

# Chapter 1

## The Nature of Negotiation

### Overview

This chapter is the foundation for the nature of negotiations. Friends, children, businesses, police, nations, everyone negotiates almost daily. Negotiations occur for two reasons: (1) to create something new that neither party could do on his or her own, or (2) to resolve a problem or dispute between the parties. Perspectives used to understand different aspects of negotiations include theory, research from economics, psychology, political science, communication, labor relations, law, sociology, and anthropology.

### Learning Objectives

1. Authors' style and approach.
2. Characteristics of a negotiation situation.
3. Interdependence in negotiation.
4. Mutual adjustment throughout negotiations and making and interpreting concessions.
5. Value claiming and value creation.
6. Definition and levels of conflict.
7. Major strategies for conflict management.

### I. Authors' Style and Approach

#### A. Use of terminology.

1. Bargaining: describes the competitive win-lose situations (haggling).
2. Negotiation: refers to win-win situations (to find mutually acceptable solutions).

#### B. "Heart of Negotiation" – give-and-take approach.

1. Give-and-take is extremely important, but negotiation is a very complex social process, where many of the most important factors that shape the negotiation occur *before* the negotiation, or shape the context *around* the negotiation.

#### C. Insights drawn from three sources.

1. Personal experience.
2. Media – television, radio, newspaper, magazine, and Internet.
3. Social science research.

### II. Joe and Sue Carter

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An illustrative tale of negotiation.

### III. Characteristics of a negotiation situation

#### A. Characteristics common to all negotiation situations.

1. There are two or more parties, individuals, groups or organizations.
2. There is a conflict of needs and desires between two or more parties, and the parties must search for a way to resolve the conflict.
3. Parties negotiate because they think they can get a better deal by negotiating than by simply accepting what the other side will voluntarily give them or let them have.
4. When negotiating, a give-and-take is expected. To reach an agreement, both sides will modify their opening statement to find a middle ground; they compromise.
5. The parties prefer to negotiate and search for agreement rather than to fight openly, have one side dominate and the other capitulate, permanently break off contact, or take their dispute to a higher authority to resolve it.
6. Successful negotiation involves the management of *tangibles* and also the resolution of *intangibles*.
  - a) Tangible factors: the price or the terms of agreement.
  - b) Intangible factors: The underlying psychological motivations that may directly or indirectly influence the parties during a negotiation. They have an enormous influence on negotiation processes and outcomes, so it is crucial for negotiators to understand how they affect decision making and tangible outcomes. Examples of intangible factors include:
    - (1) The need to “win” or avoid losing.
    - (2) The need to look “good” to those you’re representing.
    - (3) The need to defend an important principle or precedent in a negotiation.
    - (4) The need to appear “fair” or “honorable” or to protect one’s reputation; and
    - (5) The need to maintain a good relationship.

### IV. Interdependence

- A. Working interdependently allows parties to achieve a possible outcome that is better than they could achieve by working on their own.
- B. Most relationships between parties may be characterized in one of three ways: independent, dependent, or interdependent.

1. *Independent* parties are able to meet their own needs without the help and assistance of others.
2. *Dependent* parties must rely on others for what they need; the dependent party must accept and accommodate to that provider's whims and idiosyncrasies.
3. When the parties depend on each other to achieve their own preferred outcome they are *interdependent*; they are characterized by interlocking goals.

C. Types of interdependence affect outcomes.

1. The interdependence of people's goals, and the *structure* of the situation in which they are going to negotiate, strongly shapes negotiation processes and outcomes.
  - a) Zero-sum distributive: Competitive situation where there is only one winner.
  - b) Non-zero-sum integrative: Goals are linked to achieve a mutual gain.

D. Alternatives shape interdependence.

1. BATNA: Best Alternative to a Negotiated Agreement.
  - a) Whether you should or should not agree on something in a negotiation depends upon the attractiveness of your best available alternatives.
  - b) Negotiators need to understand their BATNA, as well as the other parties'.

## V. Mutual Adjustment

A. Interdependent parties have an influence on the others' outcomes and decisions. As parties act to influence each other in a negotiation, they engage in a mutual adjustment.

1. It is important to recognize that negotiation is a process that transforms over time, and mutual adjustment is one of the key causes of the changes that occur during a negotiation.
2. An example would be to look at Sue Carter's job situation. She would like to leave her present employer and take an available job at a large multinational bank. The job description announced the salary as "competitive." Her prospective manager, Max, perceives her as a desirable candidate and is ready to offer her the job. She did not state her minimally acceptable salary. She has decided the bank will pay no more than necessary and that her minimum would be accepted quickly.
  - a) A closer look reveals that she is making her decision on how she anticipates Max will react to her actions.
  - b) Sue is assessing the indirect impact of behavior on herself.
  - c) Sue is choosing among behavioral options with a thought: not only how they will affect Max, but also how they will then lead Max to act toward Sue.
  - d) Sue knows that Max believes she will act in this way and makes her decision on the basis of this belief.