

The Art & Science of Negotiation

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Learning Points

- By the end of this session, you will learn:
 - Strategies for claiming and creating value in negotiations
 - How to effectively prepare for a negotiation
 - How to avoid common negotiation traps
 - Helpful phrases and questions to use in negotiations

What is Negotiation?

- “Negotiation is the process by which people with *conflicting interests* determine how they are going to allocate resources or work together in the future.” (Brett, 2007)
- *“Every interpersonal interaction, no matter the context, no matter the scale, is a negotiation.”*
 - Max Bazerman, Harvard University



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Negotiations in Organizations

- **Examples of negotiations:**
 - Negotiations within your department
 - Negotiations between your department and other divisions in the organization
 - Negotiations between a vendor and a client
 - Negotiations between different service providers
 - Negotiating with investors
 - Negotiating compensation packages
- **What are common negotiations you face in your work?**

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Major Traps of Negotiation



- Most people are not very good at negotiation
 - Very few managers reach “win-win” outcomes
 - Negotiators frequently miss compatible issues
- **Negotiators typically fall prey to at least one of the following negotiation traps**
 - Leaving value on the table (*lose-lose negotiation*)
 - Settling for too little (*winner’s curse*)
 - Walking away from the table
 - Settling for terms that are worse than your best alternative (*agreement trap*)

Thompson, 2008, *The Mind & Heart of the Negotiator*, p.5

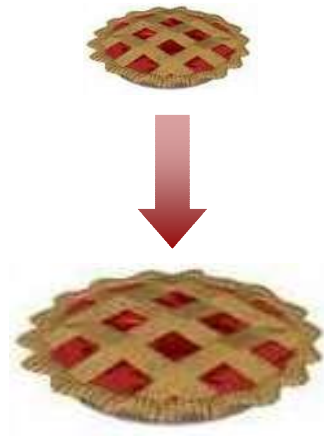
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Negotiation Strategies

Distributive strategy
(claiming a slice of the pie)



Integrative strategy
(enlarging the pie)



Negotiation Strategies

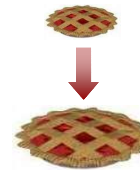
Distributive (Claiming Value)

- Win/Lose: Search for solutions that meet own needs
- Conceal information or use it selectively and strategically
- Focus on positions
- Focus on single issues
- Competitive
- Short term relationship



Integrative (Creating Value)

- Win/Win: Search for solutions that meet both parties' needs
- Share information about interests and priorities openly
- Focus on interests
- Focus on multiple issues
- Cooperative problem solving
- Long term relationship



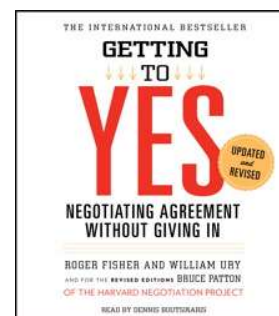
Integrative Negotiations

Negotiation is best approached as a joint problem solving task

1. Separate people from problem
2. Focus on interests, not positions
3. Generate multiple possibilities
4. Use objective standards

Advantages of Integrative Agreements

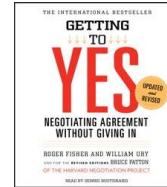
- Prevent impasses
- Improves outcomes
- Create a more stable agreement
- Improve implementation
- Strengthen relationship



Getting to Yes
Fisher & Ury, 1981
(revised editions in 1991 & 2011)

Focus on Interests, Not Positions

- For every possible interest, there usually exist several possible positions that could satisfy it.
 - Be firm on interests, but open to options.
- ***Sinai Peninsula Example***
 - 1978, Israel and Egypt in conflict over Sinai Peninsula.
 - *Israel's interest*: safety (no tanks near the borders)
 - *Egypt's interest*: sovereignty (maintain integrity of century-old borders)
 - Peace accord: Egypt retains control, but demilitarizes



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Agreements That Last

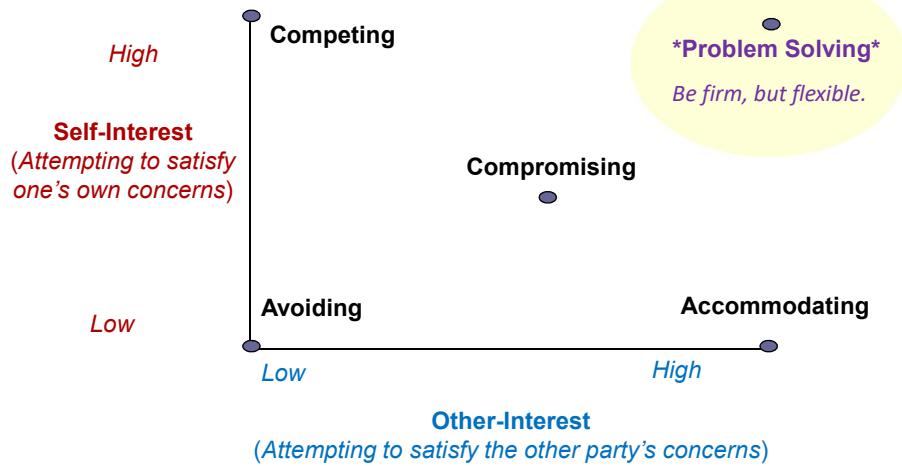
- **An enduring negotiated agreement:**
 - Is relatively balanced
 - Satisfies both parties interests
 - Easy to implement
 - Improves the relationship



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Dual-Concerns Model (Pruitt & Rubin, 1986)

- Approaches to negotiation can be characterized by individuals' concern with their own needs and their concern for others' needs.



How to Identify a Distributive vs. Integrative Negotiator

Distributive

- Immediate and/or extreme opening offer
- Shows no concern for the other side's interests
- Doesn't ask questions, avoids answering questions and sells
- Few and/or minor concessions

Integrative

- Reasonable opening offer after initial conversation
- Shows concern for the other side's interests and shares interests
- Asks questions, reveals information and actively listens (shows understanding)
- Makes trade-offs of priorities and creates new options

Getting People to Open Up

Do	Don't
<ul style="list-style-type: none">• Ask open-ended questions to gather information and show interest<ul style="list-style-type: none">• <i>What, how, when, where, who, and (why)</i>	<ul style="list-style-type: none">• Ask closed ended questions that require a “Yes” or “No” response<ul style="list-style-type: none">• <i>“Is this what you want?”</i>
<ul style="list-style-type: none">• Ask questions that show concern and consultation<ul style="list-style-type: none">• <i>“How do you feel...”</i>• <i>“What do you think...”</i>	<ul style="list-style-type: none">• Ask loaded, tricky, or leading questions<ul style="list-style-type: none">• <i>“Are these the only terms that you will accept?”</i>• <i>“Here’s how I see the situation-don’t you agree?”</i>
<ul style="list-style-type: none">• Be quiet and listen – they will elaborate	<ul style="list-style-type: none">• Keep talking without giving the other person a chance to speak

How to Prepare for a Negotiation

Preparing for a Negotiation

- To be a successful negotiator, you must know how to prepare.
 - Learn as much as you can about what's possible and appropriate.
 - Research relevant standards and comparisons.
 - Gain confidence by having the right data at your fingertips.



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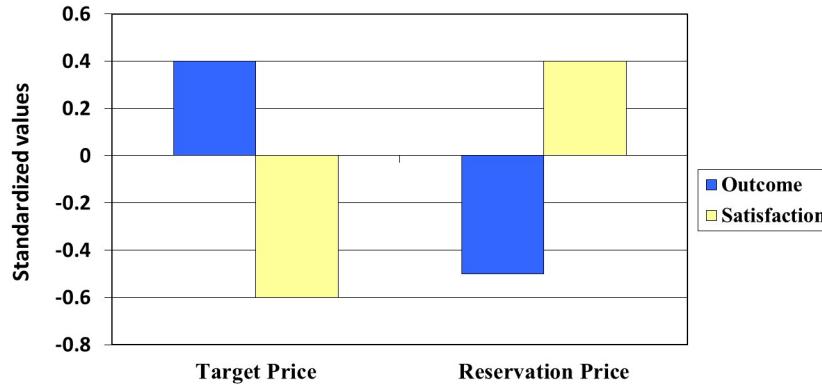
Preparing for a Negotiation

3 Key Pieces of Information

1. **BATNA – Best Alternative to a Negotiated Agreement**
 - What are your alternatives? Your BATNA is your biggest source of power in a negotiation.
2. **Reservation Price / Resistance Point - your bottom line**
 - What is the most you would pay if you're the buyer or the least you would accept if you're the seller? Know when to walk away.
3. **Target Price / Aspiration**
 - What is your ideal outcome? What is the best you could hope to achieve? Do your research!

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Negotiator Focus



- During the negotiation, focus on your target
- After the deal, focus on your reservation price / BATNA.

Galinsky, Mussweiler, & Medvec, 2002, *JSPS*

Preparation

- Identifying your own BATNA, Reservation Price, and Target is not enough.
- You must also try to identify your counterpart's BATNA, Reservation Price, and Target.
- How?
 - Gather information prior to the negotiation and during the negotiation.
 - Create a planning document

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	SELF	OTHER
Positions & Interests : <i>What do you want (positions) and why do you want it (interests)?</i> <i>What does your counterpart want and why do they want it?</i> <i>Rank by order of importance</i>	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
BATNA <i>What is your best alternative if you do not make a deal?</i>		
Resistance Point <i>What is your bottom line?</i>		
Target / Aspiration / Goals <i>What is your ideal outcome?</i>		
Strengths / Sources of Power		
Weaknesses / Vulnerabilities		
Constraints <i>What constraints or restrictions do I have?</i> <i>Why won't/can't the other party do what I want?</i>		

Other considerations:

- What is your strategy and opening move? Your strategy should include your first offer and plans of action given potential moves by the counterparty.
- What information do I need from the other party? What information do I need to convey or conceal?
- What objective criteria or comparable standards are relevant?
- What time deadlines are there? Can the deadlines be extended if needed?



Negotiator’s Toolbox: Preparing for a Negotiation

- Prepare – create planning documents to help you identify and organize important info
- Know your BATNA & strengthen your BATNA whenever possible (it is a source of power)
 - Highlight the strength of your BATNA but don’t provide specifics.
- Define your reservation price. Don’t reveal your reservation price!
- Define your target. Set aggressive goals but do not behave aggressively.
 - Focus on your strengths; be aware of and shore up your weaknesses; be optimistic but realistic
 - If you don’t ask for something, you can’t get it!
- Research other party’s BATNA/reservation price. Get more info during the negotiation.

What Should You Say?

Helpful phrases and questions to use in negotiations

Gather Information by Asking Questions

- **Add these questions to your negotiation vocabulary:**

- How would you like...?
- What do you think might happen if...?
- What would you like to see?
- What would you need to make it work?
- What are your expectations regarding X?
- When you say X, what were you referring to?

- **Figure out their priorities:**

- I understand you want both X & Y, but which do you prefer?
- Which is more important to you: X or Y?
- What would give you more value: increasing X or Y?
- If I were to increase payment on X but decrease payment on Y, would that be better for you?

Questions for when the other side seems hesitant:

- What concerns you about this?
- What about this doesn't work for you?
- It seems like there's something here that bothers you.
- What makes that upsetting?

Share Information to Gather Information

- **Trust can be built through reciprocal sharing of information**
 - Negotiators who share information with the other party about their interests and priorities increase their profits!
 - Does not have to be direct – you can signal information indirectly.
- **Share information in order to gather information.**
 - Reciprocity is a powerful norm.
 - If you reveal your interests, you increase the probability that they other party will disclose his or her interests.

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Information Sharing

- Add these phrase to your negotiation vocabulary:
 - “Issue X is more important to me than Y, but I care about both.”
 - A 10% gain on issue X would be more valuable to me than a 10% gain on Y.”
 - “If I were to rank-order the issues’ importance, X would be higher than Y.”

Thompson, 2010, *The Truth about Negotiations*, pp. 102-103
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Watch Your Language

Instead of...	Try...
<i>Against</i>	With
<i>Opponent</i>	Partner
<i>Argue/Debate</i>	Discuss
<i>Critique</i>	Comment
<i>Settlement</i>	Solution
<i>You/Yours</i>	We/Ours
<i>Confront</i>	Approach

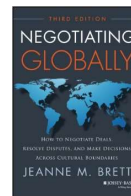
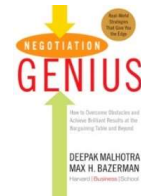
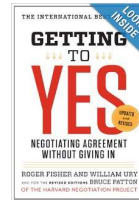


Negotiator's Toolbox: Strategies for Creating Value

- Find out information before and during the negotiation - ask questions ("Why?")
 - "I understand you want both X & Y, but which do you prefer?"
- Focus on interests not positions
 - Uncover interests/priorities by asking questions, building trust, and sharing info about your own interests & priorities.
 - Reveal information reciprocally and progressively – this helps build trust.
 - Interests don't have to be "rational" to be influential
- A distributive approach can stymie an agreement
 - Discussing money too soon can hamper information exchange and reduce trust

Recommended Readings

- ***Getting to Yes*** (R. Fisher, W. Ury, & B. Patton)
- ***Negotiation Genius*** (D. Malhotra & M. Bazerman)
- ***Negotiating Globally*** (J. Brett)



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Thank you!

Questions? Comments?

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