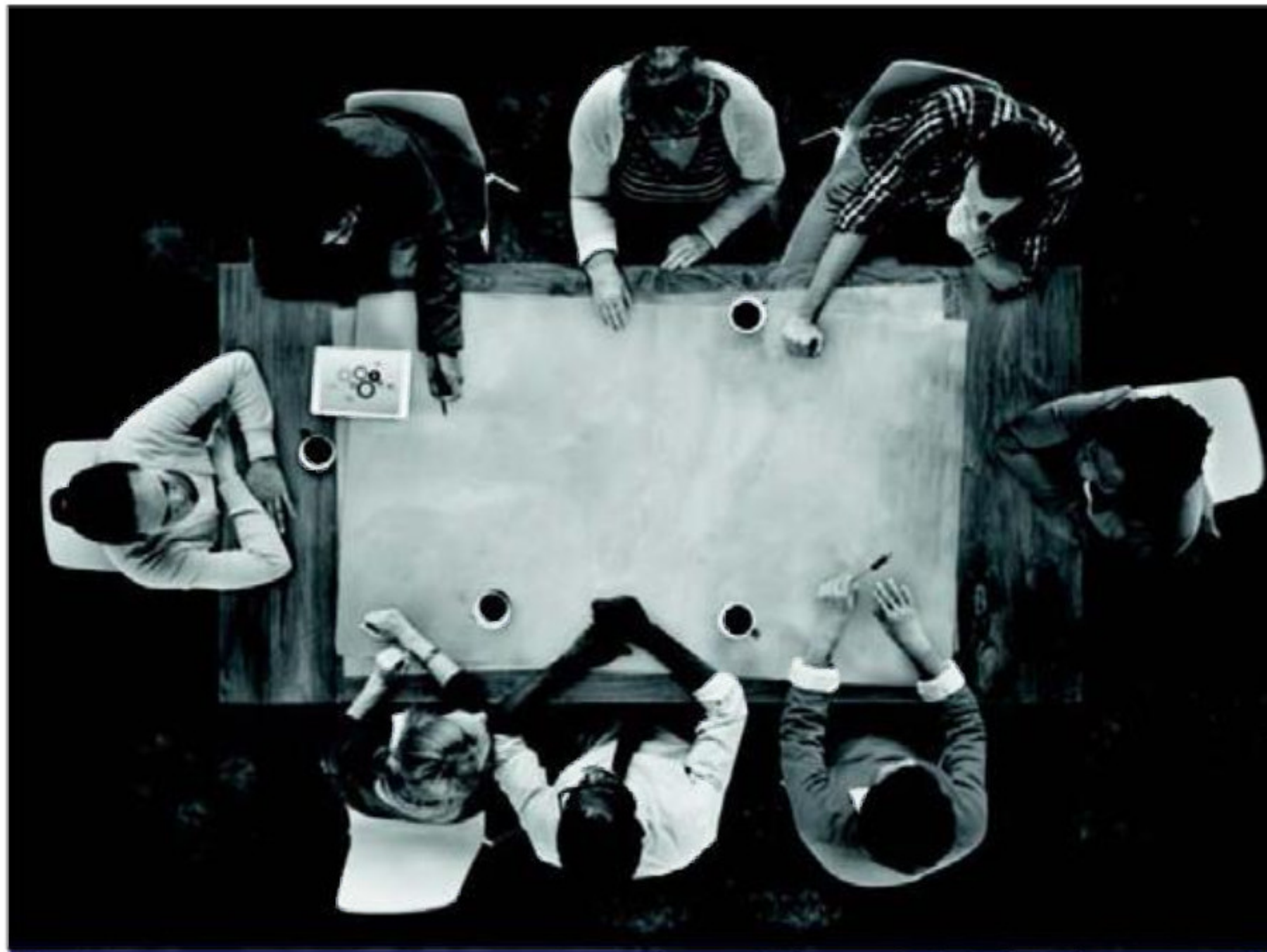


Essentials of Negotiation



LEWICKI | SAUNDERS | BARRY | TASA



Essentials of **Negotiation**

THIRD CANADIAN EDITION

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**Mc
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Education



Essentials of Negotiation

Third Canadian Edition

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*We dedicate this book to all negotiation and mediation
professionals who try to make the world a better place*

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Preface to the Third Canadian Edition

Welcome to the Third Canadian Edition of *Essentials of Negotiation*. This book is our response to the many faculty members and students who have asked for a relatively short and concise yet comprehensive overview of the field of negotiation. The objective of this book is to succinctly provide readers with the core concepts of negotiation. The decision to write this book was prompted by faculty members requesting a book they could use in shorter academic courses and executive education programs or as an accompaniment to other resource materials for courses in negotiation, labour relations, conflict management, human resources management, and the like.

We thank the many reviewers who commented on earlier editions and provided invaluable advice regarding content that would be relevant for Canadian readers. These reviewers provided guidance that ranged from Canadian negotiation examples to judgments about the coverage of specific topics. We have done our best to ensure that this edition meets the needs of Canadian students and instructors of negotiation.

Overview of This Book

The first four chapters introduce the reader to the fundamentals of negotiation. Chapter 1 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 or distributive (win–lose) bargaining (Chapter 2) and the basic dynamics of integrative (win–win) negotiation (Chapter 3). Chapter 4 describes the fundamental preparation that negotiators must do to get ready for a negotiation: selecting the strategy, framing the issues, defining negotiation objectives, and planning the steps to pursue to achieve those objectives. We encourage readers to think of the first four chapters as the basic building blocks of any negotiation.

The next eight chapters explore *advanced topics* on critical negotiation sub-processes. Chapter 5 is new to this edition and covers such topics as gender and personality differences between negotiation parties. In Chapter 6, we discuss how a negotiator's perceptions, cognitions, and emotions tend to shape (and often bias) how the negotiator views and interprets bargaining interaction. Chapter 7 examines two central elements. First, we discuss the processes by which negotiators effectively communicate their interests, positions, and goals, and make sense of the other party's communications. We then look at how communication patterns affect three major concerns critical to

effective negotiations—trust, reputations, and fairness. Next, Chapter 8 focuses on the related issues of power and persuasion in negotiation. The chapter begins by exploring the key sources of power available to most negotiators, and then moves to how negotiators actually exert influence—how they use the tools of communication and power to bring about desired attitude and behaviour changes in the other party. In Chapter 9, we discuss disputes and how parties can use third-party help to get negotiations back on track when things stall.

In Chapter 10 we discuss whether there are, or should be, accepted ethical standards to guide negotiations. We identify the major ethical dimensions raised in negotiation, describe the ways negotiators tend to think about these choices, and provide a framework for making informed ethical decisions. In Chapter 11, we examine how negotiations change when there are multiple parties at the table—such as negotiating within groups and teams—attempting to achieve a collective agreement or group consensus. Chapter 12 introduces the strategies negotiators can use when faced with overly difficult or confrontational counterparts.

Chapter 13, examines how different languages and national culture change the ground rules of negotiation. The chapter discusses some factors that make international negotiation different and how national culture affects the rhythm and flow of negotiation.

In Chapter 14, we tie together the whole book at a broad level. We look back at the wide perspective we have provided and suggest ten best practices for those who want to continue to improve their negotiation skills.

Some other changes are worth noting in this new Canadian edition:

Chapter 5, Individual Differences: Know Yourself and Your Counterpart is new to this edition. We added content on differences in gender, personality, and abilities in response to requests from students and instructors alike to highlight how individual differences affect negotiator behaviour and outcomes.

Chapter 11, Multiparty and Team Negotiations now includes specific guidelines for the roles team members can play when working in a negotiation team.

Chapter Walkthrough

Each chapter opens with Learning Objectives and ends with a Learning Objectives Summary in the end-of-chapter content.

Learning Objectives

The main purpose of this chapter is to introduce the concepts underlying negotiations. After reading the chapter you will be able to:

- LO1** Define *negotiation* and explain the key elements of the negotiation process and the distinction between distributive and integrative negotiation.
- LO2** Describe how people use negotiation in various situations of interdependence.
- LO3** Explain how negotiation fits within the broader perspective of processes for managing conflict.
- LO4** Describe the organization of this book and the contents of its chapters.

Learning Objectives Summary

In this chapter, we have set the groundwork for a thorough and detailed examination of the negotiation process. We began with examples to introduce the variety of negotiations that occur daily and to discuss how we will present material in this book. Our discussion and these examples led us to explore four key elements of the negotiation process: managing interdependence, engaging in mutual adjustment, creating or claiming value, and managing conflict. Each of these elements is foundational to understanding how negotiation works.

- Managing interdependence is about the parties understanding the ways they are dependent on each other for attaining their goals and objectives.
- Concession making and mutual adjustment introduce the ways parties begin to set goals for themselves in a negotiation and adjust to goals stated by the other party to emerge with an agreement that is satisfactory to both.
- Claiming and creating value are the processes by which parties handle negotiation opportunities to share or win a scarce resource or to enhance the resource so both sides can gain.

Negotiation Point boxes appear throughout the chapters and can be used to emphasize the pedagogical value of certain key points in the text and highlight findings from recent empirical research.

1.1
Negotiation Point

When You Shouldn't Negotiate

There are times when you should avoid negotiating. In these situations, stand your ground and you'll come out ahead.

When you'd lose the farm:
If you're in a situation where you could lose everything, choose other options rather than negotiate.

When you're sold out:
When you're running at capacity, don't deal. Raise your prices instead.

When the demands are unethical:
Don't negotiate if your counterpart asks for something you cannot

Tables, figures, and cartoons elaborate on concepts discussed.

TABLE 3.1
Refocusing Questions to Reveal Win–Win Options

Expanding the Pie

1. How can both parties get what they want?
2. Is there a resource shortage?
3. How can resources be expanded to meet the

Logrolling

1. What issues are of higher and lower priority to
2. What issues are of higher and lower priority to
3. Are there any issues of high priority to me that other negotiator, and vice versa?
4. Can I unbundle an issue—that is, make one larger smaller ones that can then be logrolled?
5. What are things that would be inexpensive for the other negotiator to get that might be used

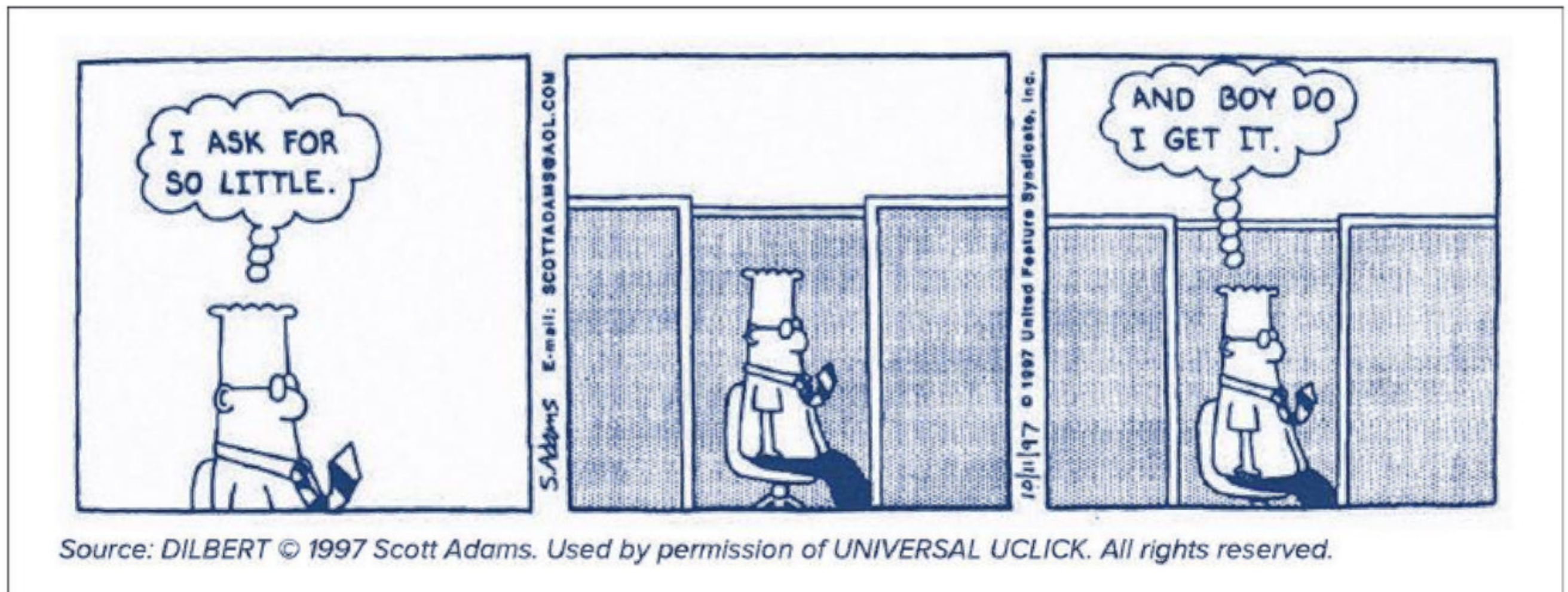
Nonspecific Compensation

Alex's target point is not too far away (in fact it is \$280,000, but John doesn't know this) and has no idea of her resistance point (\$310,000). This information—what Alex knows or infers about John's positions—is represented in [Figure 2.1](#).

FIGURE 2.1 The Situation between Alex and John

\$270K	\$275K	\$280K	\$285K	\$290K	\$295K	\$300K	\$305K	\$310K
Alex's Opening Offer	John's Resistance Point	Alex's Target Point				John's Asking Price		Alex's Resistance Point

The figure also illustrates another important concept, the spread between the resistance points, called the **bargaining zone**, or *zone of potential agreement*. In this area the



Key terms highlight important terms relevant to negotiation.

An understanding of the Pareto efficient frontier produces two additional insights. First, there is a tension between value creating and value claiming. This tension, sometimes called the **negotiator's dilemma**, was described by Lax and Sebenius several decades ago as follows: "No matter how much creative problem solving enlarges the pie, it must still be divided; value that has been created must be claimed."⁹ This should make clear that your desire to be a co-operative value creator should not be your exclusive focus. It is important, to be sure, but you must always remember to claim your share as well.

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- View assignments and resources created for past sections.
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INSTRUCTOR RESOURCES

Lewicki, *Essentials of Negotiation*, 3rd Canadian edition Connect, was prepared by Dr. Chris Galea, St. Francis Xavier University.

The **Instructor's Manual**, prepared by Kevin Tasa, Schulich School of Business, York University, accurately represents the text's content and supports instructor's needs.

The **PowerPoint slides**, prepared by Kevin Tasa, Schulich School of Business, York University, highlight key concepts and Learning Objectives from each chapter.

The **Computerized Test Bank**, prepared by John Amendola, Seneca College, is a flexible and easy-to-use electronic testing program that allows instructors to create tests from a book-specific question bank. Instructors may add their own questions, as well.

Manager's HotSeat Videos

The **Manager's HotSeat** is a resource that allows students to watch real managers apply their years of experience to confronting management and organizational behaviour issues. Students assume the role of the manager as they watch the video and answer multiple choice questions that pop up during the segment, forcing them to make decisions on the spot. Students learn from the managers' unscripted mistakes and successes, and then do a report critiquing the managers' approach by defending their reasoning. The Manager's HotSeat is ideal for group or classroom discussions.

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Roy J. Lewicki

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Kevin Tasa



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CHAPTER 1

The Nature of Negotiation

Learning Objectives

The main purpose of this chapter is to introduce the central concepts underlying negotiations. After reading the chapter you should be able to

LO1

Define *negotiation* and explain the key elements of a negotiation process and the distinct types of negotiation.

LO2

Describe how people use negotiation to manage situations of interdependence.

LO3

Explain how negotiation fits within the broader perspective of processes for managing conflict.

LO4

Describe the organization of this book and the contents of its chapters.

Consider the following scenarios:

In 2012, American industrial corporation Caterpillar, Inc. announced to workers in the London, Ontario, locomotive manufacturing plant that unless they accepted a 50% pay cut, the plant would be shut down. In spite of efforts by the union and local and provincial governments, just over a month later the plant was shut down and all work moved to a facility in Indiana.

In the fall of 2014, a bitter dispute between teachers and the province of British Columbia led to students missing more than four weeks of classes. Only after the conflict was resolved and students went back to class was it revealed that a secret meeting between Premier Christy Clark and Jim Iker, president of the B.C. Teachers' Federation, helped break the logjam. Both sides later agreed that the substantive issues causing the problem were not addressed in the meeting. Instead, the meeting was all about trust. With both sides agreeing that a negotiated settlement was in everyone's best interests, the teams were sent back to the table. Five days later, they reached a deal.

Janet and Jocelyn are roommates. They share a one-bedroom apartment in a big city where they both work. Janet, an accountant, has a solid job with a good company, but she has decided to go back to school to get her MBA. She enrolled in an evening MBA program and is now taking classes. Jocelyn works for an advertising company and is on the fast track. Her job requires not only a lot of travel but also a lot of time socializing with clients. The problem is that when Janet is not in evening class, she needs the apartment to be quiet to get her work done. However, when Jocelyn is in the apartment, she talks often on the phone, brings friends home for dinner, and is either getting ready to go out for the evening or coming back home very late (and making a lot of noise). Janet has had enough of this disruption and is about to confront Jocelyn.

Finally, consider the experience of Canadian automobile consumers. Surveys consistently report that buying a car is a stressful experience, with one survey indicating that 59% of people find dealing with the salesperson the most stressful part. In spite of widely available information on pricing and vehicle information that puts power in the hands of consumers, most people still dread the purchase experience.

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 have 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 to 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 high as a province-wide strike, sometimes people negotiate for major events, like a new job, and other times they negotiate for relatively minor details, such as who will wash the dishes.

Negotiations occur for several reasons: (1) to agree on how to share or divide a limited resource, such as land, property, or time; (2) to create something new that neither party could do alone; 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 negotiable situation. By choosing options other than negotiation, they may fail to achieve their goals, to get what they need, or to manage their problems as smoothly as they might like to. Even when people recognize the need for negotiation, they may negotiate 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 important, be able to maximize your results.

Becoming a Better Negotiator

Before we begin to dissect the complex social process known as negotiation, we will explain our approach to this subject and how you can use this book to improve your negotiation skills.

First, our insights into negotiation are drawn from three sources. The first is our 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, newspapers, magazines, and the Internet—which report on actual negotiations every day. We will use quotations and examples from the media throughout the book to highlight key points, insights, and applications. Finally, the third source of our knowledge is the wealth of social science research that has been conducted on numerous aspects of negotiation. There is a massive and still-growing collection of good research in the field of negotiations, and a primary purpose of this book is to help you understand the theory and process of effective negotiations that have emerged (and are emerging) from all that careful study. This research has been conducted in the fields of economics, psychology, political science, communication, labour relations, law, sociology, and anthropology. 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 an endnote that will include complete reference details for that work. (You will find endnotes for each chapter at the back of the book.)

Second, we need to highlight the importance of practice, reflection, and analysis. As you progress through this book, you will realize that the skills you are learning are appropriate in some situations but not others. Sometimes it is better to open a negotiation with an aggressive first offer, and sometimes it is better to continue gathering information before putting an offer on the table. How do you decide what to do? The answer will have to wait until the next chapter. However, our main point here is that to master the skill of knowing when and how to make opening offers, you need to experiment with different approaches,

reflect on how your counterpart responds, and assess whether or not your approach needs to be modified. Trying to become a better negotiator without practice, reflection, and analysis would be like learning to read music without practising an instrument—valuable knowledge, to be sure, but probably not your goal.

Third, we offer a few words of encouragement. Despite the widespread perception to the contrary, good negotiators are made, not born. Even if your natural instinct is to run away from negotiation situations, you experience sweaty palms just thinking about the process, or you have little confidence in your ability to negotiate, don't worry. Our experience as negotiation researchers and teachers consistently shows that even the most nervous and the shyest individuals have the potential to increase their confidence and ability through careful study and practice. It may surprise you that even seasoned executives often fail to reach optimal deals. Experienced negotiators are not necessarily better, partly because the real world contains so few sources of accurate feedback that can help people improve their skills. The barriers to reaching the best deals are many, but after reading this book you will be in a much better position to overcome those barriers, help your counterparts see the barriers differently, and make all parties involved better off.

Finally, many people assume that negotiation is all about the give-and-take process used to reach an agreement. While that give-and-take method is extremely important, negotiation is a 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. Although the back-and-forth process of negotiation is usually more exciting than careful planning and preparation, we urge you to keep in mind that outcomes are often largely determined by factors that exist externally.

The rest of this chapter provides an overview of key negotiation concepts and introduces the chapters that follow. After defining the main characteristics of negotiation situations, we will briefly discuss the topics of interdependence, mutual adjustment or concessions, value claiming and creating, and conflict. Although each topic is addressed in more detail later, gaining a basic understanding of them now will help you appreciate the more subtle aspects that follow.

Characteristics of a Negotiation Situation

LO1 Define *negotiation* and explain the key elements of a negotiation process and the distinct types of negotiation.

What do we mean by *negotiation*? We will use the term **negotiation** to refer to decision-making situations in which two or more interdependent parties attempt to reach agreement. We negotiate whenever we cannot achieve our objectives single-handedly.¹