The Art & Science of Negotiation

Taya R. Cohen, PhD
Carnegie Mellon University

March 19, 2019

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

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?
## 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)

---

### Negotiation Strategies

<table>
<thead>
<tr>
<th>Distributive strategy</th>
<th>Integrative strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(claiming a slice of the pie)</td>
<td>(enlarging the pie)</td>
</tr>
</tbody>
</table>

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

Taya R. Cohen, Tepper School of Business©
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*
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

Agreements That Last

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

<table>
<thead>
<tr>
<th>Self-Interest (Attempting to satisfy one’s own concerns)</th>
<th>Other-Interest (Attempting to satisfy the other party’s concerns)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (Self-Interest)</td>
<td>Low (Other-Interest)</td>
</tr>
<tr>
<td>Competing</td>
<td>Avoiding</td>
</tr>
<tr>
<td>Compromising</td>
<td>Accommodating</td>
</tr>
</tbody>
</table>

*Problem Solving*

Be firm, but flexible.

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

<table>
<thead>
<tr>
<th>Do</th>
<th>Don’t</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ask open-ended questions to gather information and show interest</td>
<td>• Ask closed ended questions that require a “Yes” or “No” response</td>
</tr>
<tr>
<td>• What, how, when, where, who, and (why)</td>
<td>• “Is this what you want?”</td>
</tr>
<tr>
<td>• Ask questions that show concern and consultation</td>
<td>• Ask loaded, tricky, or leading questions</td>
</tr>
<tr>
<td>• “How do you feel…”</td>
<td>• “Are these the only terms that you will accept?”</td>
</tr>
<tr>
<td>• “What do you think…”</td>
<td>• “Here’s how I see the situation-don’t you agree?”</td>
</tr>
<tr>
<td>• Be quiet and listen – they will elaborate</td>
<td>• Keep talking without giving the other person a chance to speak</td>
</tr>
</tbody>
</table>

## How to Prepare 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.

### 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!
Negotiator Focus

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

Galinsky, Mussweiler, & Medvec, 2002, JPSP

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
### 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.

---

**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?

---

<table>
<thead>
<tr>
<th>Positions &amp; Interests:</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>What do you want (positions) and why do you want it (interests)?</td>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>Your counterpart want and why do they want it?</td>
<td>2.</td>
<td>2.</td>
</tr>
<tr>
<td>Rank by order of importance</td>
<td>3.</td>
<td>3.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BATNA</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your best alternative if you do not make a deal?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resistance Point</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your bottom line?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target / Aspiration / Goals</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your ideal outcome?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengths / Sources of Power</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses / Vulnerabilities</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Constraints</th>
<th>SELF</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>What constraints or restrictions do I have?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Why won’t/can’t the other party do what I want?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What Should You Say?

Helpful phrases and questions to use in negotiations

- **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 the other party will disclose his or her interests.

---

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_
Watch Your Language

<table>
<thead>
<tr>
<th>Instead of...</th>
<th>Try...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Against</td>
<td>With</td>
</tr>
<tr>
<td>Opponent</td>
<td>Partner</td>
</tr>
<tr>
<td>Argue/Debate</td>
<td>Discuss</td>
</tr>
<tr>
<td>Critique</td>
<td>Comment</td>
</tr>
<tr>
<td>Settlement</td>
<td>Solution</td>
</tr>
<tr>
<td>You/Yours</td>
<td>We/Ours</td>
</tr>
<tr>
<td>Confront</td>
<td>Approach</td>
</tr>
</tbody>
</table>

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)

Thank you!

Questions? Comments?

Taya Cohen
tcohen@cmu.edu
412.268.6677