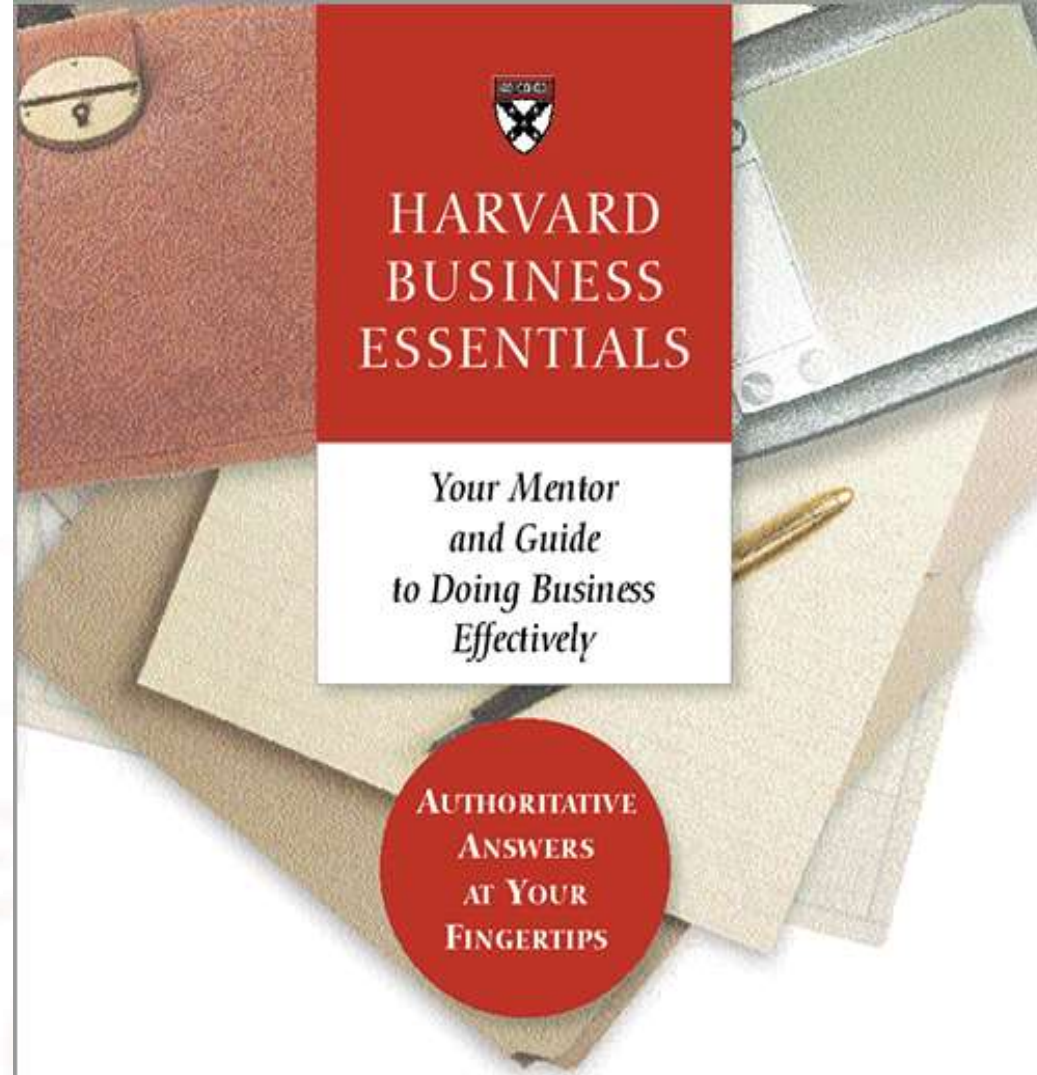


Harvard Business Essentials

Negotiation



Negotiation

What is a 'negotiation'?

negotiate*:

*“seeking mutual agreement
through dialogue and exchange”*

* *negotius* (latin) = to carry on business

Everybody negotiates

- Institutional negotiation
 - countries (signing treatments)
- Professional negotiation
 - colleagues (carrying out tasks)
 - employer-employee (wage, working conditions)
 - salesman-customer (price and terms)
- Personal negotiation
 - parents-kids (school performance)

Types of negotiation

Types of negotiation

Distributive
Negotiation

Integrative
Negotiation

The biggest piece of the pie

Distributive negotiation

- *win-lose game*
- allocating a specific amount
- my profit is your loss
- *competition: who benefits more?*



the...apple pie paradigm

In business

The *Michael Scott Paper Company* is gaining clients by offering lower prices than *Dunder Mifflin*, but is going broke in the process. However, *Dunder Mifflin* is losing clients to him, and is desperate to buy him out.



OK, so you're not going to reveal in any way

Components of success

Anchoring at first offer

- outcome is often associated with the first offer
- first offer sets the range of negotiation

Keep it secret

- hide info corporate/personal
- the other part should know that there are alternatives in case of failure

Components of success(II)

Study carefully

- research on the preferences and priorities of the other part
- form first offers based on it

Avoid overdoing it

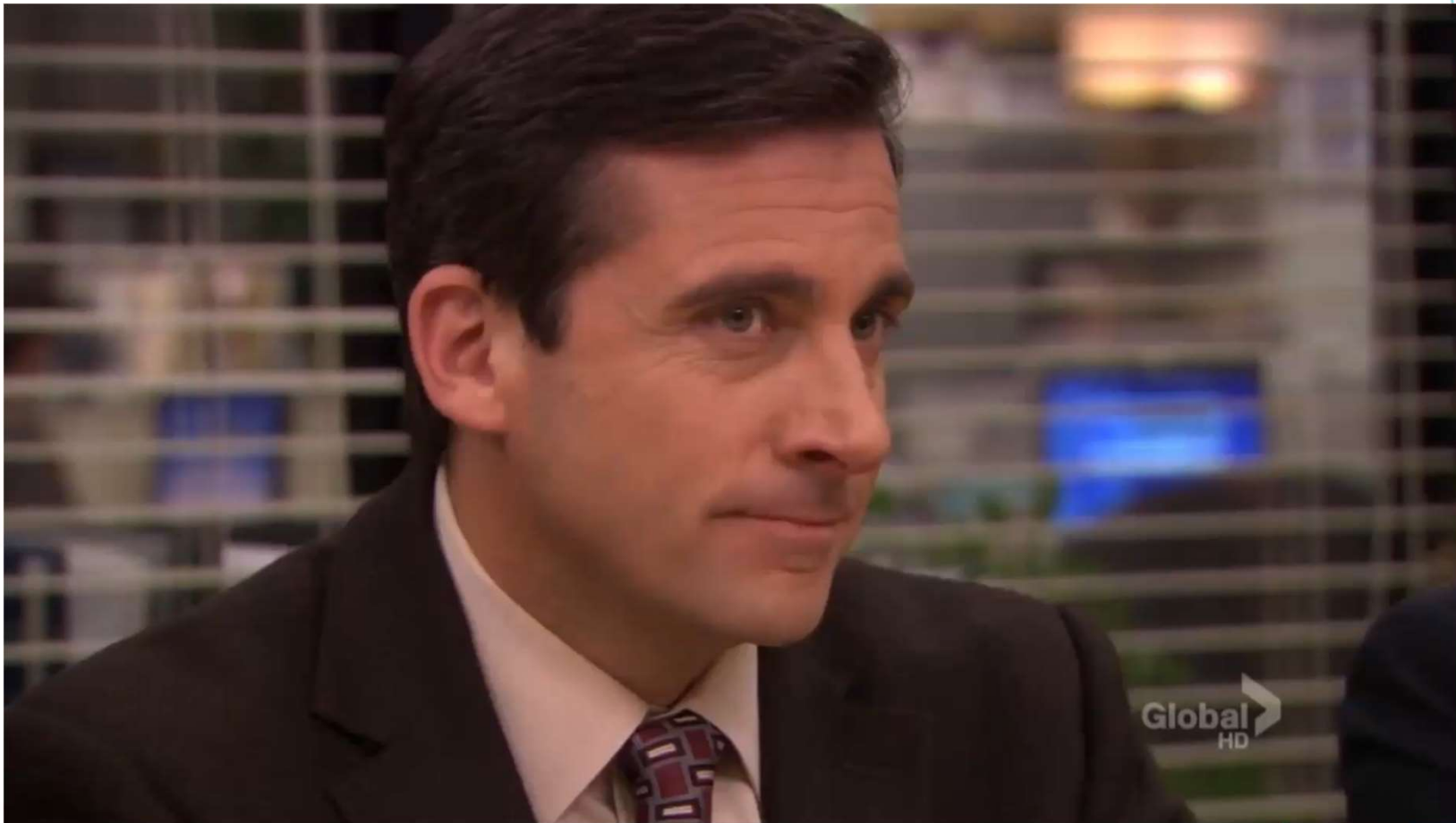
- No feelings like greed and aggressiveness
 - might end negotiations abruptly

Bigger pie

Integrative negotiation

- *win-win game* -but not always
- dual target
 - a) creating and maximizing profits for the parts
 - b) claiming a share
- creative choices
- not strictly competitive, rather more cooperative

In business (II)

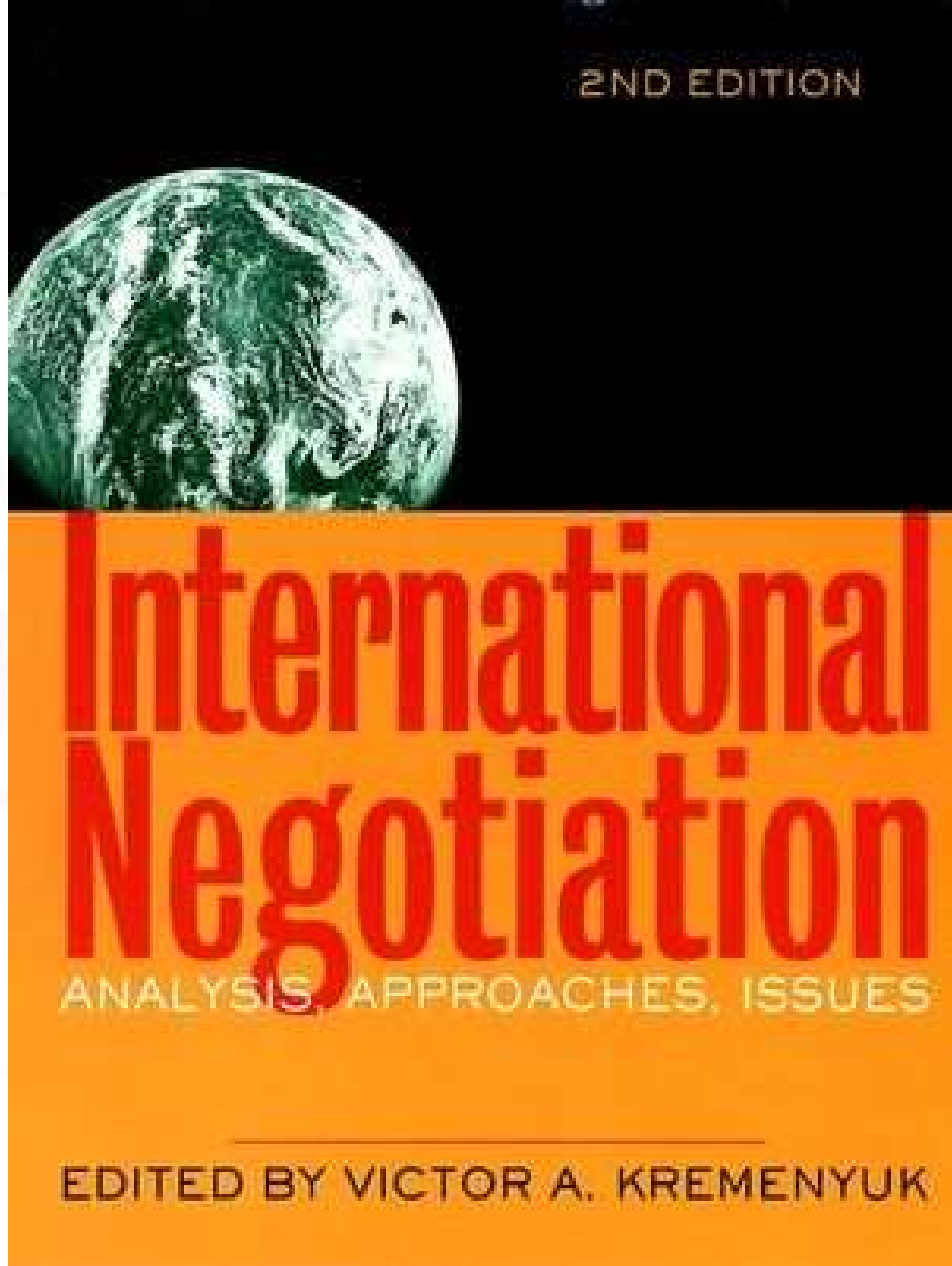


'Broke' Season 5, Episode 23. The Office (2005-2013).

Talk open?

- Mutually beneficial solutions require exchange of information
 - status
 - reasons
 - interests
 - constraints
 - preferences
- What might be interesting for the other side to add it on the table
- Info on creative alternatives close to the interests of both parties

The Psychological Approach to (International) Negotiation



2ND EDITION

International Negotiation

ANALYSIS, APPROACHES, ISSUES

EDITED BY VICTOR A. KREMENYUK

Human beings vs human beings

- «*To understand and control a negotiation we need to understand and control participants*»
- Individual behavior depends upon three factors
 - idiosyncratic
 - environmental
 - interaction between individual-environment
- Negotiations cannot resolve conflict, yet may settle it
- How can this happen by altering attitudes

What I believe, not what happens

- «Economic» approach of negotiation

How are *objective differences* resolved
(e.g. game theory)

- «Psychological» approach of negotiation

How are *subjective differences* resolved

- Attitudes in negotiation are determined by
 - facts
 - my view on facts
- Our beliefs, perceptions and hypotheses matter

Psychological approach

- Psychological approach
 - focuses on the process
 - how do human interact
- A's offer and whether B accepts it isn't the only thing that matters
 - what were the previous offers of A
 - what does B expect that A does in the future
 - do A and B fit
 - what do others do
- International negotiations do not differ from individual ones in terms of psychology

Negotiators - humans..

- Why don't we negotiate freely and honestly, without external influences, so that *everybody* knows *everything* and we all attain the best possible outcome?
- Negotiating parts are human beings
- All beings in nature use information to survive
 - look for signals
 - hide information (e.g. position) to distract and avoid danger

Cognitive theory

- How does cognition affect negotiation
- Evidence shows that we are not behaving according to the 'rational' paradigm
- How can irrational behavior be explained
- Negotiators have to look for signals to extract information
 - look for causes and motives

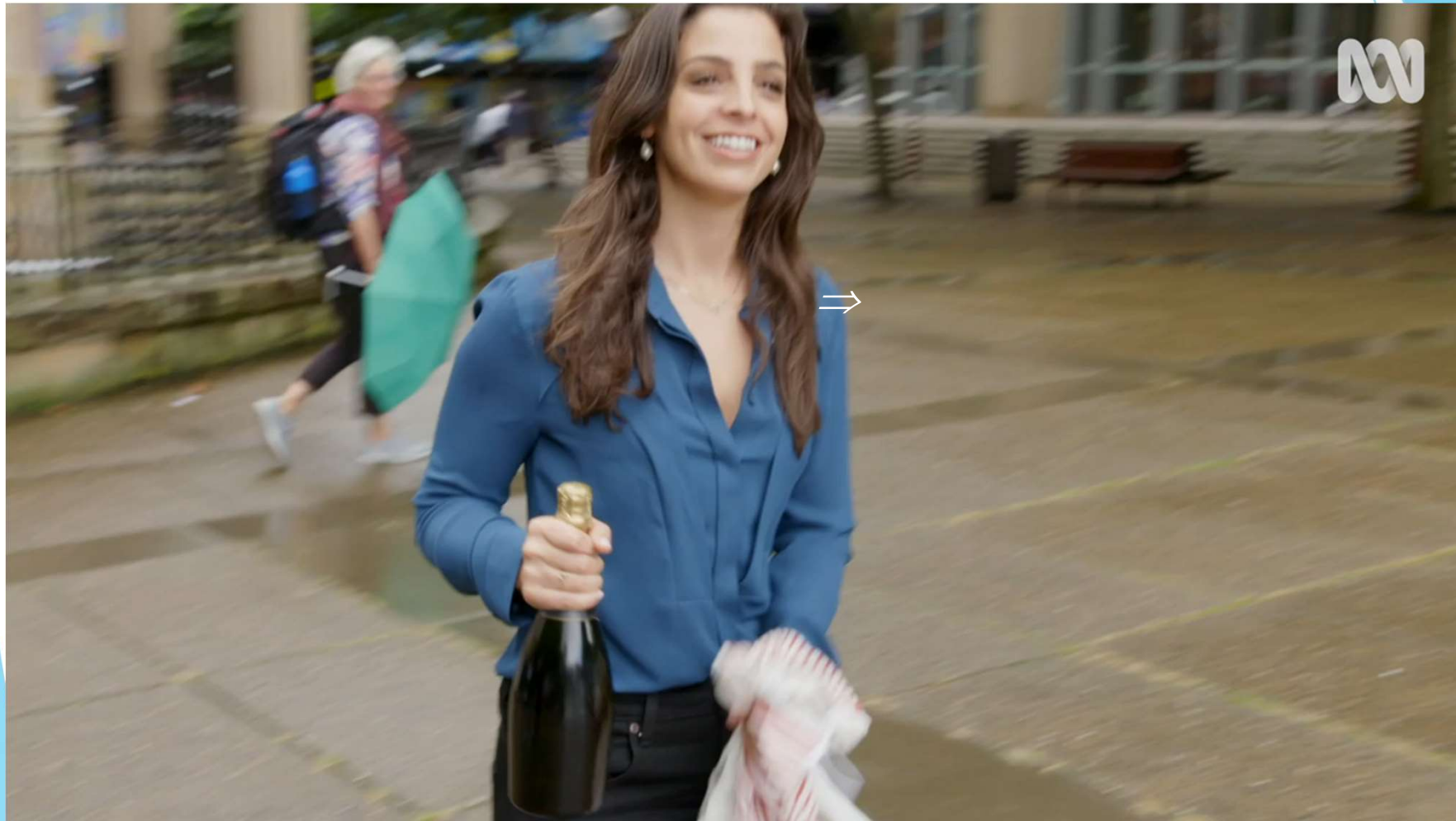
The Cognitive Heuristics principle

- Complex information \Rightarrow wrong assessment
- We form «knowledge structures» to guide us on our behavior and that of others, eg
 - anchoring (discover some initial guideline)
 - availability (recall what is more convenient)
 - representativeness (draw the most obvious conclusion)
- Unavoidable “evil” in a complex world

The psychology of the negotiator

- Does not know everything and infers from himself
- Overestimates his capabilities and underestimates those of others (try assessing your work and the same work done by others..)
- Presume behaviors and trigger them: «why are defensive?» (*distorted hypothesis testing*)
- Simplify things: good-evil, black-white, with us or against us (*stereotypical distortion*)
- Look for historical analogies (*base rate fallacy*)

Psychology and our decisions...



Fight to persuade

- How do we form our views?
 - no absolute authority nowadays
 - interactive groups of individuals, companies etc
 - authority is constantly questioned
- You need to persuade to attain a goal
 - confidence (trust, knowledge)
 - understand the audience
 - arguments
 - communication

Key powers

- power: ability to possess resources and control or impose decisions
 - asymmetry: *I will make him an offer he cannot refuse (Mafia)*
- influence: the mechanism to impose power
- persuasion: agreement with consent
 - the process that changes or enforces positions, opinions or attitudes of others

Epilogue: What does the course (not) cover

- International negotiations ☒
- Psychological theories of influence (advertising - neuromarketing!, political communication, health etc) ☒
- Corporate decision making ☒
- **Psychological methods of influence and persuasion with applications in negotiations** ✓
 - *Scientific theories and studies* ✓
 - *Applications in negotiations* ✓
 - *Negotiation techniques in practice* ✓