

Institute for Leadership Development

Negotiation Training

Dr. Rasmus Tenbergen

© 2007: ILD / Rasmus Tenbergen



Definition of Negotiation

**Negotiation is
joint decision-making.**

Relevance of Negotiation

Why are negotiations so important?

Everybody negotiates every day.

The Harvard Negotiation Concept

How should one negotiate?

Oriented on Principles
(Harvard Negotiation Project)

Analysis Appleton vs. Baker

- Best results
- BATNA and ZOPA
- No deal?
- The opening bid
- Ratification
- Honesty
- “Take it or leave it”

BATNA and ZOPA

BATNA: best alternative to negotiated agreement

ZOPA: zone of possible agreement



The Tendley Contract

- Rescope the task
- Think long term
- Seek outside resources
- Invent creative options
- Build workable packages

Closing a Gap

- Risk of playing the wrong game
- Need for joint problem solving
- Requires mutual commitment
- Disclosure of needs
- „Trading on differences“ (!)

Creating and claiming value

- **Creating value and claiming value**
- **The size of the pie**
- **My piece of the pie**
- **Expanding the pie**

Negotiation Styles

Soft versus hard:

- Soft negotiation: focus on integrative aspect
- Hard negotiation: focus on distributive aspect

Hard and Soft Negotiation

Soft Bargaining?	Hard Bargaining?
Participants are friends.	Participants are adversaries.
The goal is agreement.	The goal is victory.
Make concessions to cultivate the relationship.	Demand concessions as a condition of the relationship.
Be soft on the people and the problem.	Be hard on the problem and the people.
Trust others.	Distrust Others.
Change your position easily.	Dig into your position.
Make Offers.	Make threats.
Disclose your bottom line.	Mislead as to your bottom line.
Accept one-sided losses to reach agreement.	Demand one-sided gains as the price of agreement.
Search for the single answer: the one they will accept.	Search for the single answer: the one you will accept.
Insist on agreement.	Insist on your position.
Try to avoid a contest of wills.	Try to win a contest of wills.
Yield to pressure.	Apply pressure.



Creating and Claiming Value

Claiming value: divide the pie

Creating value: expand the pie

Trading on Differences

The orange example: skin or fruit?

The why-question (Fisher and Ury)

Trading on differences (Lax and Sebenius)

Win - Win

“Behind opposed positions lie shared and compatible interests, as well as conflicting ones. We tend to assume that because the other side’s positions are opposed to ours, their interests must also be opposed. If we have an interest in defending ourselves, then they must want to attack us.

....

In many negotiations, however, a close examination of the underlying interests will reveal the existence of many more interests that are shared or compatible than ones that are opposed.”

Fisher and Ury

Does Principled Negotiation Ignore the Distributive Aspects of Negotiation?

Principled Negotiating

Too “soft”?

Hard against Soft

Principled Negotiating

Soft Bargaining?	Hard Bargaining?	Principled Negotiation
Participants are friends.	Participants are adversaries.	Participants are problem solvers.
The goal is agreement.	The goal is victory.	The goal is wise outcome reached efficiently and amicably.
Make concessions to cultivate the relationship.	Demand concessions as a condition of the relationship.	SEPERATE PEOPLE FROM THE PROBLEM.
Be soft on the people and the problem.	Be hard on the problem and the people.	Be soft on the people, hard on the problem.
Trust others.	Distrust Others.	Proceed independent of trust.
Change your position easily.	Dig into your position.	FOCUS ON INTERESTS NOT POSITION.
Make Offers.	Make threats.	Explore interests.
Disclose your bottom line.	Mislead as to your bottom line.	Avoid having a bottom line.
Accept one-sided losses to reach agreement.	Demand one-sided gains as the price of agreement.	INVENT OPTIONS FOR MUTUAL GAIN.
Search for the single answer: the one they will accept.	Search for the single answer: the one you will accept.	Develop mutual options to choose from; decide later.
Insist on agreement.	Insist on your position.	INSIST ON OBJECTIVE CRITERIA.
Try to avoid a contest of wills.	Try to win a contest of wills.	Try to reach a result based on standards independent of will.
Yield to pressure.	Apply pressure.	Reason and be open to reasons; yield to principle not pressure.



Too “soft”?

“...the book’s emphasis upon mutually profitable adjustment, on the ‘problem solving’ aspect of bargaining, is also the book’s weakness.

It is a weakness because emphasis of this aspect of bargaining is done to almost total exclusion of the other aspect of bargaining, ‘distributional bargaining’, where one for me is minus one for you...”

White

Hard against Soft

Hard beats soft because soft accepts all demands to reach an agreement.

Hard and hard cannot reach agreement because they do not want to give in.

Soft and soft reach a mutual acceptable agreement.

Principled Negotiation and the Negotiator's Dilemma

The Negotiator's Dilemma

Prisoner's Dilemma

Applied Prisoner's Dilemma

The Winner

The Successful Negotiator

The Challenger: Pavlov

Defense

The Negotiator's Dilemma





Best case: I claim the value the other party creates

Second best case: We both create value

Third best case: We both claim value

Worst case: The other side claims the value I create

Prisoner's Dilemma

	<u>Row player 1:</u> cooperate (soft, creating value) 	<u>Row player 2:</u> defect (hard, claiming value) 
<u>Column player 1:</u> cooperate (soft, creating value) 	R = 3, R = 3 Reward for mutual cooperation	S = 0, T = 5 Sucker's payoff and temptation to defect
<u>Column player 2:</u> defect (hard, claiming value) 	T = 5, S = 0 Temptation to defect and sucker's payoff	P = 1, P = 1 Punishment for mutual defection

R: reward *S: sucker*
T: temptation *P: punishment*



Applied Prisoner's Dilemma

Axelrod's computer tournaments

The evolution of cooperation

The easiest system won

The Winner

Tit-for-Tat:

- Start with cooperation
- Mirror counterpart's move from previous round

The Successful Negotiator

- Be nice
- Don't be envious
- Don't be too complex
- Be provokable AND able to forgive

The Challenger: Pavlov

Win stay, lose shift

Defense

Is the “Harvard-Concept“ naive?

In defense of principled negotiation

Escalation and the spiral theory

In Defense of Principled Negotiation

Why People do not Cooperate

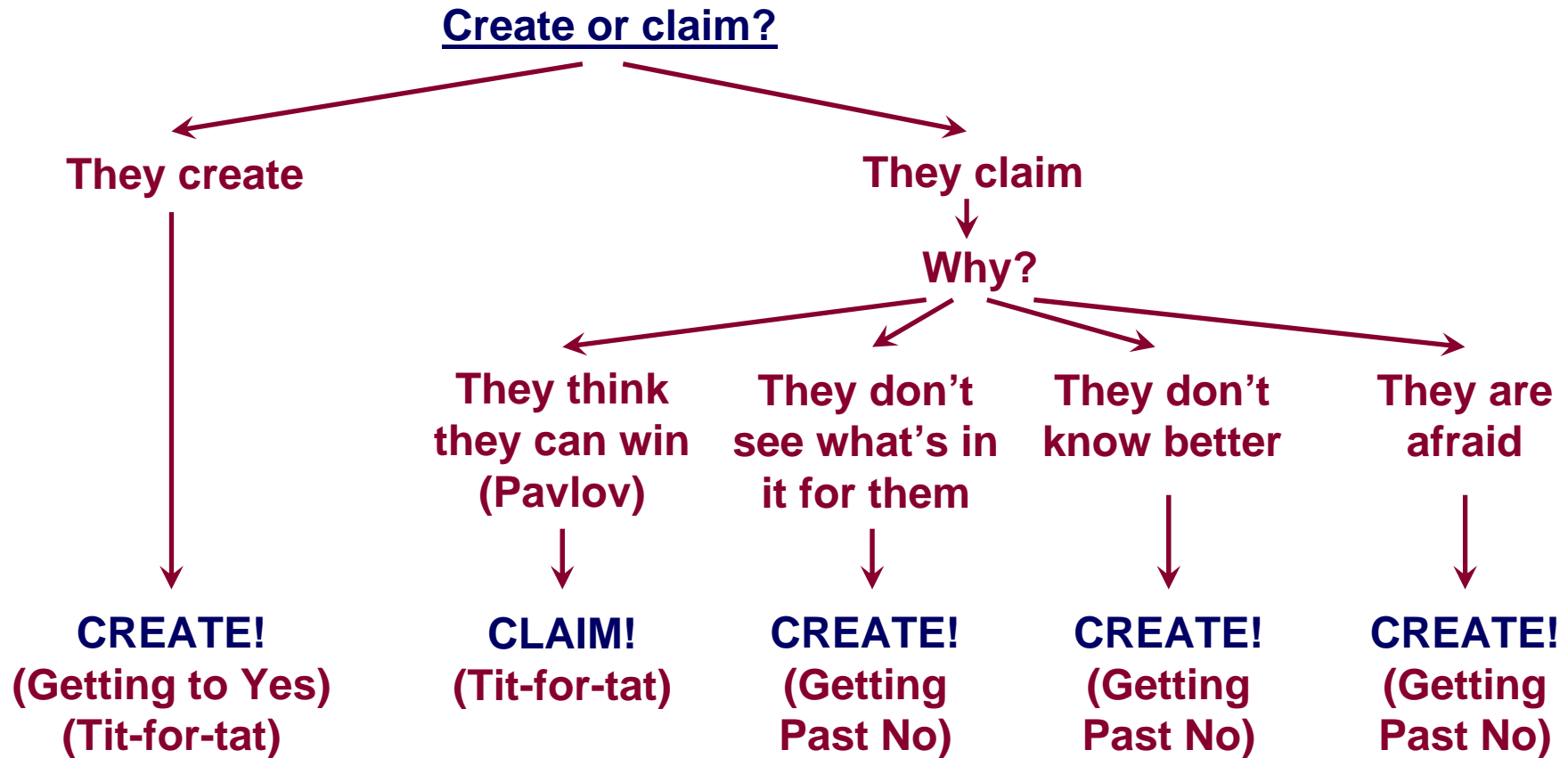
Creating or Claiming Value?

Misperception

Why people do not cooperate (Ury)

1. They are afraid
2. They don't know better
3. They don't see what's in it for them
4. They think they can win

Creating or Claiming Value?



Misperception (Dixit & Nalebuff)

Round:

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Player 1:

C	C	C	C	D	C	D	D	D	D
---	---	---	---	---	---	---	---	---	---

Misper-
ception

Misper-
ception

Player 2:

C	C	C	D	C	D	D	D	D	D
---	---	---	---	---	---	---	---	---	---

C: cooperation

D: defection

Conclusion / Recommendation

Conditional openness (Lax and Sebenius)

A “hardened” version of the “Harvard-Concept”

“conditional principled negotiation” (Tenbergen)

Contents of a More Detailed Learning

Principled Negotiation

Concepts

The Harvard Approach

Structure

Principled Negotiation

The Harvard Concept of Principled Negotiation

Everyone is a negotiator, every day. The Harvard concept of principled negotiation offers a method to optimize negotiations (defined as collective decision-making).

Participants learn the skills of principled negotiation to apply them successfully to their own negotiations.

Participants learn to identify "win-win options" and to overcome obstacles to agreement.

Concepts

Basic concepts of negotiation:

Introduction to decision analysis

The importance of the BATNA (Best Alternative to Negotiated--Agreement)

The evolution of cooperation in a competitive environment

Creating and claiming value

The Harvard Approach

Hard and soft negotiation styles

Distinguishing between positions and interests

Objective criteria in negotiations

How to expand the pie

Simulations of different negotiation situations

Structure

Basics and simulation of different case studies are based on material of the Harvard Project on Negotiation.

Reflections on individual negotiations and preparation of individual case studies.

Simulation and analysis of prepared case studies including feedback and individual coaching.

Participants get a detailed documentation of the seminar material.

Common Mistakes in Negotiations (Sebenius)

The Effective Negotiator

How to Become One

Mistake 1 - 6

The Effective Negotiator

Could you be a more effective negotiator?

*“Like many executives, you know a lot about negotiating.
But still you fall prey to a set of common errors.
The best defence is staying focused on the right problem to solve.”*

Sebenius: "Six Habits of Merely Effective Negotiators"

How to Become One

How does one become a brilliant negotiator?

First, you must learn to solve the right negotiation problem.

“Understanding your counterpart’s interests and shaping the decision so the other side agrees for its own reasons is the key to jointly creating and claiming sustainable value from a negotiation.”

To do this, ensure that you are aware of and do not make the following common mistakes of many negotiators.

Mistake 1

Neglecting the other side's problem

In order to negotiate effectively, you must understand your own interests and no-deal options. However, understanding and addressing your counterpart's problem as a means to solving your own, is just as important.

“If you want to change someone's mind, you should first learn where that person's mind is.”

Mistake 2

Letting price bulldoze other interests

Negotiators who only pay attention to price turn potentially positive deals into negative ones. It is important to acknowledge that economics are not everything in negotiations – there are a number of competing interests. Learn how such factors as: the importance of the relationship, the social contract, the process and the interests of the full set of players, play a part in your negotiations.

Mistake 3

Letting positions drive out interests

“Interests are underlying concerns that would be affected by a solution.”

An effective negotiation process is the reconciliation of underlying interests. Through joint problem solving, you should be able to meet both parties' sets of interest, and thus, make a mutually beneficial deal.

Mistake 4

Searching too hard for common ground

When negotiating, people often become caught up in finding common ground, however, the most frequently overlooked sources of value arise from differences among the parties. Differences of interest or priority can open the door to finding different elements and giving each party what it values most, at the least cost to the other.

“While common ground helps, differences drive deals.”

Mistake 5

Neglecting BATNAs

A BATNA is the course of action a party would take if the proposed deal were not possible. BATNAs set the threshold that any acceptable agreement must exceed. A strong BATNA is a necessary negotiation tool, and can serve as leverage to improve the deal. However, it is crucial to assess both your BATNA and the other party's BATNA as well.

Mistake 6

Failing to correct for skewed vision

Even if you avoid the above five problems, a negotiation can go horribly wrong if you make one of the following errors:

- **Self-serving role bias** – where one gets too committed to his / her own point of view.
- **Partisan perceptions** – the inability to see biased perceptions, both on your side and the other side.
- **To prepare effectively for negotiation, one must undertake competitive research and reality-test their views with independent parties to ensure the elimination of biased vision.**

Pareto-Efficiency

Distribution in which the result for one party cannot be improved without making it worse for one other party

Go North East!

Three Parties

$$A + B + C \rightarrow 121$$

$$A + B \rightarrow 118$$

$$A + C \rightarrow 84$$

$$B + C \rightarrow 50$$

Objective Criteria

1. Algebra (76 / 42 / 8)
2. Equal Distribution (40,3 / 40,3 / 40,3)
3. Shapley Value (57,3 / 40,3 / 23,3)

Algebra

$$A + B = 118$$

$$A + C = 84$$

$$B + C = 50$$

$$76 + 42 = 118$$

$$76 + 8 = 84$$

$$42 + 8 = 50$$

$$A = 76$$

$$B = 42$$

$$C = 8$$

Shapley Value

<u>A</u>		<u>B</u>		<u>C</u>	
B	- 118	A	- 118	A	- 84
C	- 84	C	- 50	B	- 50
B + C	- 71	A + C	- 37	A + B	- 3
C + B	- 71	C + A	- 37	B + A	- 3
A + B	- 0	B + A	- 0	C + A	- 0
A + C	- 0	B + C	- 0	C + B	- 0
	344		242		140
	: 6		: 6		: 6
	= 57,3		= 40,3		= 23,3

Harborco

	ZHAG	HAK	GWS	PFULL	ISK	MP	Total
BATNA	55	31	50	50	65	30	281
A1	14	0	15	0	0	14	43
A2	8	4	20	22	11	8	73
A3	0	10	0	45	5	0	60
B1	11	0	0	0	0	12	23
B2	7	0	0	25	20	8	60
B3	0	0	0	55	25	0	80
C1	0	12	42	0	0	24	78
C2	5	8	35	0	2	18	68
C3	10	6	25	0	4	12	57
C4	17	0	0	0	9	0	26
D1	35	0	30	0	10	40	115
D2	29	8	20	0	26	30	113
D3	20	13	10	0	40	23	106
D4	0	18	0	0	0	0	18
E1	0	60	2	0	4	0	66
E2	5	45	4	0	8	2	64
E3	10	30	6	0	15	4	65
E4	15	15	8	0	12	7	57
E5	23	0	0	0	0	10	33

Other Consensus No deal
 aspects = 10 = 160, against > 31 x 0.8= 10



Harborco Options

1. No deal:

Harborco 55, Other 150, Union 50, Env 50, Fed 65, Gov 30

2. Original:

Other 0, Env 0 → failed

3. Consensus (f. e. A1 B3 C2 D2 E3):

Harborco 68, Other 46, Union 76, Env 55, Fed 68, Gov 66

4. Anti-Env (f. e. A2 B2 C2 D2 E3):

Harborco 65, Others 50, Union 81, Env 47, Fed 74, Gov 68

5. Anti-Union (f. e. A1 B3 C4 D2 E2):

Harborco 65, Others 53, Union 19, Env 55, Fed 68, Gov 46

6. Anti-Others (f. e. A1 B3 C2 D3 E5):

Harborco 62, Others 21, Union 60, Env 55, Fed 67, Gov 65

Cross-Cultural Complications (The Mouse)

Partisan perceptions

Expectations

Interpretation

Negotiation Style

Literature Cross-Cultural Negotiations

F.L. Acuff (1993): How to Negotiate Anything with Anyone Anywhere Around the World, New York

G. Faure and J. Rubin (eds.) (1993): Culture and Negotiation, Newbury Park

G. Fisher (1980): International Negotiation: A Cross-Cultural Perspective, Chicago

S. Weiss and W. Stripp (1985): Negotiating with Foreign Businesspersons. An Introduction for Americans with propositions on Six Cultures, New York

Preparation of a Negotiation (I)

1. Interests: my / others
2. Issues: how many?
3. Parties: how many?
4. Possible results: value (for me / for others)
5. Options to enlarge the pie
6. Prepare cooperation test

Preparation of a Negotiation (II)

Parties/ Possible Results	P1	P2	P3	Pn
BATNA	Value x	x	x	x
R1	x (in relation to BATNA)	x	x	x
R2	x	x	x	x
Rn	x	x	x	x

Definition Mediation

Mediation is a process in which a neutral third party assists two or more disputants to reach a voluntary, negotiated settlement of their differences.

Lewis and Singer

Resolving Disputes Continuum

- **Negotiation**
- **Mediation**
- **Adjudication**
- **Violence**

Outline of the Mediation Process (Patton)

- **Advantages of mediation**
- **Goals of mediation**
- **Principled negotiation process**
- **Goals of the opening statement**
- **Elements of the opening statement**
- **Goals of the joint session**
- **Techniques**
- **Purposes for caucusing**
- **Closure and drafting**

Advantages of Mediation

- **More time**
- **More participation**
- **More accommodation of emotional needs**
- **More flexibility of relief**
- **More ownership**
- **Better and sooner compliance**

Goals of Mediation

- **To help the parties separate relationship from substance**
- **To elucidate their interests**
- **To focus their attention on options that take into account both sides` interests**
- **To develop independent objective standards for choosing among such options**

Goals of the Opening Statement

- **Establish your credibility**
- **Set the parties' expectations**
- **Put people at ease**
- **Assess ownership of and responsibility for the process and its success on the parties**
- **Set the ground rules**

Elements of the Opening Statement

- Introduction
- Explanation of the process (voluntary, your role, advantages, confidentiality)
- Ground rules (plaintiff first, no interruption, confidential notes, private meetings)
- Status of any agreement (if yes, binding, if no judge will start from scratch)
- Questions

Goals of the Joint Session

- **Get out the facts**
- **Discuss options**
- **Adjust the relationship between the parties**
- **Make proposals**
- **Reach agreement**
- **Put your role and ground rules into practice**

Techniques

- To generate options without commitment
- To get information that they will only tell you confidentially
- To ask tough questions without compromising your sense of impartiality
- To ask questions the answer to which you do not want the other party to hear
- To explore BATNA's and vulnerabilities
- To translate the concerns of one side to the other
- To educate a party
- To try out possible solutions

Closure and Drafting

- **Do not procrastinate: write it down and get it signed**
- **Avoid premature optimism**
- **Give the parties ownership**
- **Rather than writing out agreements, focus on immediate implementation**
- **Get as much implementation as you can at the time of the agreement**
- **Make the agreement as forward-looking as possible**
- **Be persistent**

Literature

- K. G. Allred and B. Mandell (2000): Positive Illusions That Backfire: The Implications of Viewing Yourself as More Cooperative Than Your Counterpart Views You. Paper presented at the June, 2000 meeting of the International Association of Conflict Management in St. Louis, MO
- K. G. Allred (2000): Distinguishing Best and Strategic Practices: A Model of Prescriptive Advice for Managing the Dilemma between Claiming and Creating Value. Paper presented at the June, 2000 meeting of the International Association of Conflict Management in St. Louis, MO
- R. Axelrod (1984): The Evolution of Cooperation, New York 1984
- R. Axelrod (1997): The Complexity of Cooperation. Agent-Based Models of Competition and Collaboration, Princeton 1997
- A.K. Dixit and B. J. Nalebuff (1991): Thinking Strategically. The Competitive Edge in Business, Politics, and Everyday Life, New York 1991
- R. Fisher and W. Ury (1991): Getting to Yes, New York 1991
- R. Fisher (1992): A Note on Tit-for-Tat, Cambridge 1992
- S. B. Goldberg, Frank E. A. Sander and Nancy H. Rogers (1999): Dispute Resolution. Negotiation, Mediation, and Other Processes, New York 1999
- D. Lax and J. Sebenius (1986): The Manager as Negotiator, New York 1986
- M. Novak and K. Sigmund (1993): A Strategy of Win-Stay, Lose-Shift That Outperforms Tit-for-Tat in the Prisoner's Dilemma Game, in: Nature 364, 56-58
- H. Raiffa (1982): The Art and Science of Negotiation, Cambridge 1982
- J. Sebenius (1992): Negotiation Analysis: A Characterization and Review, in: Management Science, Volume 38, Number 1, January 1992, 18-38
- J. Sebenius (2000): Dealmaking Essentials: Creating and Claiming Value for the Long Term, Boston 2000
- R. Tenbergen (2001): Principled Negotiation and the Negotiator's Dilemma: Is the "Getting To Yes"- Approach too soft? Paper presented at the Interdisciplinary Conference on Negotiation, Harvard University, May 2001
- W. Ury (1991): Getting Past No, New York 1991
- J. White (1984): The Pros and Cons of "Getting to Yes", in: 34 Journal of Legal Education 115

Contact

Dr. Rasmus Tenbergen
Institute for Leadership Development

Höhenweg 17, D-53347 Alfter

Tel: +49-(0)2222-977584 Fax: +49-(0)2222-977585

E-mail: rt@ifld.de Internet: www.ifld.de