Week 2 Slides
The Six Foundations of Information-Based Bargaining (Appendix B; Bargaining for Advantage)

1) Your personal bargaining style
2) Your goals and expectations
3) Authoritative standards
4) Relationships
5) The other party’s interests
6) Leverage
Knowing and Accepting Your Negotiation Style

- “You must bake with the flour you have” (Bargaining for Advantage, p. 13)
- Different styles: competitors, problem solvers, compromisers, accommodators and avoiders (Bargaining for Advantage, pp. 9-13)
- “Cooperative” can be “effective” – “...cooperative people appear to have a strong potential to become extremely effective negotiators” (Bargaining for Advantage, p. 15)
Our Negotiation Style

Some researchers have proposed a situational model in connection with our choices of bargaining or negotiations strategy. This model turns on two questions: (1) How much concern do we have for substantive outcomes in the negotiations; and (2) How much concern do we have for the current/future relationship with the other side? (Bargaining for Advantage, pp. 120-122)
Negotiation Styles

- **Competitors** -- Low concern about the other side and high concern about our own outcomes. May be appropriate when the issue in dispute is “small” and a quick decision or resolution is needed.

- **Avoiders** -- Low concern about our outcomes as well as the other side’s outcomes; “retreating,” “silence,” “doing nothing.” May be effective when a “cooling off” period is needed between the parties. Time pressure discourages the parties from adopting an inaction strategy.
Negotiation Styles (Continued)

- **Accommodating** -- Low concern about our outcomes and high concern about the other person’s outcomes. This approach may be used to strengthen the parties’ long-term relationship.

- **Problem Solving** -- High concern about our outcomes and as well as the outcomes of the other side. Problem solving may be adopted when the parties have confidence in their own problem-solving skills, the parties trust each other or there is “momentum” in their negotiations.

- **Compromising** -- A moderate effort to pursue one’s own outcomes and a moderate effort to help the other party achieve his/her own outcomes.
Appendix A: Bargaining Styles Assessment Tool

I. **Collaboration** (Balanced Concerns) -- High concern for relationship and high concern for outcomes (complex issues, sufficient time to negotiate, long-term relationship)

II. **Compromise** -- Willing to split the difference to get the matter resolved

III. **Competition** (Transactions) -- Low concern for relationship and high concern for outcomes (one-time transaction, fixed resources)

IV. **Avoidance** (Tacit Coordination) -- Low concern for relationship and low concern for outcomes (time pressures, strong or weak alternatives)

V. **Accommodation** (Relationships) -- High concern for relationship and low concern for outcomes (building a long-term relationship, can afford a short-term loss)

*(Bargaining for Advantage, pp.243-247)*
Some Negotiation
“Tricks”/Observations

- Use a “situational” approach to negotiations
- Accept your own personal negotiations style
- Think about what you want; what do you think they want? It’s not always about money
- Ask questions with a “purpose”
- “Pause” and the “Flinch”
- Use clarifying questions to avoid misunderstandings at the negotiations table
- Remember, people like choices
- Always eat the jello salad
Bargaining Goals, Distributive Negotiations, Hardball Tactics and Authoritative Standards and Norms
Week #1 Review
(Negotiation/Conflict Styles)

High Concern for Self

Assertive

Competing

Collaborating

Compromise

Avoiding

Accommodating

High Concern for Other

Uncooperative

Cooperative

Cooperativeness
Some Terminology

- **Resistance Point** = The least favorable or “minimum” outcome needed to satisfy the negotiator (your “bottom line”; *Bargaining for Advantage*, pp. 30-31)

- **BATNA** = Best Alternative to a Negotiated Agreement (*Bargaining for Advantage*, p. 101)
  - ✓ What will you “walk away” to if you can’t reach an agreement with the other negotiator?

- **Bargaining Goals** = Your “highest legitimate expectation of what you should achieve” (*Bargaining for Advantage*, p. 30)
**BATNA**

- Know your BATNA BEFORE negotiating
- A Strong BATNA
  - Improves your bargaining position
  - Allows you to negotiate for more favorable terms
- A Weak BATNA
  - Makes it difficult to walk away from a negotiation
  - Can decrease your negotiation power if the other party is aware
What is the BATNA in this Negotiation?
The lowest the seller is willing to accept (seller’s resistance point) is **less** than the highest the buyer is willing to pay (buyer’s resistance point).
Negative Bargaining Zone (p. 30)

The lowest the seller is willing to accept (seller’s resistance point) is **more** than the highest the buyer is willing to pay (buyer’s resistance point).
“Research has repeatedly shown that people who have higher aspirations in negotiations perform better and get more than people who have modest…goals” (Bargaining for Advantage, p. 34)

A **bottom line** can become a “dominant reference point” (Bargaining for Advantage, pp. 31-32)

**Establish specific and justifiable goals** -- either tangible (a specific outcome on price) or intangible (improve my relationship with the other negotiator) (Appendix B, Bargaining for Advantage)
Class Stuff

- Puzzle Book (Acrobat Reader, version 9)
- Bring your roles to class and be prepared
- Class Syllabus
  - One excused absence – reasons in syllabus
  - Timely notice of absence (no later than 3:00 PM absent extenuating circumstances)
  - 10 point deduction for each unexcused absence or excused absences after the first one

Introductions

- Your name
- Something fun or interesting about yourself
Used Car Negotiation Exercise

- Make sure you have reviewed and answered the questions on your assigned role (buyer or seller)
- 15-20 minutes to negotiate
- Write your outcome on the board in class
Distributive/Win-Lose Bargaining

😊 Distributive bargaining strategies may be effective when a negotiator wants to maximize his/her outcome in a single deal and the relationship with the other negotiator is not important.

😊 The parties’ goals are in direct conflict; resources are fixed; both parties want to maximize their share of the outcome.
Assumptions of Distributive Negotiations

• There is a “fixed” amount of resources to be divided (Normally a “single-issue” negotiation)
• What one party gains the other party loses (win/lose) (“Scalping” football tickets)
• Interests of parties are diametrically opposed
• It is not possible for both parties to achieve their goals
• Use of “contentious” or “hardball” tactics is normative and expected (e.g., Street market)
Roger Dawson’s Power Negotiation/Sales Strategies

- Ask the buyer for more than you expect to get - your “Maximum Plausible Position” (MPP)
  - “The less you know about the other side, the higher your initial position should be”

- Never say “yes” to the first offer
  - “I could have done better”/“Something must be wrong”

- Always “flinch” when getting the first offer
  - “React with shock and surprise at the buyer’s proposals”
Dawson (Continued)

- Play the “Reluctant Seller”
- Concentrate on Issues and not on Personalities
- Use a “Vice”
  - “You’ll have to do better than that”
  - **Response**: “How much better do I have to do”?

- Use a “Higher Authority”
  - “That looks fine. I do have to run it by my board of directors though”
  - **Response**: “They always follow your recommendations, don’t they”?

- Avoid Confrontational Negotiating (“Feel, Felt, Found”)
Dawson (Continued)

- **Get Reciprocal Concessions**
  - “If we can do that for you, what can you do for us”?
  - Reciprocity Norm

- **Never Offer to Split the Difference**
  - “Encourage the other side to split the difference”

- **Watch Your Pattern of Concessions**
  - Don’t make equal sized concessions
  - Don’t make the final concession a big one
  - Don’t give your concessions all away “up front”
  - Make a reasonable first concession, followed by increasingly smaller concessions
Preparing to Negotiate

- What is it you want/need? *(Interests)*
- What do you want to accomplish in this negotiation? *(Bargaining Goals)*
- What is your **Best Alternative** if you can’t reach a **Negotiated Agreement** with the other side? *(BATNA)*
- What type of *relationship* do you have with the other side? What do you think they want? *(Interests)*
- How will you justify or “sell” your proposals? *(Authoritative Standards)*
Knight Engines/Excalibur Engine Parts

- **10 minutes preparation:**
  - Prepare a list of your bargaining goals (3-5; be specific); identify your BATNA; list the information you need to obtain from the other negotiator to make a good deal and prepare a list of three to five questions that will help get that information for you.

- **20 minutes to negotiate:** each person turns in discussion questions; write your outcome (per piston price and number of pistons bought/sold) on the whiteboard.
Hardball Tactics

2. Highball/lowball *(Bargaining for Advantage*, p. 224)*
5. Chicken
6. Intimidation *(anger, guilt)*
GOOD COP/BAD COP IN THE MOVIES

THE HARDBALL TACTIC OF “GOOD COP/BAD COP” WAS USED LESS THAN SUCCESSFULLY IN THE MOVIE, “THE ROCK.”
"Tell him that I sincerely apologize for grabbing him by the hair, and beating his head on the negotiating table."
Responding to Hardball Tactics

- **Ignore Them** -- Call a “caucus,” change the subject of the negotiations, etc. Remember, “walking away” is an option. William Ury, co-author of *Getting to Yes*, calls this “going to the balcony.”

- **Discuss Them** -- Ask the other side to explain why he/she has adopted such a tactic.

- **Respond in Kind** -- Fight fire with fire
Responding to Hardball Tactics
(Continued)
The Use of Authoritative Standards in Negotiations

- “...[W]e are inclined to negotiate on the basis of authoritative standards and norms” ([Bargaining for Advantage], p. 42)
- **Examples**: interest rates, industry practices, productivity, “Blue Book,” efficiency, profitability, etc.

- You should “anticipate the other side’s preferred standards and frame your proposal within them” ([Bargaining for Advantage], p. 44)
The Consistency Principle

- “…[A]ll else being equal, people like to be seen as consistent and rational in the way they make decisions” (Bargaining for Advantage, p. 43)
- The consistency principle holds that we have a psychological need to avoid behavior that is inconsistent with previously expressed, long-held or widely shared standards or beliefs.
Preparing to Negotiate (Review)

- Probably the main reason people fail to achieve their goals in negotiation is due to inadequate preparation.
- Preparation includes not only knowing your own goals, objectives and interests, but also knowing those of the person across the table.
- Preparation also means understanding the value of your alternatives – your **BATNA**
  - Best Alternative to a Negotiated Agreement
  - What you will do if you don’t reach agreement
Setting Bargaining Goals (Review)

- Think carefully about what you want
- Set goals/targets that are optimistic but justifiable
- Plan your justifications
- Write down your goal and commit to it!
- Don’t forget your goal in the heat of the negotiation!
Distributive Negotiations (Review)

- Involves competition over who will get the most of a limited resource (often money)
- Often referred to as “win-lose” negotiations
- Distributive bargaining tactics are useful when...
  - A negotiator wants to maximize the profitability from a single deal
  - The relationship with the other party is not very important
Strategic Points for Distributive Negotiations

- Do not reveal your reservation point
- Develop reciprocity - do not make unilateral concessions
- Try to persuade the other negotiator to move his/her reservation point – “create doubt” in the other negotiator’s mind about the “soundness” of his/her position
- Use hardball tactics wisely - they may backfire
A Poker Face?

Boxtox injections are now being used by businesspeople and lawyers to eliminate wrinkles that can indicate anger, anxiety or any other emotion that could interfere with closing a deal. A principal at a New York City real estate investment firm believes that Botox increased the value of his closed sales by 10 to 30%.

Hardball Tactics

- Designed to pressure parties to do things they would not normally do
- Signal a decidedly distributive bargaining strategy
- Often effective against poorly prepared negotiators
- Can raise ethical issues
Good Cop/Bad Cop

A (Bad Cop) negotiator presents a threatening/abrasive persona then leaves the negotiation.

Another negotiator plays “good cop” and tries to reach a quick agreement before the bad cop returns.

In some cases, one person can play both good cop and bad cop.

Often leads to concessions.
Dealing with a Lowball/Highball Offer

- Best way to deal with a lowball offer is not to make a response
- DO NOT become “anchored” by a lowball offer
- Proper planning helps you know the proper bargaining range
Dealing with a Lowball/Highball Offer

Proper planning will allow you to:

1. Insist the other party start with a reasonable offer
2. State your understanding of the market value of the item you are negotiating – use facts and figures
3. Threaten to leave the negotiation (briefly or permanently)
4. Respond with an extreme counteroffer
Dealing with Bogey Tactics

- Be well-prepared for the negotiation
- When the other party takes a position counter to what you expected, suspect that a bogey tactic may be in use
- Use probing questions to identify WHY another party values a particular outcome
- Be cautious of sudden reversals, especially late in the negotiation
- Limit your concession offer if the other party has a sudden reversal in position
Dealing with Snow Job Tactics

- Don’t be afraid to ask questions
- For highly technical matters, suggest experts from both sides get together to review the technical details
- Listen carefully to the other party and identify consistent and inconsistent information
  - If one piece of information is inconsistent or incorrect, a negotiator can question the accuracy of the entire set of information
Approaches to Dealing With Hardball Tactics

- **Ignore**
  - Responding to hardball tactics takes energy
  - Not responding is often the best strategy
    - Pretend you didn’t hear/see the tactic
    - Change the subject

- **Acknowledge & Discuss**
  - Tell the other party you know what they are doing and you even know the *specific* tactic they are using
Approaches to Dealing With Hardball Tactics (Continued)

- **Reciprocate**
  - May be appropriate when other responses are not effective
  - Example strategy: “Admit Nothing – Deny Everything – Counter Accuse”

- **Co-opt the Other Party**
  - Try to befriend them before they begin to use hardball tactics
A “Consistency Trap” (pp. 46-47) in the Movies

In “The Big One,” Filmmaker Michael Moore tries to use a “consistency trap” during the course of his “negotiation” with NIKE CEO Phil Knight.