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Chapter 2
Strategy and Tactics of Distributive Bargaining

Overview

The basic elements of a distributive bargaining situation, also referred to as competitive or win-lose bargaining, will be discussed. In a distributive bargaining situation, the goals of one party are usually in fundamental and direct conflict with the goals of the other party. Resources are fixed and limited, and both parties want to maximize their share of the resources. One important strategy is to guard information carefully – one party tries to give information to the other party only when it provides a strategic advantage. Distributive bargaining is basically a competition over who is going to get the most of a limited resource.

There are two reasons that every negotiator should be familiar with distributive bargaining. First, some interdependent situations that negotiators face are distributive, and to do well in them negotiators need to understand how they work. Second, because many people use distributive bargaining strategies and tactics almost exclusively, all negotiators will find it important to know how to counter their effects.

Some of the tactics discussed in the chapter will also generate ethical concerns. Some tactics are ethically accepted behavior whereas other tactics are generally considered unacceptable.

Learning Objectives

1. Describe how the distributive bargaining process works and learn the fundamental strategies of distributive bargaining.
2. Four important tactical tasks for a negotiator in a distributive bargaining situation.
3. Positions taken during negotiation.
4. Commitment in a bargaining position.
5. Closing the agreement.
6. Typical hardball negotiation tactics.
7. Distributive bargaining skills applicable to integrative negotiations.

I. The Distributive Bargaining Situation

A. Distributive bargaining strategies and tactics are useful when a negotiator wants to maximize the value obtained in a single deal, when the relationship with the other party is not important, and when they are at the claiming value stage of negotiations.

1. The *target point* is a negotiator's optimal goal, or the point at which she/he would like to conclude negotiations. The optimal goal is also referred to as resistance.

2. The *resistance point* is a negotiator's bottom line – the point beyond which a person will not go. This is not known to the other party and should be kept secret. The resistance point is a high price for the buyer and a low price for the seller.

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3. The *asking price* is the initial price set by the seller, or the first number quoted by the seller.

4. Both parties to a negotiation should establish their starting, target, and resistance points before beginning a negotiation.

5. The spreads between the resistance points, called the bargaining range, settlement range, or zone of potential agreement are very important. It is the area where actual bargaining takes place. When the buyer's resistance point is above the seller's he is minimally willing to pay more than she is minimally willing to sell for, there is a positive bargaining range.

B. The role of alternatives to a negotiated agreement.

1. Alternatives are important because they give negotiators the power to walk away from any negotiation when the emerging deal is not very good.
   a) The role of alternatives are two fold:
      (1) Reach a deal with the other party.
      (2) No settlement at all.

C. Settlement point.

1. For agreement to occur, both parties must believe that the settlement is the best that they can get (within a positive bargaining range).

D. Discovering the other party's resistance point.

1. Learning about the other party's resistance point, target, motives, feelings of confidence, and so on, the more likely you will be able to have a favorable settlement. You do not want the other party to know your resistance point. Because each party wants to know the other's resistance point, communication can become complex.

E. Influencing the other party's resistance point.

1. The following factors are important in attempting to influencing the other party's resistance point:
   a) The value the other attaches to a particular outcome;
   b) The costs the other attaches to delay or difficulty in negotiations;
   c) The cost the other attaches to having the negotiations aborted.

2. Understanding your own situation, and the value of your particular outcome, will help you to understand the other person's. Four major positions show how this affects the distributive bargaining process:
   a) The higher the other party's estimate of *your* cost of delay or impasse, the stronger the other party's resistance point will be;

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b) The higher the other party's estimate of his or her *own* cost of delay or impasse, the weaker the other party's resistance point will be;
c) The less the other party values an issue the lower the resistance point will be;
d) The more the other party believes that you value an issue the lower their resistance point will be.

II. Tactical Tasks

A. There are four important tactical tasks for a negotiator in a distributive situation to consider:

1. Assess the other party's target, resistance point, and cost of terminating negotiations
   a) Indirect assessment means determining what information an individual likely used to set target and resistance point sand how he or she interpreted this information.
      (1) Indirect indicators can be a source to assess the other party's resistance point, and can include observations, consulting documentation and publications, speaking to experts.
   b) Direct assessment, in bargaining, is where the other party does not usually reveal accurate and precise information about his or her outcome values, resistance points, and expectations.

2. Manage the other party's impression of the negotiator's target, resistance point, and cost of terminating negotiation, while also guiding him or her to form a preferred impression of them.
   a) Screening activities – say as little as possible. Instead, use words to ask the other negotiator questions.
   b) Direct action to alter impressions − through selective presentation:
      (1) Negotiators reveal only the facts necessary to support their case;
      (2) Lead the other party to form the desired impression of their resistance point or to open up new possibilities for agreement that are more favorable to the presenter than those that currently exist;
      (3) Emotional reaction to facts, proposals, and possible outcomes;
         (i) There are several hazards in taking direct action: perception of dishonesty, which can lead to the other party conceding on minor points to defeat the maneuverer at his or her own game.

3. Modify the other party's perception of his or her own target, resistance point, and cost of terminating negotiation.

4. Manipulate the actual costs of delaying or terminating negotiations through:
   a) *Planning disruptive action*: Increasing the costs of not reaching a negotiated agreement;
   b) *Forming an alliance with outsiders* who can somehow influence the outcome of the negotiation;

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c) *Manipulating the scheduling of negotiations* can put the other party at a considerable disadvantage by enhancing your position and protect you from the other party's actions.

III. Positions Taken During Negotiation

A. *Opening offers*.

1. Making the first offer is advantageous to the negotiator making the offer because he or she can anchor a negotiation. Exaggerating an opening offer is advantageous because:
   a) It gives the negotiator room for movement thereby giving him or her time to learn about the other party's priorities;
   b) May create an impression in the other party's mind that:
      (1) There is a long way to go before a reasonable settlement will be achieved;
      (2) A greater number of concessions will have to be made to find a common zone of potential agreement (ZOPA);
      (3) The other may have incorrectly estimated his or her own resistance point.

2. Two disadvantages to exaggerating an offer include:
   a) Potential rejection by the other party;
   b) The perception of a "tough" attitude that can harm a long-term relationship.

B. An *opening stance* is the attitude the negotiator will adopt during a negotiation (competitive, belligerent, moderate, etc.). To communicate effectively, a negotiator should try and send a consistent message through both the opening and stance.

C. Usually met with a counteroffer, *initial concessions* define the initial bargaining range; they communicate to the other party how you intend to negotiate.

D. *Role of concessions* – Negotiations would not exist without them. There is ample data to show that parties feel better about a settlement when the negotiation involved a progression of concessions than when it didn't.

E. The *pattern of concessions* made during a negotiation contains valuable information, though not always easy to interpret.

F. *Final offers* – a negotiator wants to convey the message that there is no further room for movement. One way to accomplish this is to make the last concession more substantial.

IV. Closing the Deal

A. *Provide alternatives* – rather than making a single final offer, provide two or three alternative packages for the other party that are roughly equal in value.

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B. *Assume the close* – having a general discussion about the needs and positions of the buyer, then act as if the decision to purchase something has already been made.

C. *Split the difference* – the most popular tactic used; used when an agreement is close, suggesting that the parties split the difference.

D. *Exploding offers* – An offer that contains an extremely tight deadline in order to pressure the other party to agree quickly.

1. The purpose of an exploding offer is to convince the other party to accept the settlement and to stop considering outcomes.

E. *Sweeteners* – negotiators need to include the sweetener in their negotiation plans or they may concede too much during the close.

V. Hardball Tactics

A. Dealing with typical hardball tactics – there are several choices about how to respond.

1. Discuss them.

2. Ignore them.

3. Respond in kind.

4. Co-opt the other party.

B. Typical hardball tactics.

1. Good cop/bad cop.
   a) Weaknesses:
      (1) Relatively transparent;
      (2) Difficult to enact – requires a lot of energy toward making the tactic work.

2. Lowball/highball.
   a) Risk in using this tactic:
      (1) The other party will think it is a waste of time to negotiate and stop the process.
   b) Strategies for using this tactic:
      (1) Insisting that the other party start with a reasonable opening offer and refusing to negotiate further until he or she does;
      (2) Stating your understanding of the general market value of the item being discussed, supporting it with facts and figures, thus showing the other party that you won't be tricked;

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(3) Threatening to leave the negotiation, showing dissatisfaction in the other party in using this tactic;
(4) Responding with an extreme counter offer.

3. Bogey.
   a) Negotiators use this tactic to pretend that an issue is of little or no importance to them, when it actually is quite important.

4. The nibble.
   a) Weaknesses in using the nibble:
      (1) The party using the nibble did not bargain in good faith.
   b) Combating the nibble tactic:
      (1) Respond with each nibble with the question "What else do you want?";
      (2) Have your own nibbles prepared for exchange.

5. Chicken.
   a) Combining a large bluff with a threatened action to force the other party to "chicken out" and give them what they want.
   b) Weakness of chicken tactic:
      (1) Turns the negotiation into a serious game in which one or both parties find it difficult to distinguish reality from postured negotiation positions;
      (2) Difficult to defend against.

6. Intimidation
   a) An attempt to force the other party to agree by means of an emotional ploy. Negotiators intimidate by:
      (1) Using anger;
      (2) Increasing the appearance of legitimacy;
      (3) Guilt.

7. Aggressive behavior.
   a) Aggressive tactics include:
      (1) Relentless push for further concessions;
      (2) Asking for the best offer early in negotiations;
      (3) Asking the other party to explain and justify his/her proposals.

8. Snow job.
   a) Snow jobs occur when negotiators overwhelm the other party with so much information that he/she has trouble determining which facts are real or important, and which are distractions.

Summary

This chapter examined the basic structure of competitive or distributive bargaining situations and some of the strategies and tactics used in distributive bargaining. Distributive bargaining begins

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with setting your own opening, target, and resistance points. All points are important, but the resistance points are the most critical. The spread between the parties' resistance points defines the bargaining range.

It is rare that a negotiation includes only one item; more typically, there is a set of items, referred to as a bargaining mix. Each item in a bargaining mix can have opening, target, and resistance points. The bargaining mix may provide opportunities for bundling issues together, trading off across issues, or displaying mutually concessionary behavior.

Examining the structure of distributive bargaining reveals many options for a negotiator to achieve a successful resolution; most of which fall within two broad efforts: to influence the other party's belief about what is possible and to learn as much as possible about the other party's position, particularly about the resistance points. The negotiator's basic goal is to reach a final settlement as close to the other party's resistance point as possible. Negotiators work to gather information about the opposition and its positions; to convince members of the other party to change their minds about their ability to achieve their own goals; and to promote their own objectives as desirable, necessary, or even inevitable.

Distributive bargaining is basically a conflict situation, wherein parties seek their own advantage, in part through concealing information, attempting to mislead, or using manipulative actions. All these tactics can easily escalate interaction from calm discussion to bitter hostility. Yet negotiation is the attempt to resolve a conflict without force, without fighting. Further, to be successful, both parties to the negotiation must feel at the end that the outcome was the best that they could achieve and that it is worth accepting and supporting. Effective distributive bargaining is a process that requires careful planning, strong execution, and constant monitoring of the other party's reactions.

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