

Mgmt 691 - Negotiations

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I Background

• General

- gifts ~ part of universal language of human relationship + give rise to fundamental reciprocity norms (quid pro quo)
- negotiation –
 - 4 step path → prep + info exchange + explicit bargaining + commitment
 - defn – interactive communication process taking place whenever we want something from someone else or another person wants something from us
 - multi functions (in some societies) ~ entertainment + personal expression
 - hurdles – internal (leaving money on table / being taken / doing too well)
- negotiations norms
 - reciprocity ~ quid pro quo
 - customer satisfaction

II Six Foundations of Effective Negotiations

• 1) Bargaining Style

- 5 basic bargaining styles – descending order of aggressiveness
 - **i)** competitors – want to win → control negotiations
 - **ii)** problem solvers – discover underlying problem + find an elegant solution (perhaps maximizing return to all)
 - ◆ less practical when time is short
 - **iii)** compromisers – goal of maintaining productive relationships with people
 - **iv)** accommodators – resolve interpersonal conflict by solving other person's conflict
 - **v)** conflict avoiders – strongly dislikes interpersonal conflict
 - ◆ may be difficult negotiation opponent b/c constantly defer hard issues
- key point – studies show that effective negotiators are cooperative (rather than competitive)
- 4 key habits to improve negotiating style -
 - **i)** prepare – including during the negotiations → always look for / process info on other parties
 - **ii)** set high expectations – people who expect more get more
 - ◆ key – is to think fully about range of possible outcomes before setting expectations
 - ◆ goal ~ expectations high enough to be a real challenge BUT realistic enough to promote good working relationships
 - **iii)** patiently listen – ask questions + test for understanding + summarize discussions
 - **iv)** commit to personal integrity – this is more of an attitude than commitment to set of rules

• 2) Goals and Expectations

- remember -
 - more specific vision ~ more commitment ~ more likely to achieve
 - have to aim for a goal or will never get there
- process –
 - **i)** think carefully - money is often a means, not an end
 - **ii)** set optimistic / justifiable goals
 - ◆ why do people shoot low? protect self esteem + not enough info (lack of prep) + lack desire (wimp win negotiator focuses only on bottom line)
 - ◆ problem – people often feel bad / discouraged as set higher goals

- ◆ solution – raise goals incrementally
 - ◆ risk – may lower goals if fail
 - ◆ **justifiability** – key is some benchmark
 - > problem – optimistic goal is not justifiable
 - > solution – identify next highest defensible goal
 - > risk – may be making unwarranted assumptions about other side (~ lack of vision)
 - ◆ remember – some dissatisfaction is good
 - **iii)** be specific – don't let fear of failure allow you to set too general goals
 - **iv)** commit self – justify it to self + visualize + write down + show someone else (~ feel accountable to them) + make material investment into goal
 - ◆ e.g., door to door salesman asks customers to fill out orders (helps w/ visualization)
 - ◆ risk ~ paint self into a corner
 - **v)** carry goal with you to negotiation
 - ◆ risk ~ lose sight of goals → winners curse
 - goal v. expectation ~ all about attitude
 - goal = what we strive toward (beyond range of past achievements) + give direction
 - expectations – judgment about what we can / ought to accomplish + give conviction to our statements
 - ◆ reinforced by preparation and info collected
 - why goals are important
 - **i)** set upper bound to what we ask for / expect
 - **ii)** trigger psycho “striving” mechanisms
 - **iii)** we are more persuasive when we are committed (~ enthusiasm & direction ~ **goal effect**)
 - **iv)** in negotiating, humans gravitate toward the focal point having the most psycho significance (especially complex issues) → goals give us a high point to gravitate towards
 - ◆ goal offsets effect of having a bottom line
 - bargaining zone
 - goal ~ highest legitimate expectation
 - **positive bargaining zone** ~ when bottom lines of both parties allow that some agreement is possible
 - **negative bargaining zone** – when bottom lines do not overlap
 - bottom line
 - risk = serves as a focal point toward which humans may gravitate
 - note – may not be fully clear until enter negotiations and understand other side more fully
 - goal – identify other side's bottom line
- **3) Authoritative Standards and Norms**
 - e.g., first come first served, seniority, productivity
 - process – ID relevant standard + define case per that standard + consider interpretations that might favor the other side
 - **consistency principle** – we all want to appear reasonable
 - **normative leverage** – skillful use of standards, norms, coherent positioning to gain advantage / protect a position
 - **consistency trap** – pre-commits you to an innocent standard + confront you with the logical implications thereof
 - tip-off – seeking agreement to a standard without telling you why its important
 - defense – slow pace of negotiations
 - strategy –
 - **a)** anticipate other sides' standards and frame your position within them
 - **b)** if can't within their strategy → gain an audience with different standards (audience = leverage)
 - **4) Relationships**
 - **norm of reciprocity** – duties that people owe one another b/c of past actions
 - note – people have long memories & ST “reciprocity accts” + awareness of future transactions helps build rapport + focus on people issues to move non-people issues along +
 - 3 step code of conduct ~ be trustworthy / reliable yourself + be fair to those who are fair to you + let others know when you think they have treated you unfairly
 - remember – just b/c have power in relationship → not always smart to use it
 - types of relationships
 - **i)** strangers –
 - **ii)** working relationships
 - **iii)** friendship = trouble in negotiations b/c trigger **allocation norms** (~ equality / equal sharing)
 - psychological strategies

- a) similarity principle – people put greater trust in people who seem familiar
- b) gifts / favors – norm of reciprocity + cultural issues + may have more effect b/w unrelated strangers
- c) relationship networks – establishes some familiarity / similarity + cultural issues affect this (less helpful in US than around the world)
- Relationship Traps - trusting too quickly + reciprocity traps + negotiating w/ friends when stakes are high (equality norms leave value on the table)
- key = trust
- 5) Other Party's Interests - Skipped
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- 6) Leverage –
 - derives from - the balance of needs and fears at the bargaining table
 - RoT – greater commercial need means less leverage + self esteem needs c/b as great as commercial needs + improving O/S alts increases I/S leverage + levq often flows to party most familiar / comfortable w/ current situations
 - sources of levq –
 - a) knowing what other side wants
 - b) power to make other side worse off – but threats m/b credible (e.g., cannot hurt maker) + are dangerous to all involved b/c make situation more volatile
 - c) norms / values other side respects
 - d) time – unclear who it benefits, though → extra time forces each side to re-thing their position
 - ◆ by time by establishing communications / relationship
 - solutions –
 - build working relationships
 - make small concessions to build momentum
 - create vision that other side loses if no deal reached – there is no pressure w/o something to lose
 - types of leverage -

III The Negotiating Process

- 1) Preparing Strategy
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- 2) Exchanging Info
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- 3) Opening & making Concessions
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- 4) Closing & Gaining Commitment
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III Ethics in Negotiating

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IV Conclusion – Becoming an Effective Negotiator

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