**Chapter 1**

**The Nature of Negotiation**

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 or during court litigation. 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 dramatic as bankruptcy proceedings or violent protests, everyone negotiates; sometimes people negotiate for major things like a new job, other times for relatively minor things, 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, or property, or time; (2) to create something new that neither party could do on his or her own, 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 negotiation situation. By choosing options other than negotiation, they may fail to achieve their goals, get what they need, or manage their problems as smoothly as they might like to. People may also recognize the need for negotiation but do 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 importantly, be able to maximize your results.

**Learning Objectives**

The main purpose of this chapter is to provide an overview of negotiation and introduce the chapters that follow. After reading the chapter you should be able to:

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

**2.** Describe how people use negotiation to manage situations of interdependence.

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

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

# Becoming a Better Negotiator

## Sources of Authors’ insight into negotiation

### Experience as negotiators

### Media

### Social science research

## Negotiator Skill Development

### Practice

### Reflection

* + 1. Analysis

## “Heart of Negotiation” - give-and-take approach

### 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.

1. **Characteristics of a Negotiation Situation**
   1. 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 position to find a resolution, which usually involves a 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*.
         1. *Tangible factors*: the price or the terms of agreement
         2. *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; and
            4. The need to appear “fair” or “honorable” or to protect one’s reputation.
2. **Interdependence**
   1. Working interdependently allows parties to achieve a possible outcome that is better than they could achieve by working on their own.
   2. Most relationships between parties may be characterized in one of three ways: independent,dependent, or interdependent.
      1. When the partiesdepend on each other to achieve their own preferred outcome they are *interdependent*; they are characterized by interlocking goals.
      2. *Independent* parties are able to meet their ownneeds without the help and assistance of others.
      3. *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. 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.
         1. Zero-sum distributive: Competitive situation where there is only one winner.
         2. Non-zero-sum integrative: Goals are linked to achieve a mutual gain.
   4. Alternatives Shape Interdependence
      1. BATNA: Best Alternative to a Negotiated Agreement
         1. Whether you should or should not agree on something in a negotiation depends upon the attractiveness of your best available alternatives.
         2. Negotiators need to understand their BATNA, as well as the other parties’.
3. **Making Concessions**
   1. 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 thatnegotiation is a process that transforms over time, and mutual adjustment is one of the keycauses of the changes that occur during a negotiation
      2. The effective negotiator needs to understand how peoplewill adjust and readjust, and how the negotiations might twist and turn, based on one’s ownmoves and the others’ responses.
      3. Mutual adjustment and concession making
         1. When one party alters his/her position based on the other party’s suggestion to do so, a concession has been made.
         2. Concessions constrain the bargaining range
      4. Two dilemmas that all negotiators face in mutual adjustment:
         1. Dilemma of honesty – how much of the truth to tell the other party?
         2. Dilemma of trust – how much should negotiators believe what the other party tells them?
      5. Two efforts that help a negotiation create trust and beliefs:
         1. Outcome perception
         2. Process perception
      6. The pattern of give-and-take is also essential to joint problem solving in most interdependent relationships. The process through which an agreement is reached determines satisfaction with the negotiation, as much as the actual outcome reached.
4. **Value Claiming and Value Creation**
   1. Distributive bargaining
      1. The purpose this type of negotiation is to *claim value*—to do whatever is necessary to claim the reward or gain the largest piece possible.
   2. Integrative bargaining
      1. The purpose of this approach to negotiation is to *create value*, or find a way for all parties to meet their goals and share the reward.
   3. Most negotiations are a combination of claiming and creating value. There are significant implications to this:
      1. Negotiators must be able to recognize situations that require one approach or the other
      2. Negotiators must be versatile in their comfort and use of both strategic approaches.
      3. Negotiator perceptions of situations tend to be biased toward seeing problems as more distributive / competitive than they really are.
   4. Successful coordination of interdependence has the potential to lead to synergy, which is the notion that “the whole is greater than the sum of its parts.”
   5. Lax and Sebenius in their book “The Manager as Negotiator,” describe key differences among negotiators:
      1. Differences in interests,

2. Differences in opinions,

3. Differences in risk aversion, and

4. Differences time preference.

* 1. Negotiators need to be aware of the potential differences between them can serve as barriers to reaching an agreement. Exploring common and different interests to create value can set the foundation for a lasting agreement.

1. **Effective Conflict Management**
   1. Dual Concerns Model
      1. Concern 1 – Concern about their own outcome (assertiveness dimension)
      2. Concern 2 – Concern about the other’s outcomes (cooperativeness dimension)
   2. 5 Major strategies for conflict management
2. Contending/Competing/Dominating (bottom right corner)
   1. High concern for own outcomes, low concern for other’s outcomes
3. Yielding/Accommodating/Obliging (upper left corner)
   1. Low concern for own outcomes, high concern for other’s outcomes
4. Inaction/Avoiding (lower left corner)
   1. Low concern for own outcomes, low concern for other’s outcomes
5. Problem Solving/Collaborating/Integrating (upper right corner)
   1. High concern for own, high concern for other’s outcome

Historically, focus on managing conflict was a push toward cooperation, however, recent research indicates that each of the 5 major strategies has advantages and disadvantages.

**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 definition and these examples lead 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. Mutual adjustment introduces the ways parties begin to set goals for themselves in a negotiation and adjust to goals stated by the other party in order 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. Finally, managing conflict helps negotiators understand how conflict is functional and dysfunctional. It involves some basic strategies to maximize the benefits of conflict and limit its costs.

These four processes are central to any negotiation, and they serve as the foundation for our expanded treatment of this subject. In the remainder of this chapter, we provide an overview of our broader approach by introducing the overall organization and chapters in the book.