that most individuals in Western culture *do not negotiate enough*—that is, we assume a price or situation is nonnegotiable and don’t even bother to ask or to make a counteroffer!

4. When we negotiate, we expect a “give-and-take” process that is fundamental to our understanding of the word *negotiation*. We expect that both sides will modify or move away from their opening statements, requests, or demands. Although both parties may at first argue strenuously for what they want—each pushing the other side to move first—ultimately both sides will modify their opening position in order to reach an agreement. This movement may be toward the “middle” of their positions, called a compromise. However, truly creative negotiations may not require compromise; instead, the parties may invent a solution that meets the objectives of *all* parties. Of course, if the parties do NOT consider it a negotiation, then they don’t necessarily expect to modify their position and engage in this give-and-take (see Box 1.1).
5. The parties prefer to negotiate and search for agreement rather than to fight openly, have one side dominate and the other capitulate, permanently break off contact, or take their dispute to a higher authority to resolve it. Negotiation occurs when the parties prefer to invent their own solution for resolving the conflict, when there is no fixed or established set of rules or procedures for how to resolve the conflict, or when they choose to bypass those rules. Organizations and systems invent policies and procedures for addressing and managing those procedures. Libraries have a policy for what they should charge if a rental is kept too long. Normally, people just pay the fine. They might be able to negotiate a fee reduction, however, if they have a good excuse for why the equipment is being returned late. Similarly, attorneys negotiate or plea-bargain for their clients who would rather be assured of a negotiated settlement than take their chances with a judge and jury in the courtroom. Similarly, the courts may prefer to negotiate as well to clear the case off the docket, save money, and assure some payment of a fine, rather than risk having the defendant set free on some legal technicality. In the Carter story, Joe pursues negotiation, rather than letting his wife decide where to spend the vacation; pressures the salesman to reduce the price of the car, rather than paying the quoted price; and argues with the finance group about the impact of the budget cuts, rather than simply accepting them without question. Sue uses negotiation to try to change the bank’s loan review procedures, rather than accepting the status quo, and she works to change the shopping mall site plan to make both conservationists and businesses happy, rather than letting others decide it or watch it go to court. But what about that motor scooter . . . ?
6. Successful negotiation involves the management of *tangibles* (e.g., the price or the terms of agreement) and also the resolution of *intangibles*. Intangible factors are the

BOX

1.2

When the Urge to Win Overwhelms Rational Decision Making

There are times when the urge to win overwhelms logic. Authors Malhotra, Ku, and Murnighan offer the example of a takeover battle between Johnson & Johnson (J&J) and Boston Scientific to buy Guidant, a medical device maker. Even though Guidant was in the middle of recalling 23,000 pacemakers and telling another 27,000 patients who had pacemakers already implanted to “consult their doctors,” the bidding war between the two buyers lead to a final price of \$27.2 billion, \$1.8 billion more than J&J’s initial bid. After the recall, Guidant shares went from \$23 to \$17 a share. *Fortune* magazine later called the acquisition “arguably the second worst ever,” only surpassed by AOL’s infamous purchase of Time Warner.

What fuels these competitive dynamics that lead to bad decisions? The authors identify several key factors:

- *Rivalry.* When parties are intensely competitive with one another, they are willing to suspend rational decision making.
- *Time pressure.* An artificial deadline, or time pressures, such as those in an auction, can push people into quick (and often erroneous) decision making.
- *The spotlight.* If audiences are watching and evaluating the actor, he is more likely to stick to his guns and escalate his investment just to look strong and tough to the audience.
- *The presence of attorneys.* The authors indicate that attorneys, who are more oriented toward “winning” and “losing” in legal battles, may pressure their clients toward winning when options for settlement may clearly be present. This perspective may be complicated by the way the attorneys are paid for their services.

The authors offer several important suggestions to reduce or eliminate the negative impact of these competitive pressures, in order to make more sound and reasoned decisions.

Source: Deepak K. Malhotra, Gillian Ku, and J. Keith Murnighan, “When Winning Is Everything,” *Harvard Business Review* 86, no. 5, May 2008, pp. 78–86.

underlying psychological motivations that may directly or indirectly influence the parties during a negotiation. Some examples of intangibles are (a) the need to “win,” beat the other party, or avoid losing to the other party; (b) the need to look “good,” “competent,” or “tough” to the people you represent; (c) the need to defend an important principle or precedent in a negotiation; and (d) the need to appear “fair,” or “honorable” or to protect one’s reputation; or (e) the need to maintain a good relationship with the other party after the negotiation is over, primarily by maintaining trust and reducing uncertainty.⁵ Intangibles are often rooted in personal values and emotions. Intangible factors can have an enormous influence on negotiation processes and outcomes; it is almost impossible to ignore intangibles because they affect our judgment about what is fair, or right, or appropriate in the resolution of the tangibles. For example, Joe may not want to make Ed Laine angry about the purchasing problem because he needs Ed’s support in the upcoming budget negotiations, but Joe also doesn’t want to look weak to his department’s engineers, who expect him to support them. Thus, for Joe, the important intangibles are preserving his relationship with Ed Laine and looking strong and “tough” to his engineers.

Intangibles become a major problem in negotiation when negotiators fail to understand how they are affecting decision making or when they dominate negotiations on the tangibles. For example, see Box 1.2 about the problems that the urge to win can create for negotiators.

Perspective

BOX

1.3

In his book *Winning with Integrity*, the veteran sports agent Leigh Steinberg noted that contract negotiations between players and team owners are best approached as collaborations. Although the two sides may have goals that differ or even compete, he observed,

If it were not for the team owners, I would not have a profession. If they did not feel that they could operate at a profit, we would not have an industry. . . . We each have an interest in the success and health of the other. I need and want professional sports to survive and thrive. The various

leagues need a steady supply of quality players who are quality people. Each side has something to offer the other. Each side depends on the other.

“These are not showdowns,” Steinberg wrote. “In any industry in which repeat business is done with the same parties, there is always a balance between pushing the limit on any particular negotiation and making sure the other party—and your relationship with him—survives intact.”

Source: Leigh Steinberg, *Winning with Integrity* (New York: Random House, 1998), pp. 217–18.

Interdependence

One of the key characteristics of a negotiation situation is that the parties need each other in order to achieve their preferred objectives or outcomes. That is, either they *must* coordinate with each other to achieve their own objectives, or they *choose* to work together because the possible outcome is better than they can achieve by working on their own. When the parties depend on each other to achieve their own preferred outcome, they are *interdependent*.

Most relationships between parties may be characterized in one of three ways: independent, dependent, or interdependent. *Independent* parties are able to meet their own needs without the 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 that provider’s whims and idiosyncrasies. For example, if an employee is totally dependent on an employer for a job and salary, the employee will have to either do the job as instructed and accept the pay offered or go without that job. *Interdependent* parties, however, are characterized by interlocking goals—the parties need each other in order to accomplish their objectives and hence have the potential to influence each other. For instance, in a project management team, no single person could complete a complex project alone; the time limit is usually too short, and no individual has all the skills or knowledge to complete it. For the group to accomplish its goals, each person needs to rely on the other project team members to contribute their time, knowledge, and resources and to synchronize their efforts. Note that having interdependent goals does not mean that everyone wants or needs exactly the same thing. Different project team members may need different things, but they must work together for each to accomplish his or her goals. This mix of convergent and conflicting goals characterizes many interdependent relationships. (See Box 1.3 for a perspective on interdependence and the importance of intangibles from a famous agent who represents professional athletes in their negotiated contracts.)

Types of Interdependence Affect Outcomes

The interdependence of people's goals, and the *structure* of the situation in which they are going to negotiate, strongly shapes negotiation processes and outcomes. When the goals of two or more people are interconnected so that only one can achieve the goal—such as running a race in which there will be only one winner—this is a competitive situation, also known as a *zero-sum* or *distributive* situation, in which “individuals are so linked together that there is a negative correlation between their goal attainments.”⁶ Zero-sum, or distributive, situations are also present when parties are attempting to divide a limited or scarce resource, such as a pot of money. To the degree that one person achieves his or her goal, the other's goal attainment is blocked. In contrast, when parties' goals are linked so that one person's goal achievement helps others to achieve their goals, it is a *mutual-gains* situation, also known as a *non-zero-sum* or *integrative* situation, where there is a positive correlation between the goal attainments of both parties. If one person is a great music composer and the other is a great writer of lyrics, they can create a wonderful Broadway musical hit together. The music and words may be good separately but fantastic together. To the degree that one person achieves his or her goal, the other's goals are not necessarily blocked and may, in fact, be significantly enhanced. The strategy and tactics that accompany each type of situation are discussed further in the upcoming section Value Claiming and Value Creation and in Chapters 2 and 3.

Alternatives Shape Interdependence

We noted at the beginning of this section that parties choose to work together because the possible outcome is better than what may occur if they do not work together. Evaluating interdependence therefore also depends heavily on the desirability of *alternatives* to working together. Roger Fisher, William Ury, and Bruce Patton, in their popular book *Getting to Yes: Negotiating Agreement without Giving In*, stress that “whether you should or should not agree on something in a negotiation depends entirely upon the attractiveness to you of the best available alternative.”⁷ They call this alternative a BATNA (an acronym for *best alternative to a negotiated agreement*) and suggest that negotiators need to understand their own BATNA and the other party's BATNA. The value of a person's BATNA is always relative to the possible settlements available in the current negotiation. A BATNA may offer independence from, dependence on, or interdependence with someone else. A student who is a month away from college graduation and has only one job offer at a salary far lower than he hoped has the choice of accepting that job offer or unemployment; there is little chance that he is going to influence the company to pay him much more than its starting offer.⁸ A student who has two offers has a choice between two future interdependent relationships; not only does she have a choice, but she can probably use each job offer to attempt to improve the agreement by playing the employers off against each other (asking employer A to improve its offer over B, etc.). Remember that every possible interdependency has an alternative; negotiators can always say “no” and walk away, although the alternative might not be a very good one. We will further discuss the role and use of BATNAs in Chapters 2, 4, and 8.

Mutual Adjustment

When parties are interdependent, they have to find a way to resolve their differences. Both parties can influence the other's outcomes and decisions, and their own outcomes and decisions can be influenced by the other.⁹ This mutual adjustment continues throughout the

negotiation as both parties act to influence the other.¹⁰ It is important to recognize that negotiation is a process that transforms over time, and mutual adjustment is one of the key causes of the changes that occur during a negotiation.¹¹

Let us return to Sue Carter's job in the small community bank. Rather than continuing to have her loans be approved late, which means she loses the loans and doesn't qualify for bonus pay, Sue is thinking about leaving the small bank and taking a job with Intergalactic Bank in the next city. Her prospective manager, Max, thinks Sue is a desirable candidate for the position and is ready to offer her the job. Max and Sue are now attempting to establish Sue's salary. The job advertisement announced the salary as "competitive." After talking with her husband, Joe, and looking at statistics on bank loan officers' pay in the state, and considering her past experience as a loan officer, Sue identified a salary below which she will not work (\$70,000) and hopes she might get considerably more. But because Intergalactic Bank has lots of job applicants and is a very desirable employer in the area, Sue has decided not to state her minimally acceptable salary; she suspects that the bank will pay no more than necessary and that her minimum would be accepted quickly. Moreover, she knows that it would be difficult to raise the level if it should turn out that \$70,000 was considerably below what Max would pay. Sue has thought of stating her ideal salary (\$80,000), but she suspects that Max will view her as either too aggressive or rude for requesting that much. Max might refuse to hire her, or even if they agreed on salary, Max would have formed an impression of Sue as a person with an inflated sense of her own worth and capabilities.

Let's take a closer look at what is happening here. Sue is making her decision about an opening salary request based in part on what bank loan officers are paid in the area, but also very much on how she anticipates Max will react to her negotiating tactics. Sue recognizes that her actions will affect Max. Sue also recognizes that the way Max acts toward her in the future will be influenced by the way her actions affect him now. As a result, Sue is assessing the indirect impact of her behavior on herself. Further, she also knows that Max is probably alert to this and will look upon any statement by Sue as reflecting a preliminary position on salary rather than a final one. To counter this expected view, Sue will try to find some way to state a proposed salary that is higher than her minimum but lower than her "dream" salary offer. Sue is choosing among opening requests with a thought not only to how they will affect Max but also to how they will lead Max to act toward Sue. Further, if she really thought about it, Sue might imagine that Max believes she will act in this way and makes her decision on the basis of this belief.

The reader may wonder if people really pay attention to all these layers of nuance and complexity or plot in such detail about their negotiation with others. The answer is "NO"! First, because they don't think beyond step 1—deciding what they really want—and second, if they did, they would likely be frozen into inactivity while they tried to puzzle through all the possibilities. However, engaging in this level of thinking can help anticipate the possible ways negotiations might move as the parties move, in some form of mutual adjustment, toward agreement. The effective negotiator needs to understand how people will adjust and readjust, and how the negotiations might twist and turn, based on one's own moves, the others' responses, my own countermoves, etc.

It might seem that the best strategy for successful mutual adjustment to the other is grounded in the assumption that the more information one has about the other person, the better. There is the possibility, however, that too much knowledge only confuses.¹² For example, suppose Sue knows the average salary ranges for clerical, supervisory, and

managerial positions for banks in her state and region. Does all this information help Sue determine her actions, or does it only confuse things? In fact, even with all of this additional information, Sue may still not have reached a decision about what salary she should be paid, other than a minimum figure below which she will not go. This state of affairs is typical of many negotiations. Both parties have defined their outer limits for an acceptable settlement (how high or low they are willing to go), but within that range, neither has determined what the preferred number should be. Or they have thought only about a desired salary, but not a minimally acceptable one. The parties need to exchange information, attempt to influence each other, and problem solve. They must work toward a solution that takes into account each person's requirements and, hopefully, optimize the outcomes for both.¹³

Mutual Adjustment and Concession Making

Negotiations often begin with statements of opening positions. Each party states its most preferred settlement proposal, hoping that the other side will simply accept it, but not really believing that a simple "yes" will be forthcoming from the other side (remember our key definitional element of negotiation as the expectation of give-and-take). If the proposal isn't readily accepted by the other, negotiators begin to defend their own initial proposals and critique the others' proposals. Each party's rejoinder usually suggests alterations to the other party's proposal and perhaps also contains changes to his or her own position. When one party agrees to make a change in his or her position, a concession has been made.¹⁴ Concessions restrict the range of options within which a solution or agreement will be reached; when a party makes a concession, the *bargaining range* (the range of possible agreements between the two parties' minimally acceptable settlements) is further constrained. For instance, Sue would like to get a starting salary of \$80,000, but she scales her request down to \$75,000, thereby eliminating all possible salary options above \$75,000. Before making any concessions to a salary below \$75,000, Sue probably will want to see some willingness on the part of the bank to improve its salary offer.

Two Dilemmas in Mutual Adjustment

Deciding how to use concessions as signals to the other side and attempting to read the signals in the other's concessions are not easy tasks, especially when there is little trust between negotiators. Two of the dilemmas that all negotiators face, identified by Harold Kelley,¹⁵ help explain why this is the case. The first dilemma, the *dilemma of honesty*, concerns how much of the truth to tell the other party. (The ethical considerations of these dilemmas are discussed in Chapter 5.) On the one hand, telling the other party everything about your situation may give that person the opportunity to take advantage of you. On the other hand, not telling the other person anything about your needs and desires may lead to a stalemate. Just how much of the truth should you tell the other party? If Sue told Max that she would work for as little as \$70,000 but would like to start at \$80,000, it is quite possible that Max would hire her for \$70,000 and allocate the extra money that he might have paid her elsewhere in the budget.¹⁶ If, however, Sue did not tell Max any information about her salary aspirations, then Max would have a difficult time knowing Sue's aspirations and what she would consider an attractive offer. He might make an offer based on

The Importance of Aligning Perceptions

BOX

1.4

Having information about your negotiation partner's perceptions is an important element of negotiation success. When your expectations of a negotiated outcome are based on faulty information, it is likely that the other party will not take you seriously. Take, for example, the following story told to one of the authors:

At the end of a job interview, the recruiter asked the enthusiastic MBA student, "And what starting salary were you looking for?"

The MBA candidate replied, "I would like to start in the neighborhood of \$150,000 per year, depending on your benefits package."

The recruiter said, "Well, what would you say to a package of five weeks' vacation, 14 paid holidays, full medical and dental coverage, company matching retirement fund up to 50 percent of your salary, and a new company car leased for your use every two years . . . say, a red Porsche?"

The MBA sat up straight and said, "Wow! Are you kidding?"

"Of course," said the recruiter. "But you started it."

the salary of the last person he hired, or claim "bank policy" for hiring at her experience level, and wait for her reaction to determine what to say next.

Kelley's second dilemma is the *dilemma of trust*: How much should negotiators believe what the other party tells them? If you believe everything the other party says, then he or she could take advantage of you. If you believe nothing that the other party says, then you will have a great deal of difficulty in reaching an agreement. How much you should trust the other party depends on many factors, including the reputation of the other party, how he or she treated you in the past, and a clear understanding of the pressures on the other in the present circumstances. If Max told Sue that \$65,000 was the maximum he was allowed to pay her for the job without seeking approval "from the Intergalactic corporate office," should Sue believe him or not? As you can see, sharing and clarifying information is not as easy as it first appears.

The search for an optimal solution through the processes of giving information and making concessions is greatly aided by trust and a belief that you're being treated honestly and fairly. Two efforts in negotiation help to create such trust and beliefs—one is based on perceptions of outcomes and the other on perceptions of the process. Outcome perceptions can be shaped by managing how the receiver views the proposed result. If Max convinces Sue that a lower salary for the job is relatively unimportant, given the high potential for promotion associated with the position and the very generous bonus policy, then Sue may feel more comfortable accepting a lower salary. Perceptions of the trustworthiness and credibility of the process can be enhanced by conveying images that signal fairness and reciprocity in proposals and concessions (see Box 1.4). When one party makes several proposals that are rejected by the other party and the other party offers no proposal, the first party may feel improperly treated and may break off negotiations. When people make a concession, they trust the other party and the process far more if a concession is returned. In fact, the belief that concessions will occur during negotiations appears to be almost universal. During training seminars, we have asked negotiators from more than 50 countries if they expect give-and-take to occur during negotiations in their culture; all have said they do. This pattern of give-and-take is not just a characteristic of negotiation; it is also essential to joint problem solving in most interdependent relationships.¹⁷

Satisfaction with a negotiation is as much determined by the process through which an agreement is reached as with the actual outcome obtained. To eliminate or even deliberately attempt to reduce this give-and-take—as some legal and labor-management negotiating strategies have attempted¹⁸—is to short-circuit the process, and it may destroy both the basis for trust and any possibility of achieving a mutually satisfactory result.

Value Claiming and Value Creation

Earlier, we identified two types of interdependent situations—zero-sum and non-zero-sum. Zero-sum, or *distributive*, situations are ones in which there can be only one winner or where the parties are attempting to get the larger share or piece of a fixed resource, such as an amount of raw material, money, time, and the like. In contrast, non-zero-sum, or *integrative* or *mutual gains*, situations are ones in which many people can achieve their goals and objectives.

The structure of the interdependence shapes the strategies and tactics that negotiators employ. In distributive situations, negotiators are motivated to win the competition and beat the other party or to gain the largest piece of the fixed resource that they can. To achieve these objectives, negotiators usually employ win-lose strategies and tactics. This approach to negotiation—called *distributive bargaining*—accepts the fact that there can only be one winner given the situation and pursues a course of action to be that winner. The purpose of the negotiation is to *claim value*—that is, to do whatever is necessary to claim the reward, gain the lion's share of the prize, or gain the largest piece possible.¹⁹ An example of this type of negotiation is purchasing a used car or buying a used refrigerator at a yard sale. We fully explore the strategy and tactics of distributive bargaining, or processes of claiming value, in Chapter 2 and some of the less ethical tactics that can accompany this process in Chapter 5.

In contrast, in integrative situations the negotiators should employ win-win strategies and tactics. This approach to negotiation—called *integrative negotiation*—attempts to find solutions so both parties can do well and achieve their goals. The purpose of the negotiation is to create value—that is, to find a way for all parties to meet their objectives, either by identifying more resources or finding unique ways to share and coordinate the use of existing resources. An example of this type of negotiation might be planning a wedding so that the bride, groom, and both families are happy and satisfied and the guests have a wonderful time. We fully explore the strategy and tactics of integrative, value-creating negotiations in Chapter 3.

It would be simple and elegant if we could classify all negotiation problems into one of these two types and indicate which strategy and tactics are appropriate for each problem. Unfortunately, *most actual negotiations are a combination of claiming and creating value processes*. The implications for this are significant:

1. *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. Generally, distributive bargaining is most appropriate when time and resources are limited, when the other is likely to be competitive, and when there is no likelihood of future interaction with the other party. Most other situations should be approached with an integrative strategy.

2. *Negotiators must be versatile in their comfort with, and use of, both major strategic approaches.* Not only must negotiators be able to recognize which strategy is most appropriate, but they must be able to employ both approaches with equal versatility. There is no single “best,” “preferred,” or “right” way to negotiate; the choice of negotiation strategy requires adaptation to the situation, as we will explain more fully in the next section on conflict. Moreover, if most negotiation issues or problems have components of both claiming and creating values, then negotiators must be able to use both approaches in the same deliberation.
3. *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. Unfortunately, most negotiators do not accurately perceive these situations. People bring baggage with them to a negotiation: past experience, personality, moods, assumptions about the other party, and beliefs about how to negotiate. These elements dramatically shape how people perceive an interdependent situation, and these perceptions have a strong effect on the subsequent negotiation. Moreover, research has shown that people are prone to several systematic biases in the way they perceive and judge interdependent situations.²⁰ While we discuss these biases extensively in Chapter 6, the important point here is that the predominant bias is seeing interdependent situations as more distributive or competitive than they really are. As a result, there is a tendency to assume a negotiation problem is more zero-sum than it may be and to *overuse* distributive strategies for solving the problem. As a consequence, negotiators often leave unclaimed value at the end of their negotiations because they failed to recognize opportunities for creating value.

The tendency for negotiators to see the world as more competitive and distributive than it is, and to underuse integrative, creating-value processes, suggests that many negotiations yield suboptimal outcomes. This does not need to be the case. At the most fundamental level, successful coordination of interdependence has the potential to lead to synergy, which is the notion that the whole is greater than the sum of its parts. There are numerous examples of synergy. In the business world, many research and development joint ventures are designed to bring together experts from different industries, disciplines, or problem orientations to maximize their innovative potential beyond what each company can do individually. Examples abound of new technologies in the areas of medicine, communication, computing, and the like. The fiber-optic cable industry was pioneered by research specialists from the glass industry and specialists in the manufacturing of electrical wire and cable—industry groups that had little previous conversation or contact. A vast amount of new medical instrumentation and technology has been pioneered in partnerships between biologists and engineers. In these situations, interdependence was created between two or more of the parties, and the creators of these enterprises, who successfully applied the negotiation skills discussed throughout this book, enhanced the potential for successful value creation.

Value may be created in numerous ways, and the heart of the process lies in exploiting the differences between the negotiators.²¹ The key differences among negotiators include these:

1. *Differences in interests.* Negotiators seldom value all items in a negotiation equally. For instance, in discussing a compensation package, a company may be more willing to concede on the amount of a signing bonus than on salary because the bonus occurs

only in the first year, while salary is a permanent expense. An advertising company may be quite willing to bend on creative control of a design, but very protective of control over advertising placement. Finding compatibility in different interests is often the key to unlocking the puzzle of value creation.

2. *Differences in judgments about the future.* People differ in their evaluation of what something is worth or the future value of an item. For instance, is that piece of swamp land a valuable wetland to preserve, a bug-infested flood control problem near a housing development, or a swamp that needs to be drained to build a shopping center? How parties see the present and what is possible that needs to be created—or avoided—can create opportunities for the parties to get together.
3. *Differences in risk tolerance.* People differ in the amount of risk they are comfortable assuming. A young, single-income family with three children can probably sustain less risk than a mature, dual-income couple near retirement. A company with a cash flow problem can assume less risk of expanding its operations than one that is cash-rich.
4. *Differences in time preference.* Negotiators frequently differ in how time affects them. One negotiator may want to realize gains now, while the other may be happy to defer gains into the future; one needs a quick settlement, while the other has no need for any change in the status quo. Differences in time preferences have the potential to create value in a negotiation. For instance, a car salesman may want to close a deal by the end of the month in order to be eligible for a special company bonus, while the potential buyer intends to trade his car “sometime in the next six months.”

In summary, while value is often created by exploiting common interests, differences can also serve as the basis for creating value. The heart of negotiation is exploring both common and different interests to create this value and employing such interests as the foundation for a strong and lasting agreement. Differences can be seen as insurmountable, however, and in that case serve as barriers to reaching agreement. As a result, negotiators must also learn to manage conflict effectively in order to manage their differences while searching for ways to maximize their joint value. Managing conflict is the focus of the next section.

Conflict

As we have been discussing, a potential consequence of interdependent relationships is conflict. Conflict can result from the strongly divergent needs of the two parties or from misperceptions and misunderstandings. Conflict can occur when the two parties are working toward the same goal and generally want the same outcome or when both parties want very different outcomes. Regardless of the cause of the *conflict*, negotiation can play an important role in resolving it effectively. In this section, we will define conflict, discuss the different levels of conflict that can occur, review the functions and dysfunctions of conflict, and discuss strategies for managing conflict effectively.

Definitions

Conflict may be defined as a “sharp disagreement or opposition, as of interests, ideas, etc.,” and includes “the perceived divergence of interest, or a belief that the parties’ current aspirations cannot be achieved simultaneously.”²² Conflict results from “the interaction of

interdependent people who perceived incompatible goals and interference from each other in achieving those goals.”²³

Levels of Conflict

One way to understand conflict is to distinguish it by level. Four levels of conflict are commonly identified:

1. *Intrapersonal or intrapsychic conflict.* These conflicts occur within an individual. Sources of conflict can include ideas, thoughts, emotions, values, predispositions, or drives that are in conflict with each other. We want an ice cream cone badly, but we know that ice cream is very fattening. We are angry at our boss, but we’re afraid to express that anger because the boss might fire us for being insubordinate. The dynamics of intrapsychic conflict are traditionally studied by various subfields of psychology: cognitive psychologists, personality theorists, clinical psychologists, and psychiatrists.²⁴ Although we will occasionally delve into the internal psychological dynamics of negotiators (e.g., in Chapter 6), this book generally doesn’t address intrapersonal conflict.
2. *Interpersonal conflict.* A second major level of conflict is between individuals. Interpersonal conflict occurs between co-workers, spouses, siblings, roommates, or neighbors. Most of the negotiation theory in this book is drawn from studies of interpersonal negotiation and directly addresses the management and resolution of interpersonal conflict.
3. *Intragroup conflict.* A third major level of conflict is within a group—among team and work group members and within families, classes, living units, and tribes. At the intra-group level, we analyze conflict as it affects the ability of the group to make decisions, work productively, resolve its differences, and continue to achieve its goals effectively. Within-group negotiations, in various forms, are discussed in Chapter 10.
4. *Intergroup conflict.* The final level of conflict is intergroup—between organizations, ethnic groups, warring nations, or feuding families or within splintered, fragmented communities. At this level, conflict is quite intricate because of the large number of people involved and the multitudinous ways they can interact with each other. Negotiations at this level are also the most complex.

Functions and Dysfunctions of Conflict

Most people initially believe that conflict is bad or dysfunctional. This belief has two aspects: first, that conflict is an indication that something is wrong, broken, or dysfunctional and, second, that conflict creates largely destructive consequences. Deutsch and others²⁵ have elaborated on many of the elements that contribute to conflict’s destructive image:

1. *Competitive, win-lose goals.* Parties compete against each other because they believe that their interdependence is such that goals are in opposition and both cannot simultaneously achieve their objectives.²⁶ Competitive goals lead to competitive processes to obtain those goals.
2. *Misperception and bias.* As conflict intensifies, perceptions become distorted. People come to view things consistently with their own perspective of the conflict.

Hence, they tend to interpret people and events as being either with them or against them. In addition, thinking tends to become stereotypical and biased—parties endorse people and events that support their position and reject outright those who oppose them.

3. *Emotionality.* Conflicts tend to become emotionally charged as the parties become anxious, irritated, annoyed, angry, or frustrated. Emotions overwhelm clear thinking, and the parties may become increasingly irrational as the conflict escalates.
4. *Decreased communication.* Productive communication declines with conflict. Parties communicate less with those who disagree with them and more with those who agree. The communication that does occur is often an attempt to defeat, demean, or debunk the other's view or to strengthen one's own prior arguments.
5. *Blurred issues.* The central issues in the dispute become blurred and less well defined. Generalizations abound. The conflict becomes a vortex that sucks in unrelated issues and innocent bystanders. The parties become less clear about how the dispute started, what it is “really about,” or what it will take to solve it.
6. *Rigid commitments.* The parties become locked into positions. As the other side challenges them, parties become more committed to their points of view and less willing to back down from them for fear of losing face and looking foolish. Thinking processes become rigid, and the parties tend to see issues as simple and “either/or” rather than as complex and multidimensional (refer back to our example of the deadlocked government negotiation in the introduction to this chapter).
7. *Magnified differences, minimized similarities.* As parties lock into commitments and issues become blurred, they tend to see each other—and each other's positions—as polar opposites. Factors that separate them from each other become highlighted and emphasized, while similarities that they share become oversimplified and minimized. This distortion leads the parties to believe they are further apart from each other than they really may be; hence, they may work less hard to find common ground.
8. *Escalation of the conflict.* As the conflict progresses, each side becomes more entrenched in its own view, less tolerant and accepting of the other, more defensive and less communicative, and more emotional. The net result is that both parties attempt to win by increasing their commitment to their position, increasing the resources they are willing to spend to win, and increasing their tenacity in holding their ground under pressure. Both sides believe that by adding more pressure (resources, commitment, enthusiasm, energy, etc.) they can force the other to capitulate and admit defeat. As most destructive conflicts reveal, however, nothing could be further from the truth. Escalation of the conflict level and commitment to winning can increase so high that the parties will destroy their ability to resolve the conflict or ever be able to deal with each other again.

These are the processes that are commonly associated with escalating, polarized, “intractable” conflict. However, conflict also has many *productive* aspects.²⁷ Figure 1.1 outlines some of these productive aspects. From this perspective, conflict is not simply destructive or productive, it is both. The objective is not to eliminate conflict but to learn how to manage

FIGURE 1.1 | Functions and Benefits of Conflict

- Discussing conflict makes organizational members more aware and able to cope with problems. Knowing that others are frustrated and want change creates incentives to try to solve the underlying problem.
- Conflict promises organizational change and adaptation. Procedures, assignments, budget allocations, and other organizational practices are challenged. Conflict draws attention to those issues that may interfere with and frustrate employees.
- Conflict strengthens relationships and heightens morale. Employees realize that their relationships are strong enough to withstand the test of conflict; they need not avoid frustrations and problems. They can release their tensions through discussion and problem solving.
- Conflict promotes awareness of self and others. Through conflict, people learn what makes them angry, frustrated, and frightened and also what is important to them. Knowing what we are willing to fight for tells us a lot about ourselves. Knowing what makes our colleagues unhappy helps us to understand them.
- Conflict enhances personal development. Managers find out how their style affects their subordinates through conflict. Workers learn what technical and interpersonal skills they need to upgrade themselves.
- Conflict encourages psychological development—it helps people become more accurate and realistic in their self-appraisals. Through conflict, people take others’ perspectives and become less egocentric. Conflict helps people believe they are powerful and capable of controlling their own lives. They do not simply need to endure hostility and frustration but can act to improve their lives.
- Conflict can be stimulating and fun. People feel aroused, involved, and alive in conflict, and it can be a welcome break from an easygoing pace. It invites employees to take another look and to appreciate the intricacies of their relationships.

Source: Tjosvold, Dean. Working Together to Get Things Done: Managing for Organizational Productivity, Lanham, MD: Lexington Books, 1986.

it to control the destructive elements while enjoying the productive aspects. *Negotiation is a strategy for productively managing conflict.*

Factors That Make Conflict Easy or Difficult to Manage

Figure 1.2 presents a conflict diagnostic model. This model offers some useful dimensions for analyzing any dispute and determining how easy or difficult it will be to resolve. Conflicts with more of the characteristics in the “difficult to resolve” column will be harder to settle, while those that have more characteristics in the “easy to resolve” column will be settled quicker.

Effective Conflict Management

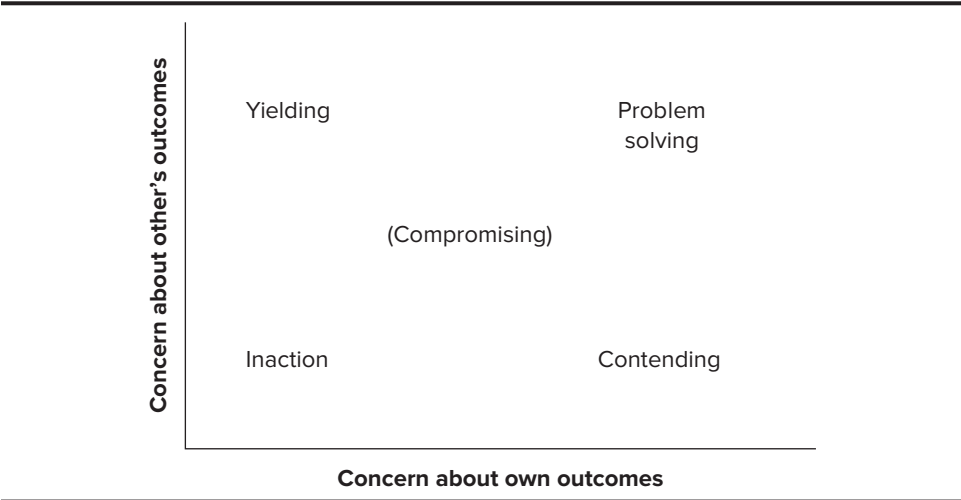
Many frameworks for managing conflict have been suggested, and inventories have been constructed to measure negotiator tendencies to use these approaches. Each approach begins with a similar two-dimensional framework and then applies different labels and descriptions to five key points. We will describe these points using the framework proposed by Dean Pruitt, Jeffrey Rubin, and S. H. Kim.²⁸

FIGURE 1.2 | Conflict Diagnostic Model

Dimension	Viewpoint Continuum	
	Difficult to Resolve	Easy to Resolve
Issue in question	Matter of "principle"—values, ethics, or precedent a key part of the issue	Divisible issue—issue can be easily divided into small parts, pieces, units
Size of stakes—magnitude of what can be won or lost	Large—big consequences	Small—little, insignificant consequences
Interdependence of the parties—degree to which one's outcomes determine other's outcomes	Zero sum—what one wins, the other loses	Positive sum—both believe that <i>both</i> can do better than simply distributing current outcomes
Continuity of interaction—will they be working together in the future?	Single transaction—no past or future	Long-term relationship—expected interaction in the future
Structure of the parties—how cohesive, organized they are as a group	Disorganized—uncohesive, weak leadership	Organized—cohesive, strong leadership
Involvement of third parties—can others get involved to help resolve the dispute?	No neutral third party available	Trusted, powerful, prestigious third party available
Perceived progress of the conflict—balanced (equal gains and equal harm) or unbalanced (unequal gain, unequal harm)	Unbalanced—one party feels more harm and will want revenge and retribution whereas stronger party wants to maintain control	Balanced—both parties suffer equal harm and equal gain; both may be more willing to call it a "draw"

Source: Greenhalgh, Leonard. "Managing Conflict, Sloan." *Management Review* 27, no. 6 (1986): 45–51.

FIGURE 1.3 | The Dual Concerns Model



Source: Pruitt, Dean G. and Jeffrey Z. Rubin, Sung H. Kim. *Social Conflict: Escalation, Stalemate, and Settlement*. New York: The McGraw-Hill Companies, 1994.

The two-dimensional framework presented in Figure 1.3 is called the *dual concerns model*. The model postulates that people in conflict have two independent types of concern: concern about their own outcomes (shown on the horizontal dimension of the figure) and concern about the other's outcomes (shown on the vertical dimension of the figure). These concerns can be represented at any point from none (representing very low concern) to high (representing very high concern). The vertical dimension is often referred to as the cooperativeness dimension and the horizontal dimension as the assertiveness dimension. The stronger their concern for their own outcomes, the more likely people will be to pursue strategies located on the right side of the figure, whereas the weaker their concern for their own outcomes, the more likely they will be to pursue strategies located on the left side of the figure. Similarly, the stronger their concern for permitting, encouraging, or even helping the other party achieve his or her outcomes, the more likely people will be to pursue strategies located at the top of the figure, while the weaker their concern for the other party's outcomes, the more likely they will be to pursue strategies located at the bottom of the figure.

Although we can theoretically identify an almost infinite number of points within the two-dimensional space based on the level of concern for pursuing one's own and the other's outcomes, five major strategies for conflict management have been commonly identified in the dual concerns model:

1. *Contending* (also called competing or dominating) is the strategy in the lower right-hand corner. Actors pursuing the contending strategy pursue their own outcomes strongly and show little concern for whether the other party obtains his or her desired outcomes. As Pruitt and Rubin state, "[P]arties who employ this strategy maintain their own aspirations and try to persuade the other party to yield."²⁹ Threats, punishment, intimidation, and unilateral action are consistent with a contending approach.

2. *Yielding* (also called accommodating or obliging) is the strategy in the upper left-hand corner. Actors pursuing the yielding strategy show little interest or concern in whether they attain their own outcomes, but they are quite interested in whether the other party attains his or her outcomes. Yielding involves lowering one's own aspirations to "let the other win" and gain what he or she wants. Yielding may seem like a strange strategy to some, but it has its definite advantages in some situations.
3. *Inaction* (also called avoiding) is the strategy in the lower left-hand corner. Actors pursuing the inaction strategy show little interest in whether they attain their own outcomes, as well as little concern about whether the other party obtains his or her outcomes. Inaction is often synonymous with withdrawal or passivity; the party prefers to retreat, be silent, or do nothing.
4. *Problem solving* (also called collaborating or integrating) is the strategy in the upper right-hand corner. Actors pursuing the problem-solving strategy show high concern for attaining their own outcomes and high concern for whether the other party attains his or her outcomes. In problem solving, the two parties actively pursue approaches to maximize their joint outcome from the conflict.
5. *Compromising* is the strategy located in the middle of Figure 1.3. As a conflict management strategy, it represents a moderate effort to pursue one's own outcomes and a moderate effort to help the other party achieve his or her outcomes. Pruitt and Rubin do not identify compromising as a viable strategy; they see it "as arising from one of two sources—either lazy problem solving involving a half-hearted attempt to satisfy the two parties' interests, or simple yielding by both parties."³⁰ However, because many other scholars who use versions of this model (see endnote 26) believe that compromising represents a valid strategic approach to conflict, rather than as laziness or a cop-out, we have inserted it in Pruitt, Rubin, and Kim's framework in Figure 1.3.

Much of the early writing about conflict management strategies—particularly the work in the 1960s and 1970s—had a strong normative value bias against conflict and toward cooperation.³¹ Although these models suggested the viability of all five strategic approaches to managing conflict, problem solving was identified as the distinctly preferred approach. Those writings stressed the virtues of problem solving, advocated using it, and described how it could be pursued in almost any conflict. However, more recent writing, although still strongly committed to problem solving, has been careful to stress that each conflict management strategy has its own distinct advantages and disadvantages and can be more or less appropriate to use, given the type of interdependence and conflict context (see Figure 1.4).

Overview of the Chapters in This Book

The book is organized into 12 chapters. The first five chapters address the "fundamentals of negotiation." In addition to this first overview chapter, Chapters 2 and 3 explore the basic strategy and tactics of distributive bargaining and integrative negotiation. Chapter 4 explores how parties can plan and prepare a negotiation strategy and effectively anticipate their encounter with the other negotiator. Finally, in Chapter 5, we discuss whether there are, or should be, accepted ethical standards to guide negotiations. We identify the major ethical

FIGURE 1.4 | Styles of Handling Interpersonal Conflict and Situations Where They Are Appropriate or Inappropriate

Conflict Style	Situations Where Appropriate	Situations Where Inappropriate
Integrating	<ol style="list-style-type: none"> 1. Issues are complex. 2. Synthesis of ideas is needed to come up with better solutions. 3. Commitment is needed from other parties for successful implementation. 4. Time is available for problem solving. 5. One party alone cannot solve the problem. 6. Resources possessed by different parties are needed to solve their common problems. 	<ol style="list-style-type: none"> 1. Task or problem is simple. 2. Immediate decision is required. 3. Other parties are unconcerned about outcome. 4. Other parties do not have problem-solving skills.
Obliging	<ol style="list-style-type: none"> 1. You believe you may be wrong. 2. Issue is more important to the other party. 3. You are willing to give up something in exchange for something from the other party in the future. 4. You are dealing from a position of weakness. 5. Preserving relationship is important. 	<ol style="list-style-type: none"> 1. Issue is important to you. 2. You believe you are right. 3. The other party is wrong or unethical.
Dominating	<ol style="list-style-type: none"> 1. Issue is trivial. 2. Speedy decision is needed. 3. Unpopular course of action is implemented. 4. Necessary to overcome assertive subordinates. 5. Unfavorable decision by the other party may be costly to you. 6. Subordinates lack expertise to make technical decisions. 7. Issue is important to you. 	<ol style="list-style-type: none"> 1. Issue is complex. 2. Issue is not important to you. 3. Both parties are equally powerful. 4. Decision does not have to be made quickly. 5. Subordinates possess high degree of competence.
Avoiding	<ol style="list-style-type: none"> 1. Issue is trivial. 2. Potential dysfunctional effect of confronting the other party outweighs benefits of resolution. 3. Cooling off period is needed. 	<ol style="list-style-type: none"> 1. Issue is important to you. 2. It is your responsibility to make decision. 3. Parties are unwilling to defer; issue must be resolved. 4. Prompt attention is needed.
Compromising	<ol style="list-style-type: none"> 1. Goals of parties are mutually exclusive. 2. Parties are equally powerful. 3. Consensus cannot be reached. 4. Integrating or dominating style is not successful. 5. Temporary solution to a complex problem is needed. 	<ol style="list-style-type: none"> 1. One party is more powerful. 2. Problem is complex enough to need a problem-solving approach.

Source: M. Afzalur Rahim, Rahim Organizational Conflict Inventories: Professional Manual. CA: Consulting Press Psychologists, 1990.

issues raised in negotiation, describe the ways negotiators tend to think about those choices, and provide a framework for making informed ethical decisions.

The next three chapters explore critical negotiation subprocesses. In Chapter 6, we discuss how a negotiator's perceptions, cognitions, and emotions tend to shape (and often bias) the way the negotiator views and interprets bargaining interaction. Chapter 7 examines the processes by which negotiators effectively communicate their own interests, positions, and goals, and make sense of the other party's communications. Chapter 8 focuses on power in negotiation; the chapter begins by defining the nature of power and discussing some of the dynamics of using it in negotiation, followed by an exploration of the key sources of power available to most negotiators.

Much of our discussion thus far assumes that the negotiation parties do not have all established long-term relationship. Chapter 9 looks at ways that established relationships impact current negotiations and considers three major concerns—reputations, trust, and fairness—that are particularly critical to effective negotiations within a relationship. In Chapter 10, we examine how negotiations change when there are multiple parties at the table—such as negotiating within groups and teams—who are attempting to achieve a collective agreement or group consensus. In Chapter 11, we examine how different languages and national culture changes the “ground rules” of negotiation. This chapter discusses some of the factors that make international negotiation different and how national culture affects the rhythm and flow of negotiation.

Finally, in Chapter 12, we reflect on negotiation at a broad level. We look back at the broad perspective we have provided, and suggest 10 “best practices” for those who wish to continue to improve their negotiation skills.

Endnotes

¹ Pruitt, 1981, p. xi.

² E.g., Hochberg and Kressel, 1996; Oliver, Balakrishnan, and Barry, 1994; Olekalns, Smith, and Walsh, 1996; Weiss, 1997.

³ Lewicki, 1992; Rubin and Brown, 1975.

⁴ See Bazerman, Tenbrunsel, and Wade-Benzoni (1998) on the challenges of negotiating with yourself.

⁵ Saorin-Iborra, 2006.

⁶ Deutsch, 1962, p. 276.

⁷ Fisher, Ury, and Patton, 1991.

⁸ But as we will extensively note in Chapter 2, at this point, the student is only considering his own BATNA. He may not know that the employer believes the student absolutely fits this job description perfectly, hasn't found another candidate with the same qualifications, and might be willing to pay a lot more just to make sure the student doesn't say “no.”

⁹ Goffman, 1969; Pruitt and Rubin, 1986; Ritov, 1996.

¹⁰ Alexander, Schul, and Babakus, 1991; Donohue and Roberto, 1996; Eyuboglu and Buja, 1993; Pinkley and Northcraft, 1994.

¹¹ Gray, 1994; Kolb, 1985; Kolb and Putnam, 1997.

¹² Beisecker, Walker, and Bart, 1989.

¹³ Fisher, Ury, and Patton, 1991; Follett, 1940; Nash, 1950; Sebenius, 1992; Sen, 1970; Walton and McKersie, 1965.

¹⁴ Pruitt, 1981.

¹⁵ Kelley, 1966.

¹⁶ We are not suggesting that Max should do this; rather, because the long-term relationship is important in this situation, Max should ensure that both parties' needs are met (see Chapter 3 for an expanded discussion of this point).

- ¹⁷ Kimmel, Pruitt, Magenau, Konar-Goldband, and Carnevale, 1980; Putnam and Jones, 1982; Weingart, Thompson, Bazerman, and Carroll, 1990.

¹⁸ Raiffa, 1982; Selekman, Fuller, Kennedy, and Baitzel, 1964.

¹⁹ Lax and Sebenius, 1986.

²⁰ Bazerman, Magliozzi, and Neale, 1985; Neale and Bazerman, 1985; Neale and Northcraft, 1991; Pinkley, 1992; Thompson, 1990b.

²¹ Lax and Sebenius, 1986.

²² Both from Pruitt and Rubin, 1986, p. 4.

²³ Hocker and Wilmot, 1985, p. 12.

²⁴ Bazerman, Tenbrunsel, and Wade-Benzoni, 1998.

²⁵ Deutsch, 1973; Folger, Poole, and Stutman, 1993; Hocker and Wilmot, 1985.

²⁶ As mentioned earlier, however, the goals may not actually be in opposition, and the parties need not compete. Perception is more determinant than reality.

²⁷ Coser, 1956; Deutsch, 1973.

²⁸ Pruitt, Rubin, and Kim, 1994.

²⁹ Pruitt and Rubin, 1986.

³⁰ Ibid., p. 29.

³¹ Lewicki, Weiss, and Lewin, 1992.

2

CHAPTER



Strategy and Tactics of Distributive Bargaining

Objectives

1. Understand the basic elements of distributive bargaining including the strategy and tactics of distributive bargaining.
2. Consider the strategic impact of positions taken during a negotiation and the role of concessions.
3. Appreciate the role of concessions in distributive bargaining.
4. Identify hardball tactics and learn how to counter them.

Eighteen months ago, Jackson decided to move closer to where he works. Following this decision to move, he put his condo on the market and started to look for a new one—but with no results. Fourteen months later, Jackson finally received an offer to buy his condo and, after a brief negotiation, settled on the selling price. Because he had not yet found a condo to buy, he postponed closing the sale for six months to give himself additional time to look. The buyer, Wei, was not happy about having to wait that long because of the inconvenience and the difficulty of getting a bank to guarantee an interest rate for a loan so far in advance. Jackson adjusted the price so Wei would accept this postponement, but it was clear that she would be much happier if he could move the closing date earlier.

There were relatively few condos on the market in the area where Jackson wanted to live, and none of them was satisfactory. He jokingly said that unless something new came on the market, he would be sleeping in a tent on the town common when the leaves turned in the fall. Two months later, a condo came on the market that met his requirements. The seller, Sofia, set the asking price at \$145,000, which was \$10,000 above what Jackson hoped to pay but \$5,000 below the most he would be willing to pay. Jackson knew that the more he paid for the condo, the less he would have to make some very desirable alterations, buy draperies and some new furniture, and hire a moving company.

This illustration provides the basic elements of a *distributive bargaining situation*. It is also called competitive or win-lose bargaining. In distributive bargaining, the goals of one party are usually in fundamental and direct conflict with the goals of the other party. Resources are fixed and limited, and both parties want to maximize their share. As a result,

each party will use strategies and tactics to maximize his or her share of the outcomes. One important strategy is to guard information carefully—negotiators give information to the other party only when it provides a strategic advantage. Meanwhile, it is highly desirable to get information from the other party to improve negotiation power. Distributive bargaining is basically a competition over who is going to get the most of a limited resource, which is often money. Whether or not one or both parties achieve their objectives will depend on the strategies and tactics they employ.

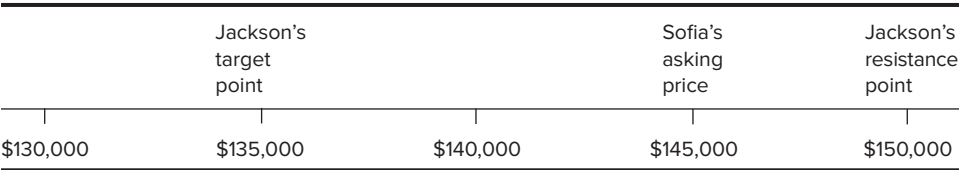
There are three reasons why every negotiator should understand distributive bargaining. First, negotiators face some interdependent situations that are distributive, and to do well in those situations, they need to understand how they work. Second, because many people use distributive bargaining strategies and tactics almost exclusively, all negotiators need to understand how to counter their effects. Third, every negotiation situation has the potential to require distributive bargaining skills when at the “claiming-value” stage.¹ Integrative negotiation focuses on ways to create value but also includes a claiming stage, where the value created is distributed. (Integrative negotiation is discussed extensively in Chapter 3.) Understanding distributive strategies and tactics is important and useful, but negotiators need to recognize that these tactics can also be counterproductive and costly, and may not work. Often they cause the negotiating parties to focus so much on their differences that they ignore what they have in common.² These negative effects notwithstanding, distributive bargaining strategies and tactics are quite useful when negotiators want to maximize the value obtained in a single deal, when the relationship with the other party is not important, and when they are at the claiming-value stage of negotiations.

The discussion of strategies and tactics in this chapter is intended to help negotiators understand the dynamics of distributive bargaining and thereby obtain a better deal. A thorough understanding of these concepts will also allow negotiators who are not comfortable with distributive bargaining to manage distributive situations proactively. Finally, an understanding of these strategies and tactics will help negotiators at the claiming-value stage of any negotiation.

The Distributive Bargaining Situation

To describe how the distributive bargaining process works, we return to our opening example of Jackson’s condo purchase. Several prices were mentioned: (1) Sofia’s asking price, (2) the price Jackson would like to pay for a condo, and (3) the price above which Jackson would not buy Sofia’s condo. These prices represent key points in the analysis of any distributive bargaining situation. Jackson’s preferred price is the *target point*, the point at which a negotiator would like to conclude negotiations—his optimal goal. The target is also sometimes referred to as a negotiator’s *aspiration*. The price beyond which Jackson will not go is the *resistance point*, a negotiator’s bottom line—the most he will pay as a buyer (for a seller, it’s the smallest amount she will settle for). It is also sometimes referred to as a *reservation price*. Finally, the *asking price* is the initial price set by the seller; Jackson might decide to counter Sofia’s asking price with his *initial offer*—the first number he will quote to the seller. Using the condo purchase as an example, we can treat the range of possible prices as a continuum (see Figure 2.1).

FIGURE 2.1 | The Buyer's View of the Condo Negotiation



How does Jackson decide on his initial offer? There are many ways to answer this question. Fundamentally, however, to make a good initial offer, Jackson must understand something about the process of negotiation. In Chapter 1, we discussed how people expect give-and-take when they negotiate, and Jackson needs to factor this into his initial offer. If Jackson opened the negotiation at his target point (\$135,000) and then had to make a concession, this first concession would have him moving away from his target point to a price closer to his resistance point. If he really wants to achieve his target, he should make an initial offer that is lower than his target point to create some room for making concessions. At the same time, the starting point cannot be too far from the target point. If Jackson makes the first offer too low (e.g., \$100,000), Sofia might break off negotiations, believing him to be unreasonable or foolish. Although judgments about how to determine first offers can often be quite complex and can have a dramatic influence on the course of negotiation, let us stay with the simple case for the moment and assume that Jackson decides to offer \$133,000 as a reasonable first offer—less than his target point and well below his resistance point. In the meantime, remember that although this illustration concerns only price, all other issues or agenda items for the negotiation have starting, target, and resistance points.

Parties to a negotiation should establish their starting, target, and resistance points before beginning negotiation. Starting points are often in the opening statements each party makes (e.g., the seller's listing price and the buyer's first offer). The target point is usually learned or inferred as negotiations get under way. People typically give up the margin between their starting points and target points as they make concessions. The resistance point, the point beyond which a person will not go and would rather break off negotiations, is not known to the other party and should be kept secret.³ One party may not learn the other's resistance point even after the end of a successful negotiation, and often one may underestimate how much the other party would have paid or accepted.⁴ After an unsuccessful negotiation, one party may infer that the other's resistance point was near the last offer the other was willing to consider before the negotiation ended.

Negotiators' starting and resistance points are usually arranged in reverse order, with the resistance point being a high price for the buyer and a low price for the seller. Continuing the illustration, Jackson is willing to pay up to \$150,000 for the condo Sofia listed at \$145,000. Jackson can speculate that Sofia may be willing to accept something less than \$145,000 and might well regard \$140,000 as a desirable figure. What Jackson does not know (but would dearly like to) is the lowest figure that Sofia would accept. Is it \$140,000? \$135,000? Jackson assumes it is \$130,000. Sofia, for her part, initially knows nothing about Jackson's position but soon learns his starting point when he offers \$133,000. Sofia may suspect that Jackson's target point is not too far away (in fact, it is

FIGURE 2.2 | The Buyer’s View of the Condo Negotiation (Extended)

Sofia’s resistance point (inferred)	Jackson’s initial offer (public)	Jackson’s target point (private)	Sofia’s target point (inferred)	Sofia’s asking price (public)	Jackson’s resistance point (private)
\$130,000	\$133,000	\$135,000	\$140,000	\$145,000	\$150,000

\$135,000, but Sofia doesn’t know this) but has no idea of his resistance point (\$150,000). This information—what Jackson knows or infers about Sofia’s positions—is represented in Figure 2.2.

The spread between the resistance points, called the *bargaining range*, *settlement range*, or *zone of potential agreement*, is particularly important. In this area, the actual bargaining takes place, because anything outside these points will be summarily rejected by one of the two negotiators. When the buyer’s resistance point is above the seller’s—he is minimally willing to pay more than she is minimally willing to sell for, as is true in the condo example—there is a *positive bargaining range*. When the reverse is true—the seller’s resistance point is above the buyer’s, and the buyer won’t pay more than the seller will minimally accept—there is a *negative bargaining range*. In the condo example, if Sofia would minimally accept \$145,000 and Jackson would maximally pay \$140,000, then a negative bargaining range would exist. Negotiations that begin with a negative bargaining range are likely to stalemate. They can be resolved only if one or both parties are persuaded to change their resistance points or if someone else forces a solution upon them that one or both parties dislike. However, because negotiators don’t begin their deliberations by talking about their resistance points (they’re discussing initial offers and demands instead), it is often difficult to know whether a positive settlement range exists until the negotiators get deep into the process. Both parties may realize that there is no overlap in their resistance points only after protracted negotiations have been exhausted; at that point, they will have to decide whether to end negotiations or reevaluate their resistance points, a process described in more detail later on.

Target points, resistance points, and initial offers all play an important role in distributive bargaining. Target points influence both negotiator outcomes and negotiator satisfaction with their outcomes,⁵ opening offers play an important role in influencing negotiation outcomes (discussed later), resistance points play a very important role as a warning for the possible presence of hardball tactics (discussed later), and a positive bargaining range increases the likelihood of settlements.⁶

The Role of Alternatives to a Negotiated Agreement

In addition to opening bids, target points, and resistance points, negotiators need to consider what they will do if they do not reach agreement with the other party. What is their best alternative to a negotiated agreement (BATNA)? What is their worst alternative to a negotiated agreement (WATNA)?

In some negotiations, the parties have only two fundamental choices: (1) reach a deal with the other party or (2) reach no settlement at all. In other negotiations, however, one or

both parties have the possibility of an alternative deal with another party. Thus, in the case of Jackson and Sofia, another condo may come on the market in the neighborhood where Jackson wishes to buy. Similarly, if Sofia waits long enough (or drops the price of the condo far enough), she will presumably find another interested buyer. If Jackson picks a different condo to buy and negotiates the best price that he can with the owner, that price represents his alternative. For the sake of argument, let's assume that Jackson's BATNA is a different condo that costs \$142,000 and that Sofia's BATNA is an alternative buyer who will pay \$134,000.

If Jackson's BATNA is \$142,000, then (taking no other factors into account) he should reject any price Sofia asks above that amount. But Jackson's BATNA may not be as desirable for reasons other than price—perhaps he likes the neighborhood less, the condo is 10 minutes farther away from where he works, or he likes the way Sofia has upgraded her condo. BATNAs are negotiators' *best* alternatives to reaching an agreement and are frequently less attractive than the preferred agreement. Negotiators who have a strong BATNA (Fisher, Ury, and Patton, 1991)—that is, a very positive alternative to a negotiated agreement—will have more power throughout the negotiation and accordingly should be able to achieve more of their goals (the power of BATNAs is discussed further in Chapter 8). In our example, Jackson may need to decide whether he prefers his BATNA or paying Sofia more than this target point but less than his resistance point (see Figure 2.3).

Alternatives are important because they give negotiators the power to walk away from any negotiation when the emerging deal is not very good. The number of realistic alternatives that negotiators have will vary considerably from one situation to another. When there are many attractive alternatives, negotiators can set their goals higher and make fewer concessions. Negotiators with no attractive alternative, such as when dealing with a sole supplier, have much less bargaining power. Good distributive bargainers identify their realistic alternatives before starting discussions with the other party so that they can properly decide how firm to be in the negotiation.⁷ Good bargainers also try to improve their alternatives while the negotiation is under way. If Jackson's negotiations with Sofia extend over a period of time, he should keep his eye on the market for other alternatives. He may also continue to negotiate with the owner of the other condo for a better deal. Both courses of action involve efforts by Jackson to maintain and expand his bargaining power by improving the quality of his alternatives. Negotiators are also aware of their worst alternative (Jackson jokingly mentioned sleeping in the town common as his WATNA), and this may become more salient as negotiations proceed. We discuss power and leverage in bargaining in detail in Chapter 8.

Strong BATNAs can also influence how a negotiation unfolds. Negotiators with stronger BATNAs are more likely to make the first offer in a negotiation and appear to negotiate

FIGURE 2.3 | The Buyer's View of the Condo Negotiation (Extended with Alternatives)

Sofia's resistance point (inferred)	Jackson's initial offer (public)	Sofia's alternative buyer (private)	Jackson's target point (private)	Sofia's target point (inferred)	Jackson's alternative condo (private)	Sofia's asking price (public)	Jackson's resistance point (private)
\$130,000	\$133,000	\$134,000	\$135,000	\$140,000	\$142,000	\$145,000	\$150,000

better outcomes.⁸ The positive benefits of a good BATNA appear particularly strong when the bargaining range is small because negotiations with smaller bargaining ranges are more competitive and less likely to yield agreements.⁹

Settlement Point

The fundamental process of distributive bargaining is to reach a settlement within a positive bargaining range. The objective of both parties is to obtain as much of the bargaining range as possible—that is, to reach an agreement as close to the other party's resistance point as possible.

Both parties in distributive bargaining know that they might have to settle for less than what they would prefer (their target point), but they hope that the agreement will be better than their own resistance point. For agreement to occur, both parties must believe that the settlement, although perhaps less desirable than they would prefer, is the best that they can get. This belief is important, both for reaching agreement and for ensuring support for the agreement after the negotiation concludes. Negotiators who do not think they got the best agreement possible, or who believe that they lost something in the deal, may try to get out of the agreement later or find other ways to recoup their losses. If Jackson thinks he got the short end of the deal, he could make life miserable and expensive for Sofia by making extraneous claims later—claiming that the condo had hidden damages, that the fixtures that were supposed to come with the condo were defective, and so on.

Discovering the Other Party's Resistance Point

Information is the life force of negotiation. The more you can learn about the other party's target, resistance point, motives, feelings of confidence, and so on, the more able you will be to strike a favorable agreement (see Box 2.1). At the same time, you do not want the other party to have certain information about you. Your resistance point, some of your targets, and confidential information about a weak strategic position or an emotional vulnerability are best concealed.¹⁰ Alternatively, you may want the other party to have certain information—some of it factual and correct, some of it contrived to lead the other party to believe things that are favorable to you. Each side wants to obtain some information and to conceal other information. Each side also knows that the other party wants to obtain and conceal information. As a result of this, communication can become complex. Information is often conveyed in a code that evolves during negotiation. People answer questions with other questions or with incomplete statements to influence the other's perceptions; however, they must establish some points effectively and convincingly.

Influencing the Other Party's Resistance Point

Central to planning the strategy and tactics for distributive bargaining is locating the other party's resistance point and the relationship of that resistance point to your own. The resistance point is established by the value expected from a particular outcome, which in turn is the product of the worth and costs of an outcome. Jackson sets his resistance point based on the amount of money he can afford to pay (in total or in monthly mortgage payments), the estimated market value or worth of the condo, and other factors in his bargaining mix (e.g., closing date). A resistance point will also be influenced by the cost an individual

BOX

2.1

The Piano

When shopping for a used piano, Orvel Ray answered a newspaper ad. The piano was a beautiful upright in a massive walnut cabinet. The seller was asking \$1,000, and it would have been a bargain at that price, but Orvel had received a \$700 tax refund and had set this windfall as the limit that he could afford to invest. He searched for a negotiating advantage.

He was able to deduce several facts from the surroundings. The piano was in a furnished basement, which also contained a set of drums and an upright acoustic bass. Obviously the seller was a serious musician, who probably played jazz. There had to be a compelling reason for selling such a beautiful instrument.

Orvel asked the first, obvious question, "Are you buying a new piano?"

The seller hesitated. "Well, I don't know yet. See, we're moving to North Carolina, and it would be very expensive to ship this piano clear across the country."

"Did they say how much extra it would cost?"

Orvel queried.

"They said an extra \$300 or so."

"When do you have to decide?"

"The packers are coming this afternoon."

Now Orvel knew where the seller was vulnerable. He could ship the piano cross-country, or sell it for \$700 and still break even. Or he could hold out for his asking price and take his chances. "Here's what I can do: I can give you \$700 in cash, right now," Orvel said as he took seven \$100 bills out of his pocket and spread them on the keyboard. "And I can have a truck and three of my friends here to move it out of your way by noon today."

The seller hesitated, then picked up the money. "Well, I suppose that would work. I can always buy a new piano when we get settled."

Orvel left before the seller could reconsider. By the time the group returned with the truck, the seller had received three other offers at his asking price, but because he had accepted the cash, he had to tell them that the piano had already been sold.

If the seller had not volunteered the information about the packers coming that afternoon, Orvel might not have been able to negotiate the price.

Source: Adapted from J. Conrad Levinson, Mark S. A. Smith, and Orvel Ray Wilson, *Guerrilla Negotiating: Unconventional Weapons and Tactics to Get What You Want*. (New York: John Wiley & Sons, Inc. 1999), pp. 15–16.

attaches to delay or difficulty in negotiation (an intangible) or in having the negotiations aborted. If Jackson, who had set his resistance point at \$150,000, were faced with the choice of paying \$151,000 or living on the town common for a month, he might well reevaluate his resistance point. Resistance points should not be changed without considerable thought, however. They play an important role in setting negotiators' limits, and unless there is an objective reason to change them, they should not be changed.

A significant factor in shaping the other person's understanding of what is possible—and therefore the value he or she places on particular outcomes—is the other's understanding of your own situation. Therefore, when influencing the other's viewpoint, you must also deal with the other party's understanding of your value for a particular outcome, the costs you attach to delay or difficulty in negotiation, and your cost of having the negotiations aborted.

There are four major ways to weaken the other party's resistance point:¹¹

1. *Reduce the other party's estimate of your cost of delay or impasse.* If the other party sees that you need an agreement quickly and cannot defer it, he or she can seize this advantage and press for a better outcome. Expectations will rise, and the other party will set

a more demanding resistance point. The more you can convince the other party that your costs of delaying or ending negotiations are low (that you are in no hurry and can wait forever), the more modest the other's resistance point will be. For instance, Sofia could act as if she were not in a great rush to sell her condo to signal her price is firm.

2. *Increase the other party's estimate of his or her own cost of delay or impasse.* The more a person needs an agreement, the more modest he or she will be in setting a resistance point. Therefore, the more you can do to convince the other party that delaying or ending negotiations will be costly, the more likely he or she will be to establish a modest resistance point.
3. *Reduce the other party's perception of the value of an issue.* The resistance point may soften as the person reduces how valuable he or she considers that issue. If you can convince the other party that a current negotiating position will not have the desired outcome or that the present position is not as attractive as the other believes, then he or she will adjust his or her resistance point. For instance, Jackson could suggest that while the fixtures in the condo are nice, they are not exactly to his taste.
4. *Increase the other party's perception that you value an issue.* The more you can convince the other that you value a particular issue, the more pressure you put on the other party to set a more modest resistance point with regard to that issue. Knowing that a position is important to the other party, however, you will expect the other to resist giving up on that issue; thus, there may be less possibility of a favorable settlement in that area. As a result, you may need to lower your expectations to a more modest resistance point. For instance, Jackson could insist he loves the appliances and wants them included in the deal without raising his offer. In addition, the more attractive the other party's BATNA, the more likely he or she will be to set a high resistance point. If negotiations are unsuccessful, the other party can move to his or her BATNA. In the earlier example, both Jackson and Sofia have satisfactory alternatives. Sofia can portray her alternatives as more positive by mentioning that several people have asked to see the condo.

Tactical Tasks

Within the fundamental strategies of distributive bargaining, there are four important tactical tasks concerned with targets, resistance points, and the costs of terminating negotiations for a negotiator in a distributive bargaining situation to consider: (1) assess the other party's target, resistance point, and cost of terminating negotiations; (2) manage the other party's impression of the negotiator's target, resistance point, and cost of terminating negotiations, (3) modify the other party's perception of his or her own target, resistance point, and cost of terminating negotiations, and (4) manipulate the actual costs of delaying or terminating negotiations. Each of these tasks is now discussed in more detail.

Assess the Other Party's Target, Resistance Point, and Costs of Terminating Negotiations

An important first step for a negotiator is to obtain information about the other party's target and resistance points. The purpose is to identify what the other party *really* wants to

BOX

2.2

Sources of Negotiation Information

Gathering information before you go to the negotiating table is one of the most critical factors for success in negotiation. Many expert negotiators stress that effective information gathering is absolutely essential to being prepared and that the “lead time” between knowing that a negotiation will take place and actually beginning the negotiation should be filled with information collection activities. Negotiators who wait until the last minute risk undercutting themselves because they haven’t done enough “homework.”

Some of the most important information should be gathered on the *substantive issues* under negotiation. For instance, if you are planning to buy a new car, you should find information about the makes and models that interest you: list prices and selling prices, ratings of the automobiles’ quality, how well they have been selling, etc. Sources for this kind of information include:

- Websites that evaluate brands and models of new cars and provide up-to-date information on manufacturer pricing and dealer incentives.
- Magazines that test and rate automobiles (found in most book stores and libraries).
- Online forums that evaluate the reputation of car dealerships.
- Friends who may have owned this make and model of car.

A second critical topic for information search is to find out as much as you can about the people with whom you’ll be interacting and the company or organization that they represent. Knowing the other party—even if you have never met him or her before—can help you shape your strategy. Master negotiator Herb Cohen suggests the following

questions that would help you negotiate with such individuals:

- Why are they negotiating with me?
- What are their time constraints and deadlines?
- By whom and how will their decisions be made?
- How do they react to conflict?
- What is their negotiating style?
- What are the limits to their authority?
- Who do they report to?
- Does he or she have a budget or quota?
- How are they compensated?
- What is their negotiating experience and background?
- Do they have a realistic alternative to making this deal?
- What incentives do they have to make this deal?
- What are their underlying interests and concerns?
- What is their track record for honesty and integrity?
- What are their expectations with respect to the outcome?

Author John Patrick Dolan recommends that once face-to-face interaction is under way, you should listen more than you talk. Asking open-ended questions—which usually begin with what, why, where, when, or how—can encourage the other party to volunteer potentially valuable information. The more you know about the other party’s agenda, the better you will be able to use that information to enhance your ability to achieve your desired outcome.

Sources: Adapted from Herb Cohen, *Negotiate This!* (New York: Warner Books, 2003); and John Patrick Dolan, *Negotiate Like the Pros* (New York: Putnam, 1992).

achieve, as well as how much he or she is willing to pay. The negotiator can pursue two general routes to achieve this task: obtain information indirectly about the background factors behind an issue (*indirect assessment*) or obtain information directly from the other party about his or her target and resistance points (*direct assessment*). (See Box 2.2 for some advice on gathering information for negotiation.)

Indirect Assessment An individual sets a resistance point based on many potential factors. For example, how do you decide how much rent or mortgage payment you can afford each month? How do you decide what a condo or used car is really worth? There are lots of ways to go about doing this. Indirect assessment means determining what information an individual likely used to set target and resistance points and how he or she interpreted this information. For example, in labor negotiations, management may infer whether or not a union is willing to strike by how hard the union bargains or by the size of its strike fund. The union decides whether or not the company can afford a strike based on the size of inventories, market conditions for the company's product, and the percentage of workers who are members of the union. In a real estate negotiation, the listing price, how long a piece of property has been on the market, how many other potential buyers actually exist, how soon a buyer needs the property for business or living, and the financial health of the seller will be important factors.¹² An automobile buyer might view the number of new cars in inventory on the dealer's lot, refer to newspaper articles about automobile sales, read about a particular car's popularity in consumer buying guides (i.e., the more popular the car, the less the dealer may be open to bargaining on price), or consult reference guides to find out what a dealer pays wholesale for different cars.¹³

Direct Assessment In bargaining, the other party does not usually reveal accurate and precise information about his or her targets, resistance points, and expectations. Sometimes, however, the other party will provide accurate information. When pushed to the absolute limit and in need of a quick settlement, the other party may explain the facts quite clearly. If company executives believe that a wage settlement above a certain point will drive the company out of business, they may choose to state that absolute limit very clearly and go to considerable lengths to explain how it was determined. Similarly, a condo buyer may tell the seller her absolute maximum price and support it with an explanation of income and other expenses. In these instances, the party revealing the information believes that the proposed agreement is within the settlement range—and that the other party will accept the offered information as true rather than see it as a bargaining ploy. An industrial salesperson may tell the purchaser about product quality and service, alternative customers who want to buy the product, and the time required to manufacture special orders.

Most of the time, however, the other party is not so forthcoming, and the methods of getting direct information are more complex. In international espionage, government agencies may cultivate sources, monitor email, and break codes. In labor negotiations, companies have been known to recruit informers or bug union meeting rooms, and unions have had their members collect papers from executives' wastebaskets. In real estate negotiations, a seller may entertain a prospective buyer with abundant alcoholic beverages to loosen the buyer's tongue with the hope that he will reveal information.¹⁴ Additional approaches include provoking the other party into an angry outburst and putting the other party under pressure designed to cause him or her to make a slip and reveal valuable information. Negotiators will also simulate exasperation and angrily stalk out of negotiations in the hope that the other, in an effort to avoid a deadlock, will reveal what he or she really wants.

Manage the Other Party's Impressions of Your Target, Resistance Point, and Cost of Terminating Negotiations

An important tactical task for negotiators is to control the information sent to the other party about your target and resistance points while guiding him or her to form a preferred impression of them. Negotiators need to screen information about their own positions and to represent them as they would like the other to believe. Generally speaking, screening activities are more important at the beginning of negotiation, and direct action is more useful later on. This sequence also allows time to concentrate on gathering information from the other party, which will be useful in evaluating resistance points, and on determining the best way to provide information to the other party about one's own position.

Screening Activities The simplest way to screen a position is to say and do as little as possible. Silence is golden when answering questions; words should be invested in asking the other negotiator questions. Reticence reduces the likelihood of making verbal slips or presenting any clues that the other party could use to draw conclusions. A look of disappointment or boredom, fidgeting and restlessness, and probing with interest all can give clues about the importance of the points under discussion.¹⁵ Concealment is the most general screening activity.

Another approach, available when group negotiations are conducted through a representative, is *calculated incompetence*. With this approach, constituents do not give the negotiating agent all the necessary information, making it impossible for him or her to leak information. Instead, the negotiator is sent with the task of simply gathering facts and bringing them back to the group. This strategy can make negotiations complex and tedious, and it often causes the other party to protest vigorously at the negotiator's inability to divulge important data or to make agreements. Lawyers, real estate agents, and investigators frequently perform this role. Representatives may also be limited, or limit themselves, in their authority to make decisions. For example, a man buying a car may claim that he must consult his wife before making a final decision.

When negotiation is carried out by a team—as is common in diplomacy, labor-management relations, and many business negotiations—channeling all communication through a team spokesperson reduces the chance of inadvertently revealing information. In addition to reducing the number of people who can actively reveal information, this allows members of the negotiating team to observe and listen carefully to what the other party is saying so they can detect clues and pieces of information about their position. Still another screening activity is to present a great many items for negotiation, only a few of which are truly important to the negotiator. In this way, the other party has to gather information about so many different items that it becomes difficult to detect which items are really important. This tactic, called the snow job or kitchen sink, may be considered a hardball tactic (discussed later in this chapter) if carried to an extreme.¹⁶

Direct Action to Alter Impressions Negotiators can take many actions to present facts that will directly enhance their position or make it appear stronger to the other party. One of the most obvious methods is *selective presentation*, in which negotiators reveal only the facts

necessary to support their case. Negotiators can also use selective presentation to lead the other party to form the desired impression of their resistance point or to create new possibilities for agreement that are more favorable than those that currently exist. Another approach is to explain or interpret known facts to present a logical argument that shows the costs or risks to oneself if the other party's proposals are implemented. An alternative is to say, "If you were in my shoes, here is the way these facts would look in light of the proposal you have presented."

Negotiators should justify their positions and desired outcomes in order to influence the other party's impressions. Negotiators can use industry standards, benchmarks, appeals to fairness, and arguments for the good of the company to draw a compelling picture for the other party to agree to what they want. These arguments are most convincing when the facts have been gathered from a neutral source, because the other party will not see them as biased by your preferred outcome. However, even with facts that you provide, selectivity can be helpful in managing the other party's impression of your preferences and priorities. It is not necessary for the other to agree that this is the way things would look if he or she were you. Nor must the other agree that the facts lead only to the conclusion you have presented. As long as the other party understands how you see things, then his or her thinking is likely to be influenced.

Displaying *emotional reaction* to facts, proposals, and possible outcomes is another form of direct action negotiators can take to provide information about what is important to them. Disappointment or enthusiasm usually suggests that an issue is important, whereas boredom or indifference suggests it is trivial. A loud, angry outburst or an eager response suggests the topic is very important and may give it a prominence that will shape what is discussed. Recent research by Neil Fassina and Glen Whyte demonstrates that strategic flinching (defined as "displays of shock, disgust, or disbelief") can significantly improve the value claimed in a distributive negotiation, although with significant costs to the perception of the relationship by the other.¹⁷

The length of time and amount of detail used in presenting a point or position can also convey importance. Carefully checking through the details the other side has presented about an item, or insisting on clarification and verification, can convey the impression of importance. Casually accepting the other party's arguments as true can convey the impression of disinterest in the topic being discussed.

Taking direct action to alter another's impression raises several potential hazards. It is one thing to select certain facts to present and to emphasize or de-emphasize their importance accurately, but it is a different matter to fabricate and lie. The former is expected and understood in distributive bargaining; the latter, even in hardball negotiations, is resented and often angrily attacked if discovered. Between the two extremes, however, what is said and done as skillful puffery by one may be perceived as dishonest distortion by the other. Ethical considerations are explored in detail in Chapter 5. Other problems can arise when trivial items are introduced as distractions or minor issues are magnified in importance. The purpose is to conceal the truly important and to direct the other's attention away from the significant, but there is a danger: the other person may become aware of this maneuver and, with great fanfare, concede on the minor points, thereby gaining the right to demand equally generous concessions on the central points. In this way, the other party can defeat the maneuverer at his or her own game.

Modify the Other Party's Perceptions of His or Her Target, Resistance Point, and Cost of Terminating Negotiations

A negotiator can alter the other party's impressions of his or her own objectives by making outcomes appear less attractive or by making the cost of obtaining them appear higher. The negotiator may also try to make demands and positions appear more attractive or less unattractive to the other party.

There are several approaches to modifying the other party's perceptions. One approach is to interpret for the other party what the outcomes of his or her proposal will really be. A negotiator can explain logically how an undesirable outcome would result if the other party really did get what he or she requested. This may mean highlighting something that has been overlooked. For example, in union-management negotiations, management may demonstrate that a union request for a six-hour workday would, on the one hand, not increase the number of employees because it would not be worthwhile to hire people for two hours a day to make up for the hours taken from the standard eight-hour day. On the other hand, if the company were to keep production at the present level, it would be necessary to use the present employees on overtime, thereby increasing the total labor cost and, subsequently, the price of the product. This rise in cost would reduce demand for the product and, ultimately, the number of hours worked or the number of workers.

Manipulate the Actual Costs of Delaying or Terminating Negotiations

Negotiators have deadlines. A contract will expire. Agreement has to be reached before an important meeting occurs. Someone has to catch a plane. Extending negotiations beyond a deadline can be costly, particularly to the person who has the deadline, because that person has to either extend the deadline or go home empty-handed. At the same time, research and practical experience suggest that a large majority of agreements in distributive bargaining



"No, Thursday's out. How about never—is never good for you?"

Bob Mankoff/Cartoonstock