

Mastering the Negotiation Process

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Kukui Nuts Negotiation Overview

- You work for a pharmaceutical company (Felix or Sabrina)
- You are attending an industry conference
- You have arranged a (legal) meeting to talk about Kukui nuts with your counterpart
- Ideally, the outcome of this meeting would be an agreement between the two companies



The Win-Win Solution

- Focusing on underlying interests, not stated positions
 - Position: what I want (3000 nuts)
 - Interest: why I want it (need the oil to make shampoo, need the saponin to treat AIDS)
- Create value for both sides
 - Felix extracts oil, Sabrina extracts saponin
 - Both get access to 3000 nuts



Discussion

- How did your conversation lead you to discover the different interests (oil vs. saponin) ?
- If you didn't discuss the different interests, why not?



Two Types of Negotiations

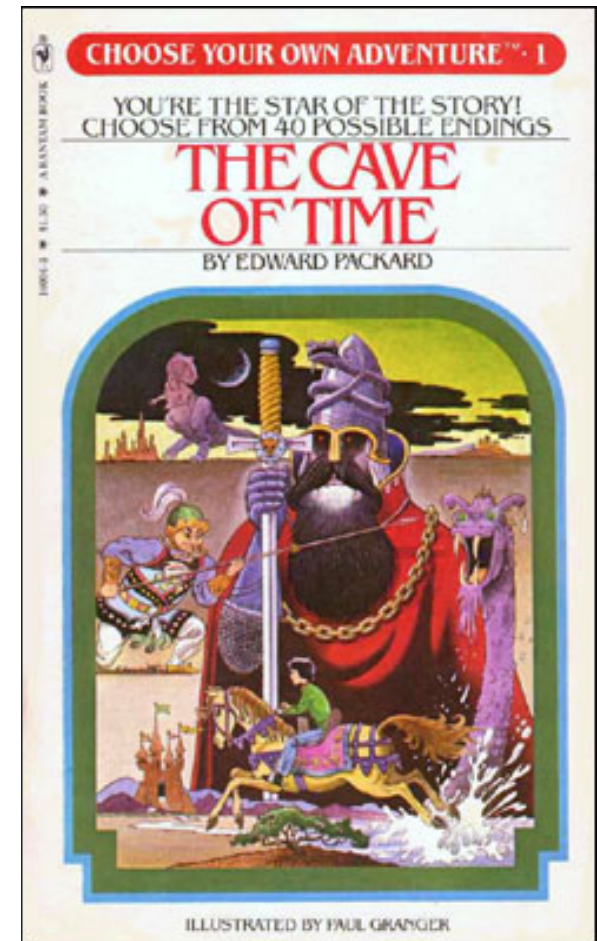
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	Distributive (Competitive)	Integrative (Collaborative)
Goal	Claim Value Win/Lose (Zero-Sum)	Create Value Win/Win
Focus	Individual Gain	Joint Gain
Style	Positional: Rights/Power Based	Principled: Interest Based
Complexity	Single-Issue	Multi-Issue
Relationship	Short-Term	Long-Term



Topics for Discussion

- Strategies for single-issue negotiations (e.g., nuts, price, time)
- Strategies for multi-issue negotiations
- Managing truth and lies in negotiation
- Rapid fire q & a



Single Issue (Distributive) Negotiations

- Negotiation over a single issue is win-lose (or zero-sum) by definition
- Often called a “fixed pie” negotiation
 - Size of pie is fixed, and your goal is to get the biggest possible slice



Strategies for Single Issue Negotiations

1. Plan

- Aspirations, Reservations, and BATNAs
- Yours and theirs



Planning 101

Before You Negotiate

- What is my alternative to reaching agreement?
 - Identify your BATNA (and always work to improve it)
 - Better alternative, claim more value
- What do I want?
 - Set your aspiration point
 - Aim high, higher aspirations = claim bigger share of bargaining zone
 - Consider whether relationship is one-time or ongoing
 - Do your research, don't just make up a goal
- What can I live with?
 - Set reservation point, based on quantitative assessment of your alternative

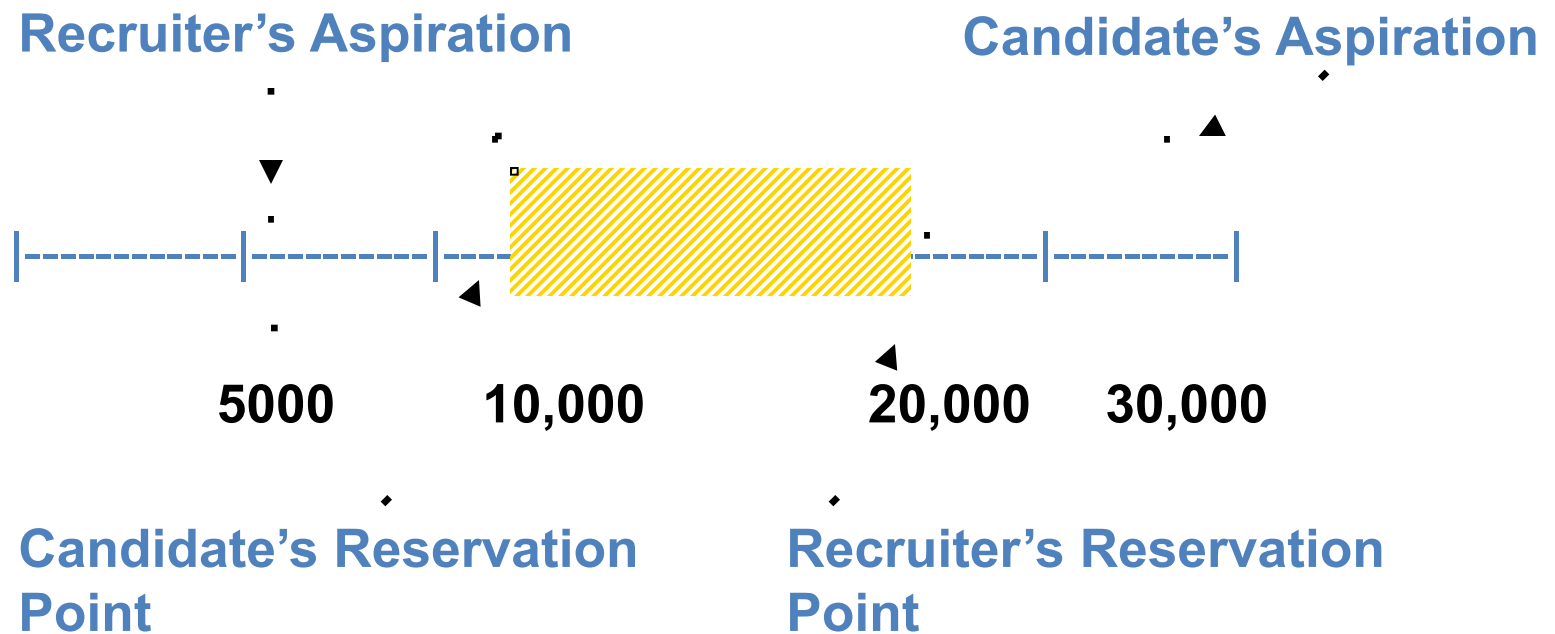
Terminology

BATNA

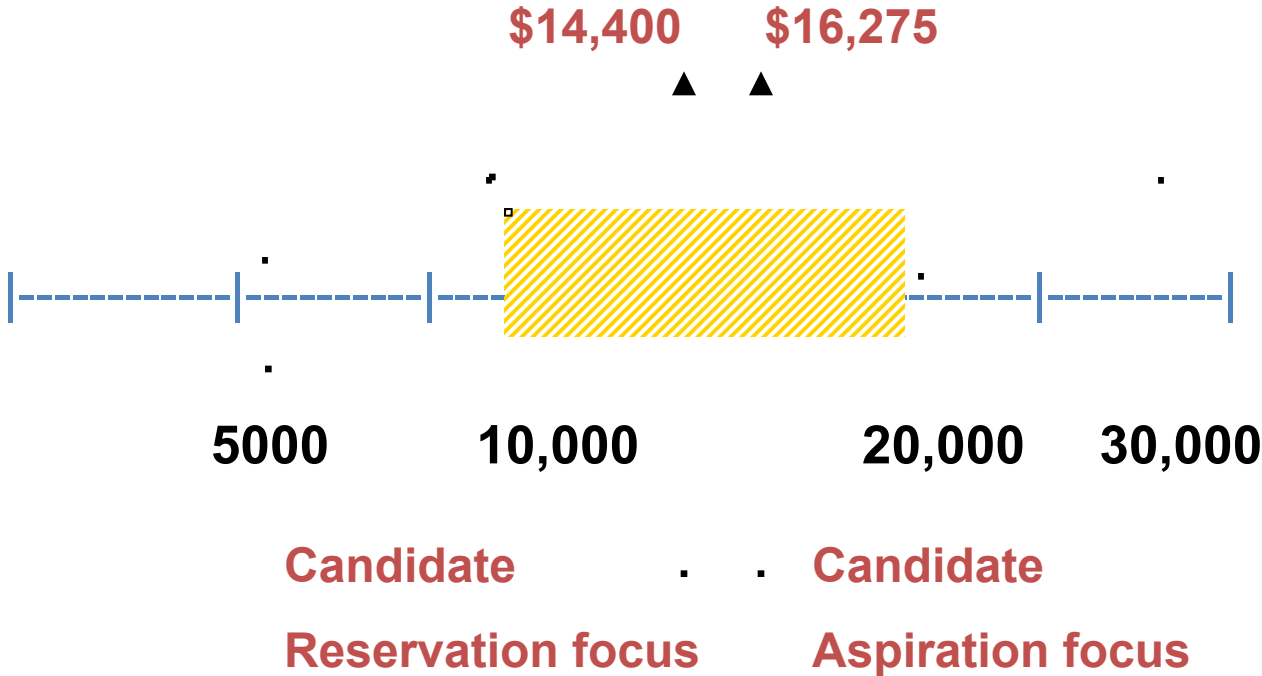
Aspiration point

Reservation point

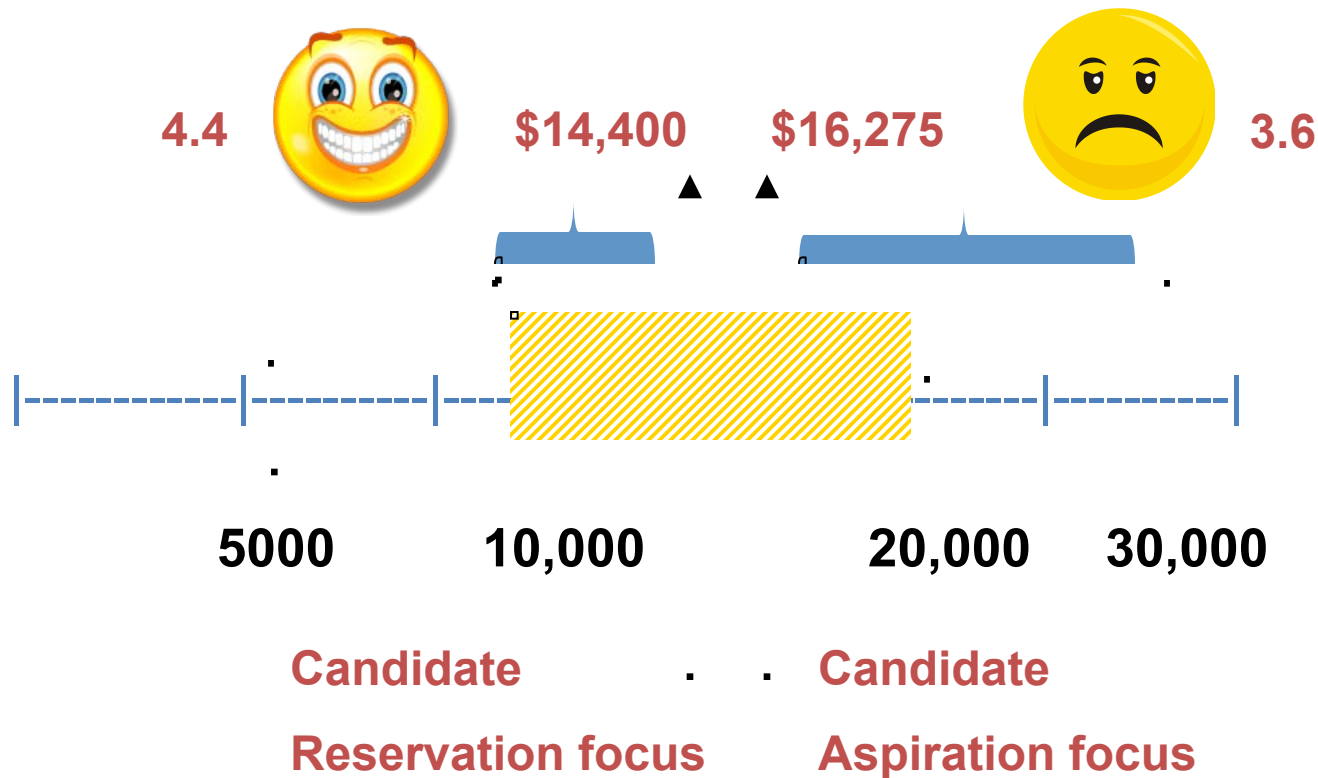
Negotiating Over a Signing Bonus



Aspiration Focus = Do Better



Aspiration Focus = Feel Worse



How satisfied are you with your deal? 1-7 scale

Olympic Medalists Can Be Affected, Too



Source: Medvec et al., 1995

Strategies for Single Issue Negotiations

1. Plan

- Aspirations, Reservations, and BATNAs
- Yours and theirs

2. Focus on your aspiration

3. Who should make the first offer? You or them?



Make the First Offer

The person who makes the first offer in a distributive negotiation usually claims a larger slice of the bargaining zone

- Recipients use the first offer as an anchor, and don't adjust enough
- First offers account for more than 50% of variance in final outcomes



Source: Galinsky & Mussweiler, 2001

Why First Offers Work

- Take advantage of anchoring
 - Put the first offer on the table, and make it advantageous to you
- Additional benefit of anchoring
 - High first offer allows you to make large concessions, appearing flexible (invoke norm of reciprocity)
- Risk of first offers
 - If the offer is too “crazy”, counterpart may walk away
 - If the offer is too “sane”, you will leave \$ on the table
 - Goal is not to get a “yes.” Goal is to get a “no” but keep them interested
 - Want to place your first offer near your counterpart’s reservation point
 - To do this, you need good information

What If They Beat You To It?

- To avoid anchoring, your first offer needs to be planned in advance
- What if their first offer is really good? Should you accept it?
- No! As long as you both view the exchange as a bargaining situation, your counterpart is usually willing to negotiate
- Counteroffering...
 - Improves your outcome
 - Surprisingly, increases your counterpart's satisfaction with outcome (they avoid winner's curse)



“While I’m not going to let you telecommute, to make you feel more at home I will bring in some screaming kids and dogs if it makes you more productive.”

Strategies for Claiming Value

1. Plan
2. Focus on your aspiration
3. Make the first offer
4. Manage your concessions



Manage Your Concessions

1. Know the midpoint rule: The best predictor of the final deal price is the midpoint of the first semi-reasonable offer and counter-offer. Plan in advance to converge your concessions to a desirable outcome.
2. Beware large concessions! Medium concessions trigger reciprocity, but large concessions indicate that there is more to come.
3. Signal the end of the road: Make smaller and smaller concessions over time to indicate that you are reaching your limit before having to walk away.
4. Get credit for your concessions
 - Label them with language
 - Expect reciprocity – don't negotiate with yourself



Summary – Single Issue Negotiations

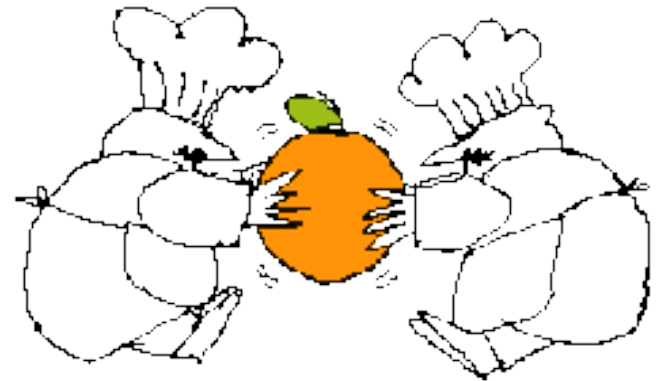
- Key concepts
 - *BATNA*: best alternative to negotiated agreement
 - *Reservation point*: worst offer you're willing to accept
 - *Aspiration point*: best deal you hope to achieve
 - *Bargaining zone (ZOPA)*: range between buyer and seller's reservation prices
- Key strategies
 - Plan – aspirations, reservations, and BATNAs
 - Focus on your goal
 - Make the first offer
 - Manage concessions

Multi-Issue (Integrative) Negotiations

1. Add issues to the negotiation, or unbundle issues
2. Shift dialogue from positions to interests
3. Ask diagnostic questions of other party – “why” questions
4. Share information about your interests and the relative priority of those interests
5. Make “package deals,” not single-issue offers
6. Make multiple offers of equivalent value (to you) simultaneously (MESOs)
7. Use post-settlement settlement
8. Walk in their shoes

1. Add or Unbundle Issues

- Single issue, no opportunity to grow the pie
- Multiple issues, can look for value creating trades
- Look for issues that are differentially valued
- Think broadly in the planning process



Conflict Resolution at Southwest Airlines

- Southwest introduces slogan “Just Plane Smart” in 1992
 - Violates copyright held for “Plane Smart” by Stevens Aviation (Greenville, SC), who will file a lawsuit
 - Can an integrative solution prevent a legal battle?
- CEOs decide to settle this through a best-of-three arm wrestling match, “Malice in Dallas”
 - Creates national publicity for both companies
 - Stevens gladly signs over the rights to Southwest
 - Generates \$15,000 for charity (Muscular Dystrophy Association and Ronald McDonald House)

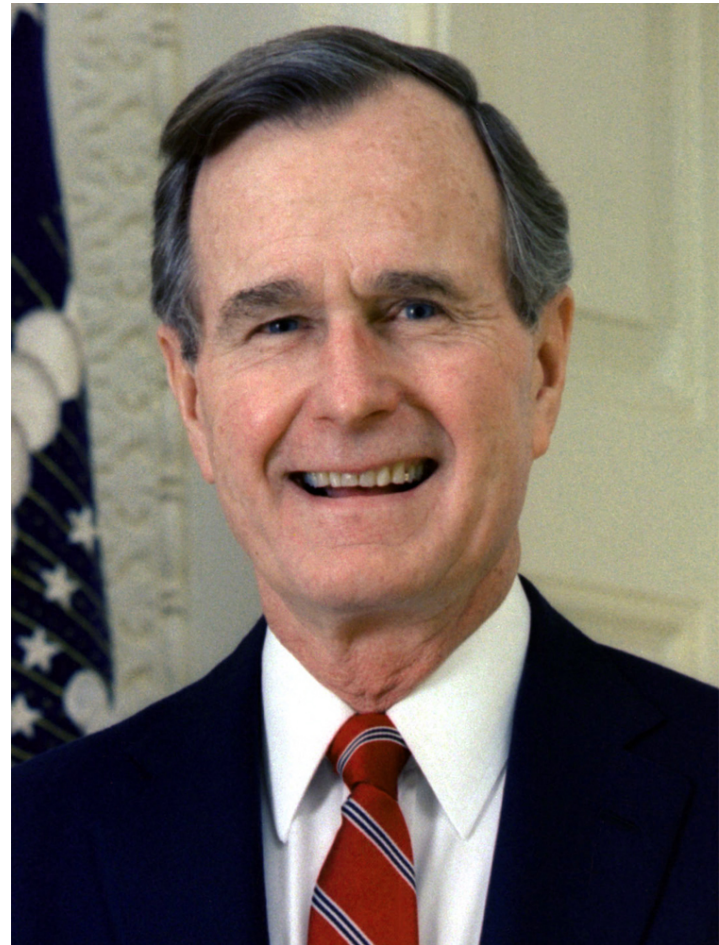


Source: Freiberg & Freiberg, 1996

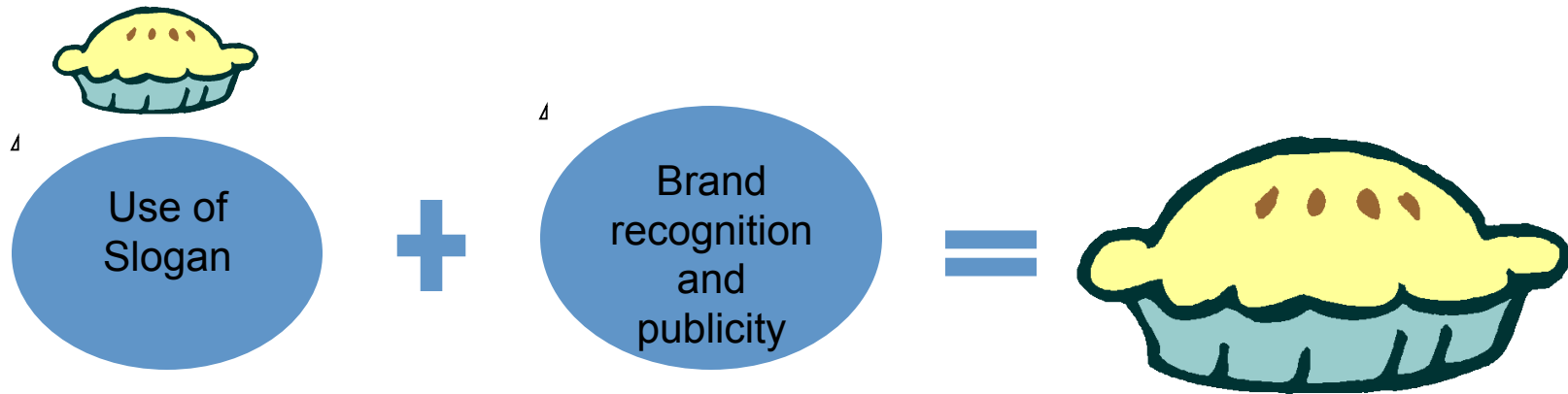
March 23, 1992

Dear Herb,
Just Plane Terrific! Your clever
arm wrestling match with Kurt
Herwald was a win/win, not
mention great comic relief to
serious watchers of nightly
news. Congratulations on your
“loss,” and best wishes.

Sincerely,
President George H. W. Bush



From One Issue To Two



More valuable to Southwest – launched national ad campaign

More valuable to Stevens Aviation – a regional player with no national press

2. Shift Dialogue From Positions To Interests

– Points from *Getting to Yes* –

“**Your position** is something you have decided upon. **Your interests** are what caused you to so decide.”

“Interests define the problem.”

“For every possible interest there usually exist several possible positions that could satisfy it.”

“When you look behind opposed positions for the motivating interests, you can often find an alternative position which meets not only your interests but theirs as well.”

3. Ask Diagnostic Questions

- Diagnostic questions are not about what someone wants, but why they want it
- Questions intended to uncover their interests
- Armed with this knowledge, you can uncover creative, value creating trades.
- But the other person may not answer my questions
 - True, but they are more likely to answer if you ask the question than if you do not.
 - The best negotiators ask more than twice as many questions as the average negotiator (Rackham, 1991).
 - Also underscores the importance of building trust – If I trust you, I'm more likely to answer your questions; if I don't trust you, I'm more likely to withhold information.



Information Exchange Requires Trust

- Factors that increase trust between parties:
 - Reputation or past relationship
 - Similarity (you're like me)
 - “Appreciative moves:” conversations that acknowledge concerns of others & legitimate their stories
 - Proposals that are responsive to information shared
 - Reciprocal information sharing (honest disclosures)

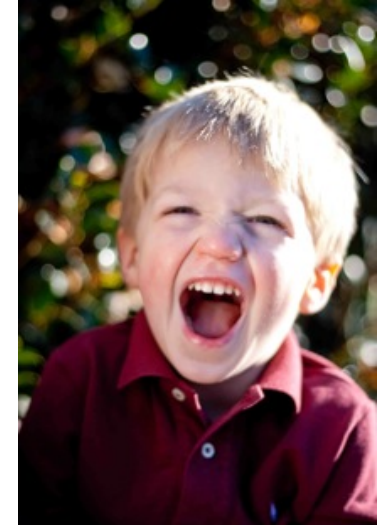


4. Share Information About Your Interests

- Information about relative priorities is useful for identifying value creating trades, and is relatively hard for an unscrupulous negotiator to exploit
 - *I care about both schedule and content, but schedule is more important to me*
- Does not say that location is unimportant, or how much you'd sacrifice location for a bigger salary (the magnitude of the difference in priorities)
- Disclosing interests allows the other party to actively participate in finding a new position that meets your needs
 - *My concern with living in New York is...the cost of living (solution: housing allowance, mortgage assistance)....or, the distance from my family on the west coast (solution: staffed on a project in CA)*

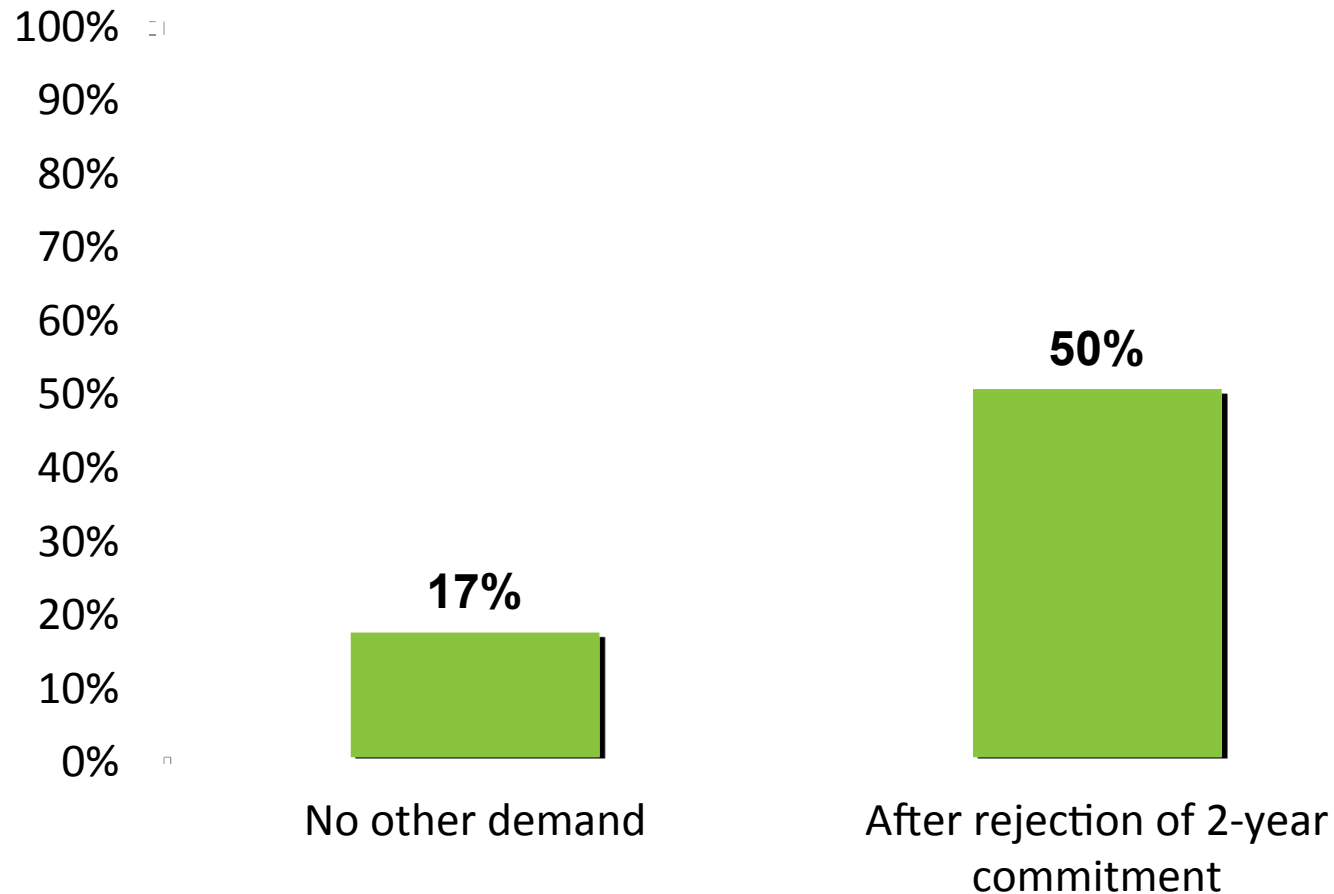
The Power of Reciprocity

- Your information disclosure is also valuable because it engenders reciprocity – if you disclose your interests, your partner is more likely to disclose his/her interests
- Reciprocity is a powerful norm in all social interactions.
- To illustrate, imagine you want strangers to chaperone juvenile delinquents on 2-hour trip to the zoo. Could just ask them, or...
- “Door in the face” tactic
 - Ask for a large favor that will be rejected
 - Volunteer at detention center every week for 2 years
 - Ask for smaller favor that you really wanted
 - Chaperone kids on 2-hour zoo trip



A Day Trip to the Zoo

Compliance rates



Requester has made a concession by moving from their ambitious first offer to a more moderate demand

Prompts a reciprocal concession (from “no” to a 2-hour commitment)

5. Package Deals & 6. MESOs

5. Make “package deals,” not single-issue offers
 - Creating value requires multiple issues.
 - Negotiating issues sequentially turns each issue into a distributive negotiation.
 - Keep all issues on the table til the end

6. Make multiple offers of equivalent value (to you) simultaneously (MESOs)
 - Need scoring system to compare across different issues (determine you are indifferent)
 - Three is a good number
 - If none is acceptable to your counterpart, ask them which one is best (or worst)

- Advantages
 - Signals flexibility – increases trust in you and builds relationship
 - Way to extract preferences from negotiators who won't share information



7. Post-Settlement Settlement

- Reach an agreement that both sides find acceptable.
- Parties agree to lock in this deal, but to continue talking to see if they can find a new deal which further expands the pie.
- If a new deal is found that ALL negotiators prefer to the original agreement, new deal is selected.
- Otherwise, they revert back to the original agreement.
- In other words, the initial settlement becomes the new “BATNA” for this “next round” of negotiating.
- Advantages:
 - Maximize opportunities to expand the pie
 - Protects you from downside risk of current deal falling apart
 - In complex deals, first acceptable deal is often “the” deal
 - Reduces downside risk of information disclosures
- Requires:
 - Enforceability of agreement or trust that initial deal will be honored

8. Walk In Their Shoes

- Perspective taking: the cognitive ability to see the world from other points of view
- Empathy: an emotional concern for another's problem
- One of these is more effective for creating value than the other. Which one?



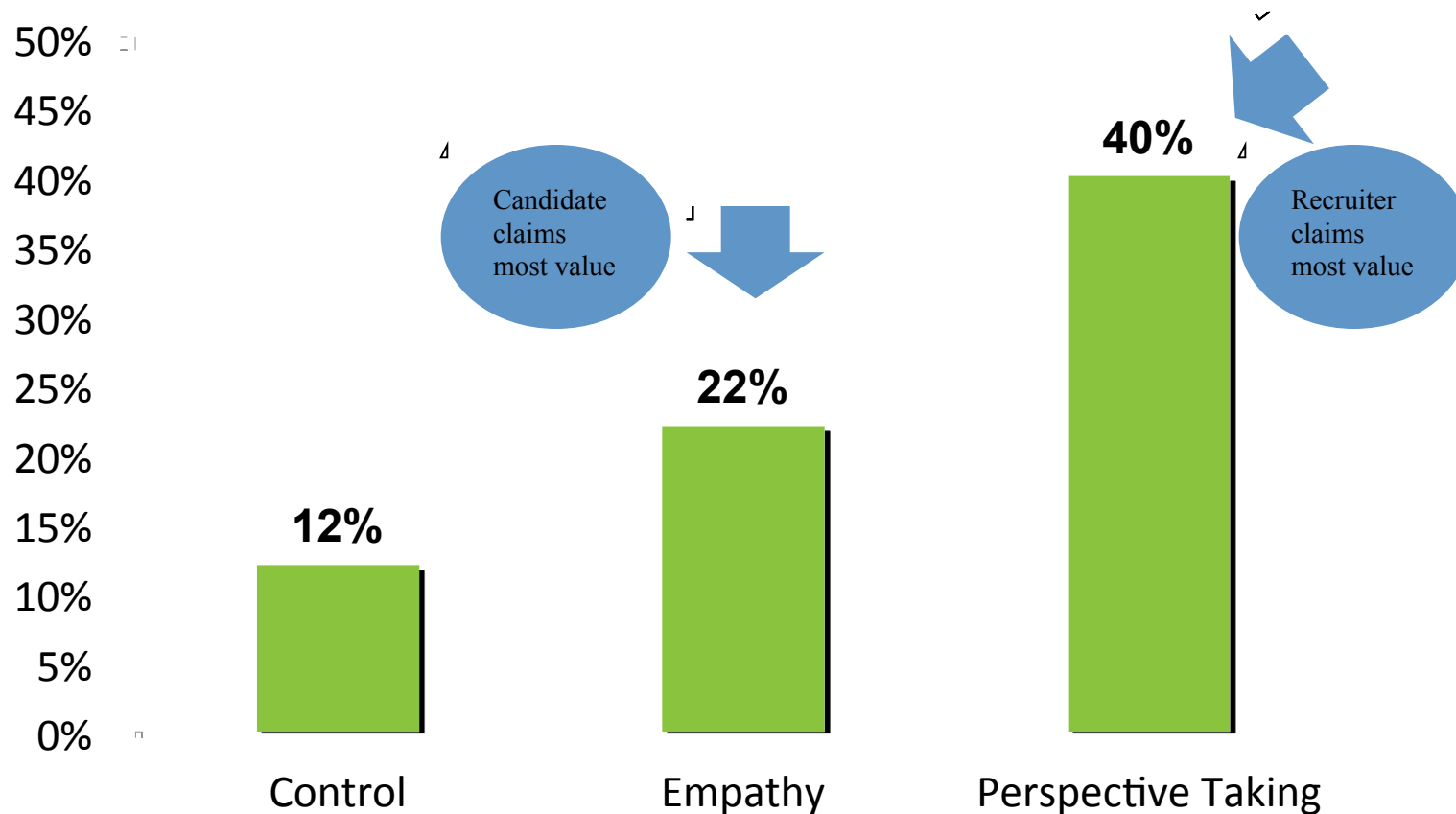
Job Candidate-Recruiter Negotiation

- Perspective taking condition – recruiter told to try to understand what the candidate is thinking
- Empathy condition – recruiter told to imagine what the candidate is feeling
- Control condition – recruiter given no additional information other than role



Results

Percentage of dyads achieving maximum joint gain



Also, perspective takers claimed additional value for themselves, whereas empathizers gave it away

Galinsky, Maddux, Gilin, & White, 2008

Truth, Lies, & Negotiation

FACT: People lie.

- People who kept diaries of lies reported that they lie numerous times per day (*DePaulo, 1996*)
- Men and women lie at about the same rate (*DePaulo, 1996*)
- Subjects who videotaped their conversations and later viewed them reported three lies for every ten minutes of conversation (*Feldman, 2003*)



Why Do People Lie?

Negotiators were asked to describe the circumstances under which they would engage in deception during a negotiation.

Consistent with studies documenting the frequency of deception, most negotiators were able to identify circumstances under which they would lie. Only 2 people out of 47 said that they would never lie.

- The most common reason negotiators gave for lying was the belief that one's counterpart was lying. 43% of those surveyed said that they would lie if they thought their counterpart was lying to them.

Other reasons offered (percentage of respondents in agreement)

- One-shot: In a one-shot situation with no potential for a long-term relationship (38%)
- Personal gain: If there was a benefit to lying (21%)
- Not getting caught: Feeling that one could get away with lying (19%)
- Life or death situation (15%)
- Having low power: Lying to "level the playing field" with a higher power party (15%)
- Protecting reputation: When one was not concerned with reputational consequences (13%)
- Dislike: If one disliked their counterpart (9%)
- Fixed pie: If the negotiation was distributive (4%)

Source: Thompson, 2009



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Three Concerns

As negotiators, we have three general concerns when it comes to truth and lies:

1. How do we discourage our counterparts from lying to us?

Lying may serve a negotiator's self-interest if it helps them get a better deal. However, there is always the risk that the lie will be discovered and the negotiator's reputation will be damaged. Your goal is to make the risk seem bigger than the benefit.

2. How do we detect whether another person is lying?

There are several areas where diagnosing honesty or deceit in negotiations is particularly important. For example:

Is this really their best or final offer, or are they bluffing?

What are their priorities? What's a big deal and what is less important?

After the agreement is made, will they deliver?

3. How do we convince others that we are being honest with them (when we truly are)?

Even when one is being honest, trust – which is key for information sharing – won't develop unless one is perceived to be truthful.



5 Strategies for Discouraging Lies

1. Be prepared and act prepared
2. Signal your ability to investigate the lie
3. Ask indirect questions
4. Ask direct (yes/no) questions
5. Do unto others...don't lie yourself



Adapted from Malhotra & Bazerman,
2007

Be Prepared and Act Prepared

- If you seem prepared, counterparts may assume you will know if they are lying
 - This makes it more risky for them to lie
- Ways to signal preparedness:
 - Arriving on time for meetings
 - Be organized – have all critical paperwork at your fingertips
 - Taking notes
 - Remembering details of prior conversations, and referring to notes made in earlier meetings
 - Be knowledgeable about all of the issues at hand
 - Speak intelligently about their industry, including issues not directly related to current negotiation
 - Responding quickly and thoroughly to requests for information

Signal Your Ability to Investigate the Lie

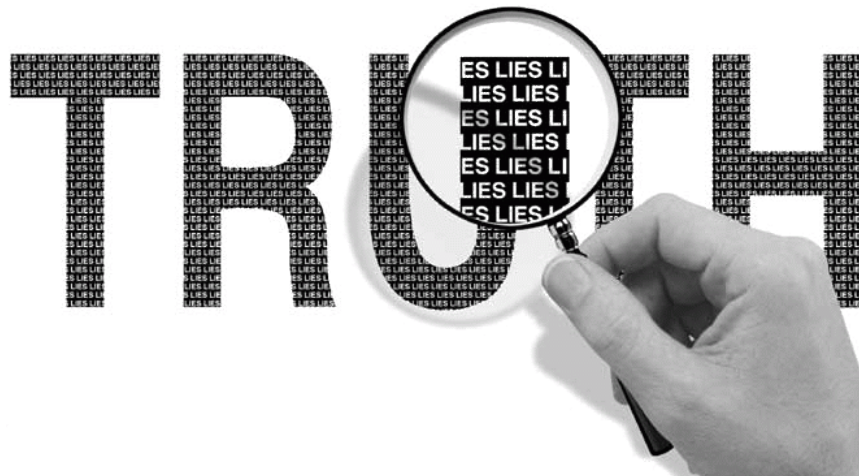
- You may not be able to prove that someone is lying today,
- But signal that you may be able to uncover any deception in the future by acquiring additional information
- Example:
 - To a vendor: “Is this the best price you can offer?”
 - Signal ability to detect lie: “As part of my research, I have some calls scheduled with colleagues at other organizations who buy large volumes of this product. We have developed a reciprocal relationship of sharing information about product costs. When I call them, will I find out that they are receiving a lower price than what you’ve offered to me, or is this the best price you can offer?”

Ask Indirect Questions

- Don't ask questions that encourage people to lie, particularly if you can't verify the lie.
- For example, to a vendor: "What are your production costs?"
- Instead ask less threatening, more indirect questions which may enable you to learn the answer to the desired question:
 - Who are your suppliers?
 - Do you purchase your materials domestically?
 - Can you tell me a bit about your production process?

Ask Direct Questions

- Opposite tactic of asking indirect questions
- Here, the strategy is to ask direct questions that require a yes/no answer
- Capitalize on the fact that most people don't want to lie. Put them in a situation in which they have to explicitly lie or tell the truth.



Do Unto Others...

- Believing that someone else is lying to you is the most frequent reason negotiators cite for lying themselves (Tenbrunsel & Diekmann, 2007)
- If you have a reputation of deceit, others may feel that they need to be deceitful themselves to be on equal ground with you.
- Be honest (while still being strategic), and signal honesty...more on this in a moment

Cues to deception

- If negotiation involves “bluffing” then what are the “tells”?
 - Do liars avoid eye contact?
 - Do liars have uncontrolled facial “ticks”?
 - Do liars assume a closed posture?

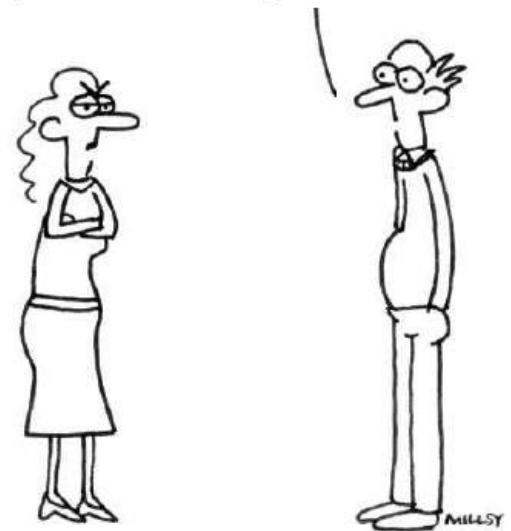


- On all accounts, there is no scientific evidence to support these “myths” regarding tells.

Cues to deception

- Research on Deception
 - Are liars less forthcoming?
 - Are deceptive accounts less compelling?
 - Are liars more tense?
 - Do lies include *fewer* imperfections?
- Meta-analysis of over 1300 observations of 158 deception cues

Okay, I admit it, but I'd lie a lot less if you didn't keep asking me if your bum looked big in that dress...



Less forthcoming?



- Not really – To the surprise of the researchers
 - Liars talked as much as truth-tellers and didn't show many indicators that they were "holding back" (e.g., slow response latency, rate of speaking)
 - Liars stories were less detailed, and liars were more likely to press their lips together (one indicator of "holding back")

Less compelling?

- Yes – as predicted
 - Liars told less plausible, less consistent stories
 - They were less engaging, and employed fewer gestures



DePaulo, B., Lindsay, J., Malone, B., Muhlenbruck, L., Charlton, K., & Cooper, H. (2003). Cues to Deception. *Psychological Bulletin*, 129(1), 74

Are liars more tense?

- Yes – except for fidgeting
 - More vocally tense
 - Higher pitch to voice
 - Dilated pupils
 - Liars are less fidgety in some ways, more fidgety in others
 - “The best summary of these data is that there is no clear relationship between fidgeting and lying”



Fewer imperfections in *lies*

- Yes.
“The people who made spontaneous corrections while telling their stories were *more likely to be telling the truth*”
- Liars are also less likely to admit that they can't remember something

Liars are well-rehearsed; the truth is more spontaneous.



Takeaways

- Few reliable nonverbal indicators of deception
 - Only 20 of the 158 cues studied were statistically significant
 - “Lies that are not about transgressions leave almost no discernible cues.”
 - This may characterize much of the deception that takes place negotiations, making deception in negotiation particularly difficult to identify through nonverbal behavior

What Can You Do?

- Ask questions, pay attention to answers
 - Look for inconsistencies in answers, responses that don't make sense
 - Multiple negotiators can help in this regard
- Check in with yourself
 - Emotions and behaviors are contagious (mimicked)
 - Your feelings and actions may be something that you picked up from your counterpart
- Focus your energy on preventing the lie, rather than detecting the lie

Signaling Honesty

How do we convince others that we are being honest with them (when we truly are)?

Signal trustworthiness

Developing a good reputation as a negotiator by being honest

Identifying and acknowledging genuine similarities between negotiators (remember the hole in one?)

Using “Appreciative moves:” acknowledging concerns of others (even if you can’t solve them) and legitimating their stories

Offering proposals that are responsive to the information shared

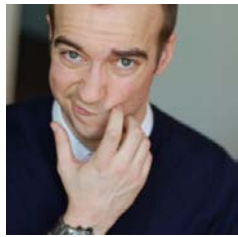
Making honest disclosures, particularly about information that makes you vulnerable.

Using behavioral mimicry

Using humor



The Value of Nonverbal Mimicry

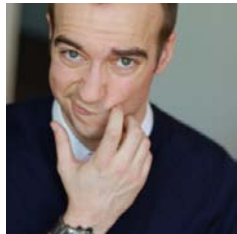


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Mimicry



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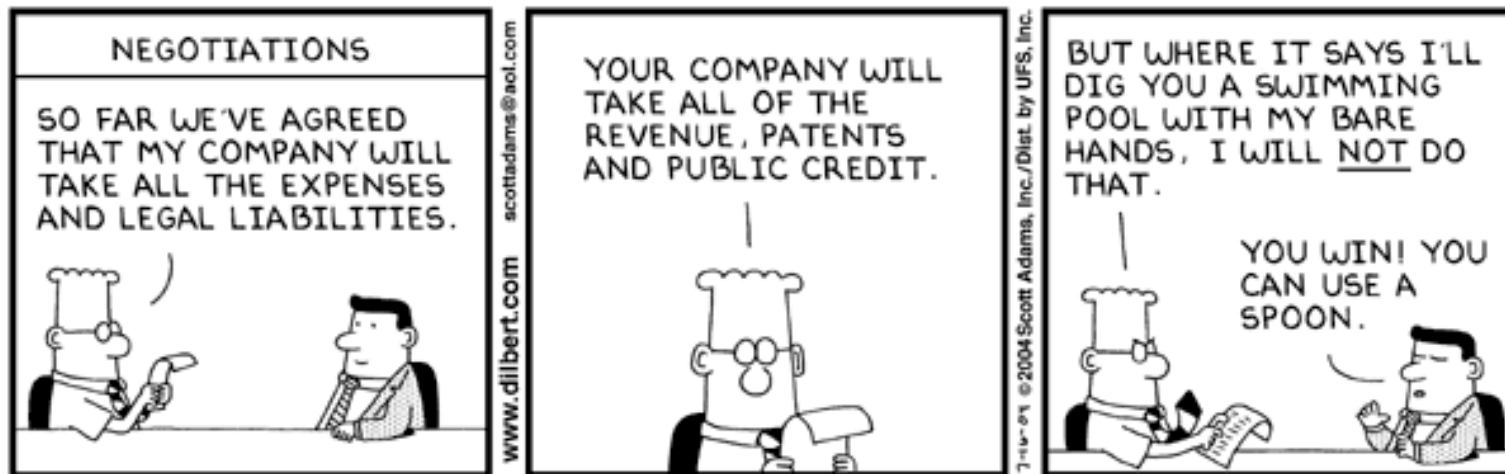
**Non-mimicry
(neutral)**

- Dyads where one party mimicks the other create more value than dyads where no mimicry occurs
- The negotiator who mimicks also claims more value – they help make a bigger pie, then claim the extra slices for themselves
- Trust is the explanation – when I mimick you, you trust me more
- Again, trust = information sharing

Source: Maddux, Mullen, & Galinsky, 2007

Dilbert to the Rescue

- Negotiation between job candidate and recruiter
- Negotiators either showed a humorous cartoon to their counterpart at beginning of an e-mail negotiation or did not (control condition)
- Use of humor increased trust between parties, led to outcomes of greater joint value, and increased satisfaction of both parties
- The negotiator who introduced the cartoon also claimed more value than the recipient. Lesson: Be funny, get a good deal.

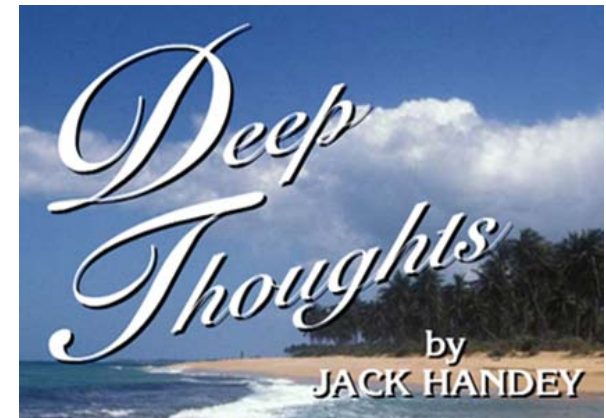


© UFS, Inc.

Source: Kurtzberg, Naquin, & Belkin, 2009

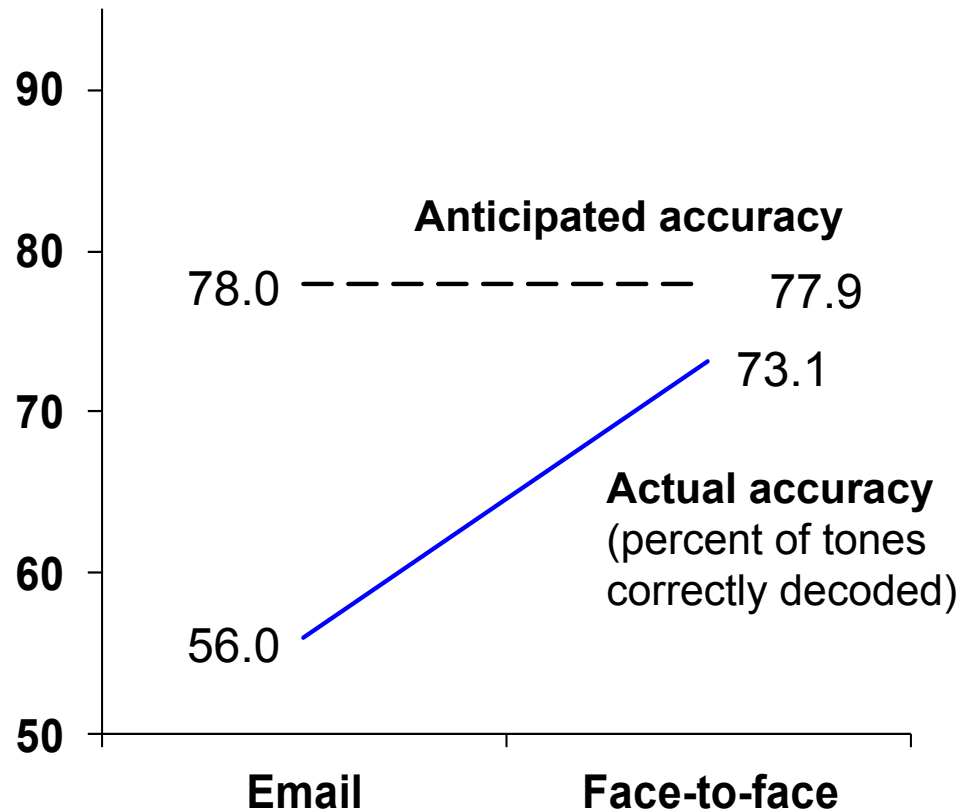
But, Choose Humor Carefully

- Not all humor is easily conveyed over e-mail – “You had to be there effect”
- Deep Thoughts (by Jack Handey)
 - Instead of having "answers" on a math test, they should just call them "impressions," and if you got a different "impression," so what, can't we all be brothers?
 - When you go in for a job interview, I think a good thing to ask is if they ever press charges
- Message senders who had watched these deep thoughts on SNL were more likely to overestimate how funny the e-mail recipients would find them.



Anticipate & Prevent Miscommunication

- Task: communicate a series of statements conveying sarcasm, seriousness, anger, or sadness over e-mail or face-to-face
- Senders **overestimate** how accurately receivers decode their message
- This is especially the case over e-mail

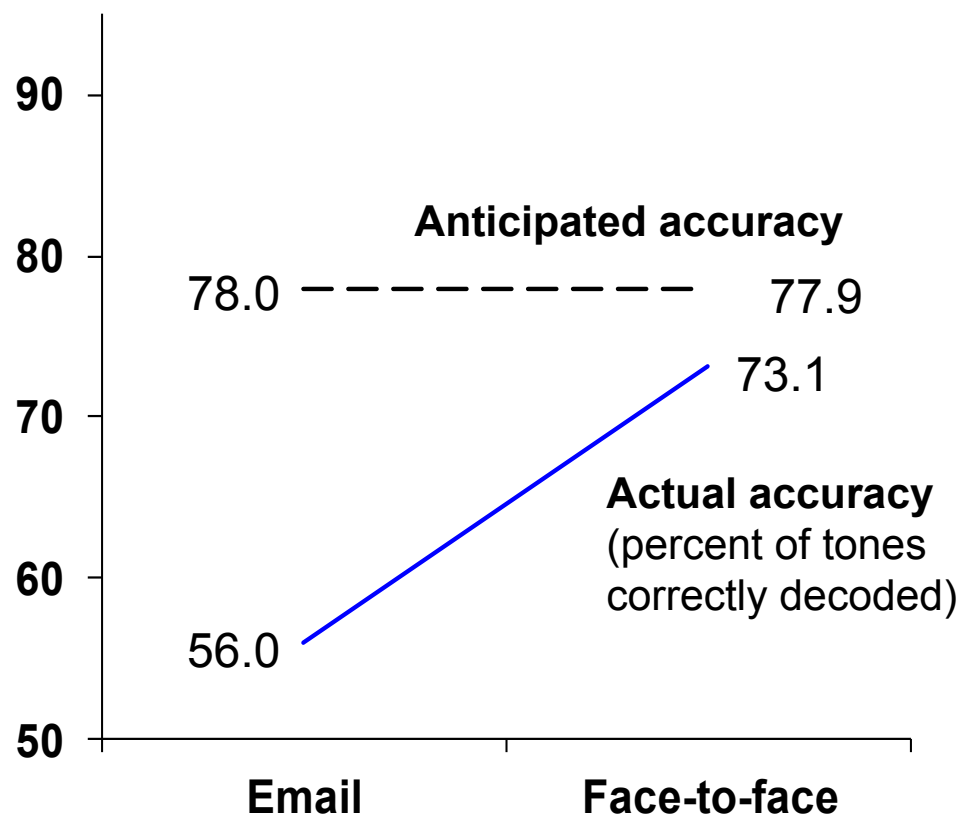


Kruger, Epley, Parker, & Ng, 2005

Anticipate & Prevent Miscommunication

The Solution?

- When in doubt, don't assume – verify understanding
- Read and re-read your message for clarity
- Take the perspective of the recipient
 - Easier to do if someone else reads your email before sending
 - When you read, you read it in the tone that you intended, which isn't always the tone that is heard
 - Participants that verbalized sarcastic messages in a serious tone were less likely misjudge the recipient's response



Kruger, Epley, Parker, & Ng, 2005

Behavior of Effective Negotiators

- What do skilled negotiators actually *do*?
- Compared with average negotiators, skilled negotiators plan more effectively by...
 - Considering 2x as many options during planning
 - Giving 3x as much consideration to common ground
 - Giving twice as much consideration to long-term concerns
 - Resisting the temptation to sacrifice flexibility by sequencing issues

Source: Rackham, 1980



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Behavior of Effective Negotiators

- Compared with average negotiators, skilled negotiators act more effectively by...
 - Using 5x fewer irritating statements
 - Offering fewer counterproposals
 - Entering 3x fewer defend/attack spirals
 - Giving 4x as many labels to preview their behaviors (except for disagreements)
 - Testing and summarizing understandings twice as often
 - Asking more than twice as many questions
 - Sharing more information about internal thoughts and feelings
 - Giving *fewer* reasons to support arguments
 - Reviewing and reflecting on the negotiation afterward

Source: Rackham, 1980



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Today's Take Aways

- Don't fall for the "fixed-pie" bias. Highly competitive settings can be transformed into win-win opportunities
- Shift conversation from positions to interests. Ask *why*, and also *what if...*
- Shift from single to multiple issues
- Differences are opportunities. If negotiators' priorities differ, tradeoffs across priorities can create value
- Don't fall for the "negotiation table bias." Informal negotiations are the same as formal negotiations (just without the table). Recognize them as opportunities to create value.



Your Personal Reflection

- START
- STOP
- CONTINUE



If You Want to Know More

- **Getting (More of) What You Want (2015)**

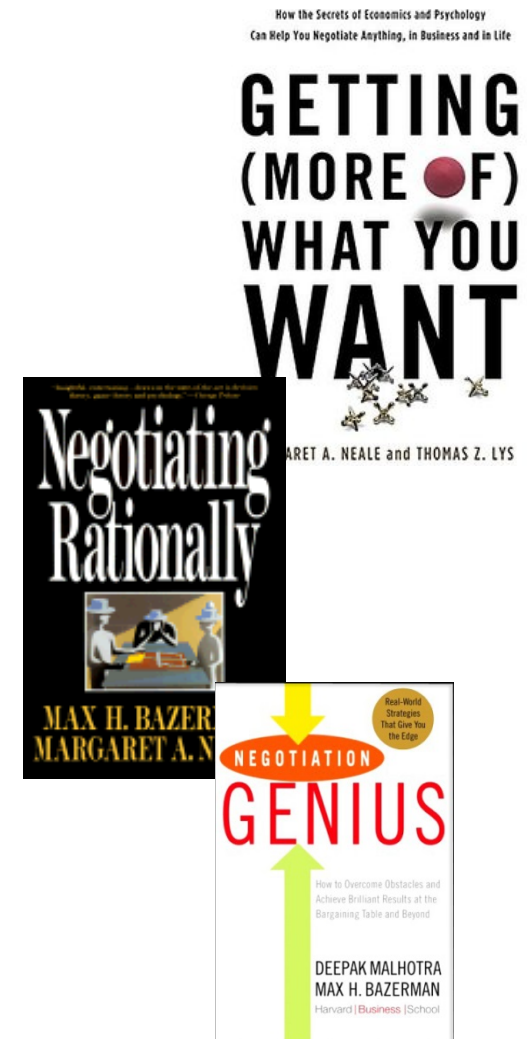
– By M. Bazerman & M. Neale

Negotiating Rationally (1994)

– By M. Bazerman & M. Neale

Negotiation Genius (2007)

– By D. Malhotra & M. Bazerman



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