Negotiation 8th edition Lewicki Solutions Manual

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Chapter 2
Strategy and Tactics of Distributive Bargaining

Chapter 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 three reasons every negotiator should understand 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.
- Third, every negotiation situation has the potential to require distributive bargaining skills when at the "claiming-value" stage.

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.

The discussion of strategies and tactics in this chapter is intended to help negotiators understand the dynamics of distributive bargaining and thereby obtain a better deal.

- A thorough understanding of these concepts will also allow negotiators who are not comfortable with distributive bargaining to manage distributive situations proactively.
- Finally, an understanding of these strategies and tactics will help negotiators at the claiming-value stage of any negotiation.

Learning Objectives

1. Understand the basic elements of distributive bargaining, including the strategy and tactics of distributive bargaining.
2. Consider the strategic impact of positions taken during a negotiation and the role of concessions.
3. Appreciate the role of commitment in distributive bargaining.
4. Identify hardball tactics and learn how to counter them.

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I. The Distributive Bargaining Situation

- The asking price, the buyer's price they would like to pay, and the price above which the buyer would not buy represent key points in the analysis of any distributive bargaining situation.
  - The *target point* is a negotiator's optimal goal, or the point at which they would like to conclude negotiations.
    - The target is also referred to as a negotiator's *aspiration*.
  - The *resistance point* is a negotiator's bottom line – the point beyond which a person will not go.
    - For the seller, it's the smallest amount they will settle for.
    - It is sometimes referred to as a *reservation price*.
  - The *asking price* is the initial price set by the seller.
    - The buyer may counter with their *initial offer* – the first number a buyer will quote to the seller
- Both parties to a negotiation should establish their starting, target, and resistance points before beginning a negotiation.
  - Starting points are often in the opening statements each party makes – the seller's listing price and the buyer's first offer.
  - The target point is usually learned or inferred as negotiations get under way.
    - People typically give up the margin between the starting points and the target points as they make concessions.
  - The resistance point is not known to the other party and should be kept secret.
- Negotiator's starting and resistance points are usually arranged in reverse order, with the resistance point being a high price for the buyer and a low price for the seller.
- 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, they are minimally willing to pay more than the seller is minimally willing to sell for, there is a *positive bargaining range*.
  - Negotiations that begin with a negative bargaining range are likely to stalemate.
  - Because negotiators don't talk about their resistance points, it is often difficult to know whether a positive settlement range exists until deep into negotiations.
- Target points, resistance points, and initial offers all play an important role in distributive bargaining.
  - Target points influence both negotiator outcomes and negotiator satisfaction with their outcomes.
  - Opening offers play a role in influencing negotiation outcomes.
  - Resistance points play a very important role as a warning for the possible presence of hardball tactics.

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- A positive bargaining range increases the likelihood of settlements.

A. The Role of Alternatives to a Negotiated Agreement

- In addition to opening bids, target points, and resistance points, negotiators need to consider what they will do if they do not reach agreement with the other party.
  - What is their best alternative to a negotiated agreement (BATNA)?
  - What is their worst alternative to a negotiated agreement (WATNA)?
- In some negotiations, the parties have only two fundamental choices:
  - Reach a deal with the other party, or
  - Reach no settlement at all.
  - In other negotiations, one or both parties may have the possibility of an alternative deal with another party.
- BATNAs are negotiator's *best* alternatives to reaching an agreement and are frequently less attractive than the preferred agreement.
  - Negotiators who have a strong BATNA – that is, a very positive alternative to a negotiated agreement – will have more power throughout the negotiation and accordingly should be able to achieve more of their goals.
- Alternatives are important because they give negotiators the power to walk away from any negotiation when the emerging deal is not very good.
  - Where there are many attractive alternatives, negotiators can set their goals higher and make fewer concessions.
  - Negotiators with no attractive alternative have less bargaining power.
  - Good distributive bargainers identify their realistic alternatives before starting discussions so they can properly decide how firm to be in the negotiation.
  - Good bargainers also try to improve their alternatives while the negotiation is under way.
  - Negotiators are also aware of their worst alternative, and this may become more salient as negotiation proceeds.
- Strong BATNAs can also influence how a negotiation unfolds.
  - Negotiators with stronger BATNAs are more likely to make the first offer in a negotiation and appear to negotiate better outcomes.
  - The positive benefits of a good BATNA appear particularly strong when the bargaining range is small because negotiations with smaller bargaining ranges are more competitive and less likely to yield agreements.

B. Settlement Point

- The fundamental process of distributive bargaining is to reach a settlement within a positive bargaining range.
  - The objective of both parties is to obtain as much of the bargaining range as possible – that is, to reach an agreement as close to the other party's resistance point as possible.

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- Both parties in distributive bargaining know that they might have to settle for less than what they would prefer (their target point), but they hope that the agreement will be better than their own resistance point.
  - For agreement to occur, both parties must believe that the settlement is the best that they can get (within a positive bargaining range).
  - This belief is important, both for reaching agreement and for ensuring support for the agreement after the negotiation concludes.
- Another factor that will affect satisfaction with the agreement is whether the parties will see each other again.
  - Negotiators blame the other party for negative negotiation outcomes, and this reduces their desire to negotiate again in the future.
  - When parties expect future negotiations with the other party, they set lower target points and are less likely to bargain distributively.

C. Bargaining Mix

- The package of issues for negotiation is the *bargaining mix*.
  - Each item in the mix has its own starting, target, and resistance points.
  - Some items are of obvious importance to both parties; others are important only to one party.
  - Negotiators need to understand what is important to them and to the other party, and they need to take these priorities into account during the planning process.
- As the bargaining mix gets larger, there is more opportunity for trade-offs across issues where negotiator preferences are not identical on each issue.
  - When this occurs, integrative negotiation strategies and tactics may be appropriate.

D. Discovering the Other Party's Resistance Point

- Information is the life force of negotiation
  - The more you can learn about the other party's target, resistance point, motives, feelings of confidence, and so on, the more able you will be to strike a favorable agreement. See Box 2.1.
  - At the same time, you do not want the other party to have certain information about you.
    - Your resistance point, some of your targets, and confidential information about a weak strategic position or an emotional vulnerability are best concealed.
    - Alternatively, you may want the other party to have certain information – some of it factual and correct, some of it contrived to lead the other party to believe things that are favorable to you.
  - Each side wants to obtain some information and to conceal other information.
  - As a result, communication can become complex – often conveyed in a code that evolves during negotiation.

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E. Influencing the Other Party's Resistance Point

- Central to planning the strategy and tactics for distributive bargaining is locating the other party's resistance point and the relationship of that resistance point to your own.
  - The resistance point is established by the value expected from a particular outcome, which in turn is the product of the worth and costs of an outcome.
  - Resistance points should not be changed without considerable thought.
    - They play an important role in setting negotiator's limits, and unless there is an objective reason to change them, they should not be changed.
- A significant factor in shaping the other person's understanding of what is possible is the other's understanding of your own situation.
  - When influencing the other's viewpoint, you must also deal with the other party's understanding of your value for a particular outcome, the costs you attach to delay or difficulty in negotiation, and your cost of having the negotiations aborted.
- There are four major ways to weaken the other party's resistance point.
  - Reduce the other party's estimate of your cost of delay or impasse.
    - If the other party sees you need an agreement quickly and cannot defer it, expectations will rise and the other party will set a more demanding resistance point.
    - The more you can convince the other party that your costs of delaying or ending negotiations are low, the more modest the other's resistance point will be.
  - Increase the other party's estimate of their own cost of delay or impasse.
    - The more a person needs an agreement, the more modest they will be in setting a resistance point.
    - The more you can do to convince the other party that delaying or ending negotiations will be costly, the more likely they will be to establish a modest resistance point.
  - Reduce the other party's perception of the value of an issue.
    - The resistance point may soften as the person reduces how valuable they consider the issue.
    - If you can convince the other party that a current negotiating position will not have the desired outcome or that the present position is not as attractive as the other believes, then they will adjust their resistance point.
  - Increase the other party's perception that you value an issue.
    - The more you can convince the other party that you value a particular issue the more pressure you put on the other party to set a more modest resistance point with regard to the issue.
    - Knowing a position is important to the other party, however, you will expect the other to resist giving up on that issue, thus, there may be less possibility of a favorable settlement in that area.
    - As a result, you may need to lower your expectations to a more modest resistance point.
    - Take care when trying to influence the other party's resistance point.

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- Feigning disinterest to signal a higher cost to the other party may insult them.
- In addition, the more attractive the other party's BATNA, the more likely they will be to set a high resistance point.
- If negotiations are unsuccessful, the other party can move to their BATNA.

II. Tactical Tasks

- Within the fundamental strategies of distributive bargaining, there are four important tactical tasks concerned with targets, resistance points, and the costs of terminating negotiations for a negotiator in a distributive bargaining situation to consider:
  - Assess the other party's target, resistance point, and cost of terminating negotiations.
  - Manage the other party's impression of the negotiator's target, resistance point, and cost of terminating negotiations.
  - Modify the other party's perception of their own target, resistance point, and cost of terminating negotiations.
  - Manipulate the actual costs of delaying or terminating negotiations.

A. Assess the Other Party's Target, Resistance Point, and Costs of Terminating Negotiations

- The purpose of obtaining information about the other party's target and resistance points is to identify what the other *really* wants to achieve, and how much they are willing to pay.
- The negotiator can pursue two general routes to achieve this task.
  - Obtain information indirectly about the background factors behind the issue.
  - Obtain information directly from the other party.
  - See Box 2.2 for some advice on gathering information for negotiation.

Indirect Assessment

- Indirect assessment means determining what information an individual likely used to set target and resistance points and how they interpreted this information.
  - For example, in labor negotiations, management may infer whether or not a union is willing to strike by how hard the union bargains or by the size of its strike fund.
  - The union decides whether or not the company can afford a strike based on the size of inventories, market conditions for the company's product, and the percentage of workers who are members of the union.
- A variety of information sources can be used to assess the other party's resistance point.
  - Observations
  - Consult readily available documents
  - Online discussion groups

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        - Publication widely available on the Internet
        - Speak to knowledgeable experts
    - It is important to note, these are all indirect indicators.
        - Indirect measures provide valuable information that *may* reflect a reality the other person will eventually have to face.
        - Remember, the same piece of information may mean different things to different people and may not tell you exactly what you think it does.

Direct Assessment

- In bargaining, the other party does not usually reveal accurate and precise information about their targets, resistance points, and expectations.
- Sometimes, the other party will provide accurate information.
    - When pushed to the absolute limit and in need of a quick settlement, the other party may explain the facts quite clearly.
        - If company executives believe a wage settlement above a certain point will drive the company out of business, they may choose to state that absolute limit very clearly and even explain how it was determined.
- Most of the time, the other party is not so forthcoming, and the methods of getting direct information are more complex.
    - In labor negotiations, companies have been known to recruit informers or bug union meeting rooms, and unions have had their members collect papers from executives' wastebaskets.
    - Additional approaches include provoking the other party into an angry outburst and putting the other party under pressure designed to cause them to make a slip and reveal valuable information.
    - Negotiators will also simulate exasperation and angrily stalk out of negotiations in the hope that the other, in an effort to avoid a deadlock, will reveal what they really want.

B. Manage the Other Party's Impressions of Your Target, Resistance Point, and Cost of Terminating Negotiations

- An important tactical task for negotiators is to control the information sent to the other party about your target and resistance points while guiding them to form a preferred impression of those targets and points.
- Negotiators need to screen information about their own positions and to represent them as they would like the other to believe.
- Screening activities are more important at the beginning of negotiation, and direct action is more useful later on.

Screening Activities

- The simplest way to screen a position is to say as little as possible.
    - Reticence reduces the likelihood of making verbal slips or presenting any clues that the other party could use to draw conclusions.
    - Concealment is the most general screening activity.

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- Another approach, available when group negotiations are conducted through a representative, is *calculated incompetence*.
  - Constituents do not give the negotiating agent all the necessary information, making it impossible for them to leak information.
  - Instead, the negotiator is sent with the task of simply gathering facts and bring them back to the group.
- When negotiation is carried out by a team – common in diplomacy, labor relations, and many business negotiations – channeling all communication through a team spokesperson reduces the chance of inadvertently revealing information.
  - This allows members of the negotiating team to observe and listen carefully to what the other party is saying so they can detect clues and pieces of information about their position.
- Still another screening activity is to present a great many items for negotiation, only a few of which are important to the negotiator.
  - The other party has to gather information about so many different items that it becomes difficult to detect which items are really important.
  - This tactic, called the snow job or kitchen sink, may be considered a hardball tactic if carried to the extreme.

Direct Action to Alter Impressions

- Negotiators can take many actions to present facts that will directly enhance their position or make it appear stronger to the other party.
  - One of the most obvious methods is *selective presentation*, in which negotiators reveal only the facts necessary to support their case.
    - Used to lead the other party to form the desired impression of their resistance point or to create new possibilities for agreement that are more favorable than those that currently exist.
  - Another approach is to explain or interpret known facts to present a logical argument that shows the costs or risks to yourself if the other party's proposals are implemented.
- Negotiators should justify their positions and desired outcomes in order to influence the other party's impressions.
  - Negotiators can use industry standards, benchmarks, appeals to fairness, and arguments for the good of the company to draw a compelling picture for the other party to agree to what they want.
  - It is not necessary for the other to agree that the facts lead only to the conclusion you have presented – as long as the other party understands how you see things, then their thinking is likely to be influenced.
- Displaying *emotional reaction* to facts, proposals, and possible outcomes is another form of direct action negotiators can take to provide information about what is important to them.
  - Disappointment or enthusiasm usually suggest an issue is important.
  - Boredom or indifference suggests it is trivial.

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        - A loud, angry outburst or an eager response suggests the topic is very important and may give it a prominence that will shape what is discussed.
    - The length of time and amount of detail used in presenting a point or position can also covey importance.
        - Carefully checking through the details conveys the impression of importance, while casually accepting the other party's arguments as true coveys the impression of disinterest in the topic.
    - Taking direct action to alter another's impression raises several potential hazards.
        - It is one thing to select certain facts to present and to emphasize or de-emphasize their importance accurately, but it is a different matter to fabricate and lie.
        - The former is expected and understood in distributive bargaining, the latter, even in hardball negotiations, is resented and often angrily attacked if discovered.
        - What is said and done may be seen as skill by some, and seen as dishonest by others.
    - Other problems can arise when trivial items are introduced as distractions or minor issues are magnified in importance.
        - The other person may become aware of this maneuver and, with great fanfare, concede on the minor points, thereby gaining the right to demand equally generous concessions on the central points.

C. Modify the Other Party's Perceptions of His or Her Target, Resistance Point, and Cost of Terminating Negotiations

- A negotiator can alter the other party's impressions of their own objectives by making outcomes appear less attractive or by making the cost of obtaining them appear higher.
    - The negotiator may also try to make demands and positions appear more attractive or less attractive to the other party.
- There are several approaches to modifying the other party's perceptions.
    - One approach is to interpret for the other party what the outcomes of their proposal will really be – maybe highlighting a previously overlooked item.
        - For example, in labor negotiations, management may demonstrate that a union request for a six-hour workday would, on the one hand, not increase the number of employees because it would not be worthwhile to hire people for two hours a day to make up for the hours taken from the standard eight-hour day.
        - On the other hand, if the company were to keep production at the present level, it would be necessary to use the present employees on overtime, thereby increasing the total labor cost and the price of the product.
        - The rise in product cost would reduce demand and, ultimately, the number of hours worked or the number of workers.
    - Another approach to modifying the other's perceptions is to conceal information.

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        - A seller of real estate may not tell a prospective buyer that in three years a proposed highway will isolate the property from key areas of the city.
        - Concealment strategies may carry with them the ethical hazards mentioned earlier, and negotiators must ensure they negotiate in good faith.

D. Manipulate the Actual Costs of Delaying or Terminating Negotiations

- Negotiators have deadlines and extending negotiations beyond a deadline can be costly, particularly to the person who has the deadline, because that person has to either extend the deadline or go home empty-handed.
- Research shows that a large majority of agreements in distributive bargaining are reached when the deadline is near.
    - In addition, time pressures in negotiation appears to reduce negotiator demands, and when a negotiator represents a constituency, time pressure appears to reduce the likelihood of reaching an agreement.
- Manipulating a deadline or failing to agree by a particular deadline can be a powerful tool in the hands of the person who does not face deadline pressure.
    - In some ways, the ultimate weapon in negotiation is to threaten to terminate negotiations, denying both parties the possibility of a settlement.
- There are three ways to manipulate the costs of delay in negotiation.
    - Plan disruptive action
    - Form an alliance with outsiders
    - Manipulate the scheduling of negotiations

Disruptive Action

- One way to encourage settlement is to increase the costs of not reaching a negotiated agreement through disruptive action.
    - In one instance, a group of unionized food-service workers negotiating with a restaurant rounded up supporters, had them enter the restaurant just prior to lunch, and had each person order a cup of coffee and drink it leisurely.
    - When regular customers came to lunch, they found every seat occupied.
- Public picketing of a business, boycotting of a product or company, and locking of negotiators in a room until they reach agreement are all forms of disruptive action that increase the costs to negotiators for not settling and bring them back to the bargaining table.
    - Such tactics can work, but they may also produce anger and escalate the conflict.

Alliance with Outsiders

- Another way to increase the costs of delay is to involve other parties who can somehow influence the outcome in the process.
    - In business transactions, a private party may suggest that if negotiations with a merchant are unsuccessful, they will go to the Better Business Bureau and protest the merchant's actions.

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- Individuals dissatisfied with the practices and policies of businesses or government agencies form task forces, political action groups, and protest organizations to bring greater collective pressure on the target.

Schedule Manipulation

- The negotiation scheduling process can often put one party at a considerable disadvantage, and the negotiation schedule can be used to increase time pressure on negotiators.
  - Businesspeople going overseas to negotiate often find that negotiations are scheduled to begin immediately after their arrival, when they are still suffering from the fatigue of travel and jet lag.
  - Automobile dealers likely negotiate differently with a customer half an hour before quitting time on Saturday than at the beginning of the workday on Monday.
- The opportunities to increase or alter the timing of negotiation vary widely across negotiation domains.
  - In some industries, it is possible to stockpile raw materials at relatively low cost or to buy in large bulk lots, while in other industries, it is essential that materials arrive at regular intervals due to a short shelf life.
- The tactic of increasing costs by manipulating deadlines and time pressures is an option that can both enhance your own position and protect you from the other party's actions.

III. Positions Taken During Negotiation

- Effective distributive bargainers need to understand the process of taking positions during bargaining, including:
  - The importance of the opening offer and the opening stance
  - The role of making concessions throughout the negotiation process
- At the beginning of negotiations, each party takes a position.
  - Negotiation is iterative – it provides opportunity for both sides to communicate information about their positions that may lead to changes in those positions.
- Negotiators need to be sensitive to two factors when creating offers:
  - Value characteristics, which are how much the issues and options of different issues are worth to a negotiator, and
  - Content characteristics, which involve the way the negotiation is constructed.
    - Be aware that parties may differ in not only the value they place on different issues but also how they construct the negotiation space itself.

A. Opening Offers

- Making the first offer is advantageous to the negotiator making the offer because he or she can anchor a negotiation, especially when information about alternative negotiation outcomes is not considered.

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    - Some research suggests the effect of first offers as anchors may disappear as negotiators gain experience.
    - Negotiators can dampen the "first-offer effect" by the other negotiator by concentrating on their own target and focusing on the other negotiator's resistance point.
- In general, negotiators with better BATNAs are more likely to make the first offer.
- The fundamental question is whether the opening offer should be exaggerated or modest.
    - There are at least two reasons an exaggerated opening offer is advantageous.
        - First, it gives the negotiator room for movement thereby giving them time to learn about the other party's priorities.
        - Second, an exaggerated opening offer acts as a meta-message and may create, in the other party's mind, the impression that
            - There is a long way to go before a reasonable settlement will be achieved;
            - More concessions than originally intended may have to be made to bridge the difference between the two opening positions;
            - The other may have incorrectly estimated their own resistance point.
    - Two disadvantages of an exaggerated offer include:
        - It may be summarily rejected by the other party and halt negotiations prematurely
        - It communicates an attitude of toughness that may be harmful to long-term relationships.

B. Opening Stance

- An opening stance is the attitude the negotiator will adopt during a negotiation (competitive, belligerent, moderate, etc.).
- Negotiators should think carefully about the message they wish to signal with their opening stance and subsequent concessions as there is a tendency for negotiators to respond in kind to distributive tactics.
- To communicate effectively, a negotiator should try to send a consistent message through both the opening offer and stance.
    - When the messages sent by the opening offer and stance are in conflict, the other party will find them confusing to interpret and answer.
    - Timing also plays a part, as shown in Box 2.3.

C. Initial Concessions

- Opening offers are usually met with a counteroffer, and these two offers define the initial bargaining range.
    - After the first round of offers, negotiators can choose to hold firm and insist on the original position, or make some concessions.
    - Note that the first concession conveys a message, frequently a symbolic one, to the other party about how you will proceed.

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- Opening offers, opening stances, and initial concessions are elements at the beginning of a negotiation that parties can use to communicate how they intend to negotiate.
  - An exaggerated opening offer, a determined opening stance, and a very small initial concession signals a position of firmness.
    - Firmness shows negotiators attempt to capture most of the bargaining range for themselves.
    - Firmness can also create a climate in which the other party may decide that concessions are so meager they might as well capitulate and settle quickly.
    - Research shows that negotiators taking a hard line during negotiation achieve better economic outcomes, but at the cost of being perceived negatively.
- There are several good reasons for adopting a flexible position.
  - First, when taking different stances throughout a negotiation, one can learn about the other party's targets and perceived possibilities by observing how they respond to different proposals.
  - Negotiators may want to establish a cooperative rather than a combative relationship, hoping to get a better agreement.
  - In addition, flexibility keeps the negotiations proceeding; the more flexible one seems, the more the other party will believe that a settlement is possible.

D. Role of Concessions

- Concessions are central to negotiation – without them, negotiations would not exist.
  - See Box 2.4 for twelve guidelines on how to make concessions – the first of which is to give yourself enough room to make concessions.
- Negotiators generally resent a take-it-or-leave-it approach – a concession that may have been accepted is rejected when it thrown on the table as a final offer.
- 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.
  - The intangible factors of status and recognition may be as important as the tangible issues themselves.
- A reciprocal concession cannot be haphazard.
  - After receiving an inadequate concession, negotiators may explicitly state what they expect before offering further concessions.
- To encourage further concessions from the other side, negotiators sometimes link their concessions to a prior concession made by the other.
  - "Because you have reduced your demand on X, I am willing to concede on Y."
  - A powerful form of concession involves wrapping a concession in a package.
    - "If you will move on A and B, I will move on C and D."
    - Packaging concessions can lead to better outcomes for negotiators than making concessions singly on individual issues.

E. Pattern of Concession Making

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

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    - When successive concessions get smaller, the obvious message is that the concession maker's position is getting firmer and their resistance point is being approached – or they may have little room left to move late in negotiations.
- The pattern of concession making is also important.
    - Consider the pattern of concessions made by two negotiators, George and Mario, shown in Figure 2.4.
    - Assume the negotiators are discussing the unit price of a shipment of computer parts and each is dealing with a different client.
    - Mario makes three concessions, each worth $4 per unit, for a total of $12.
    - George makes four concessions, worth $4, $3, $2, and $1 per unit, for a total of $10.
    - Both tell their clients they have conceded all they can but George is more likely to be believed because he has signaled through the pattern of his concessions that there is not much left to concede.
    - When Mario claims to have little left to concede, his client is less likely to believe him because the pattern of Mario's concessions suggest there is plenty left to concede, even though Mario has actually conceded more than George.
- In multi-issue negotiations, skilled negotiators will also suggest different forms of a potential settlement that are worth about the same to them – recognizing that not all issues are worth the same amount to both parties.

F. Final Offers

- Eventually, a negotiator wants to convey the message that there is no further room for movement – that the present offer is the final one.
    - If a simple statement will not suffice, an alternative is to let the absence of any further concessions to covey the point.
- One way to convey the message that an offer is the last one is to make the last concession more substantial.
    - This implies the negotiator is throwing in the remainder of the negotiating range.
    - A concession may also be personalized to the other party, which signals this is the last concession they will get.

IV. Commitment

- One definition of commitment is the taking of a bargaining position with some explicit or implicit pledge regarding the future course of action.
    - An example is a sports agent who says to the general manager of a professional sports team, "If we do not get the salary we want, my player will sit out next year."
    - The purpose of a commitment is to remove ambiguity about the negotiator's intended course of action.
    - Commitments also reduce the other party's options, they are designed to constrain the other party to a reduced portfolio of choices.
- A commitment is often interpreted by the other party as a threat – if the other does not comply, some set of negative consequences will occur.

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- Some commitments can be threats, but others are simply statements of intended action that leave the responsibility for avoiding mutual disaster in the hands of the other party.
- Commitments can also involve future promises, such as "If we get this salary increase, we'll agree to have all other points arbitrated as you request."

- Because of their nature, commitments are statements that usually require a follow through in action.
  - Because the other party probably will understand this, a commitment, once accepted, will often have a powerful effect on what the other party believes is possible.

A. Tactical Considerations in Using Commitments

- Like many tools, commitments are two-edged.
  - Commitments exchange flexibility for certainty of action, but they create difficulties if you want to move to a new position.
  - When making commitments, you should also make contingency plans for a graceful exit, should it be needed – it must be kept secret.
  - In Box 2.5, see examples of how to avoid premature commitments in salary negotiations.
- Commitments may be useful to you as a negotiator, but you will find it advantageous to prevent the other party from becoming committed.
  - If the other party should take a committed position, it is to your advantage to keep open one or more ways for them to get out of the commitment.

B. Establishing a Commitment

- A commitment statement has three properties:
  - A high degree of finality
  - A high degree of specificity
  - A clear statement of consequences

Public Pronouncement

- A commitment statement increases in potency when more people know about it.
- The wider the audience, the less likely the commitment will be changed.

Linking with an Outside Base

- Another way to strengthen a commitment is to link with one or more allies.
- A variation of this process occurs when negotiators create conditions that make it more difficult for them to break a commitment they have made.

Increase the Prominence of Demands

- Many things can increase the prominence of commitment statements.
  - If most offers and concessions have been made orally, write out your statement to draw attention to the commitment.

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        - Repetition is one of the most powerful vehicles for making a statement prominent.
        - Using different communication channels to convey a commitment makes the point strongly.

Reinforce the Threat or Promise

- When making a threat, there is the danger of going too far.
    - Simple, direct statements of demands, conditions, and consequences are more effective.
- Several things can be done to reinforce the implicit or explicit threat in a commitment.
    - Review similar circumstances and their consequences.
    - Make obvious preparations to carry out the threat.
        - Facing the prospect of a strike, companies build up their inventories and unions build strike funds.
- Create and carry out minor threats in advance, leading the other party to believe that major threats will be fulfilled.
    - A negotiator may say, "If the progress of these negotiations does not speed up, I am not going to return to the negotiating table after lunch," and then do just that.
- Research on threats in negotiation suggests that negotiators who make threats are perceived as more powerful than negotiators who do not.
    - This does not appear to translate into higher negotiation outcomes for threat users.
    - In fact, threat users are also perceived as less cooperative, and their outcomes in integrative situations seem to be lower than those of negotiators who do not use threats.

C. Preventing the Other Party from Committing Prematurely

- All the advantages of a committed position work against a negotiator when the other party commits, so it is important to prevent the other party from committing.
    - People often take committed positions when they become angry or feel pushed to the limit – pay attention to the other party's level of irritation, anger, and impatience.
- Good, sound, deliberate commitments take time to establish.
    - One way to prevent the other party from establishing a committed position is to deny them the necessary time.
- Another approach to keep the other party from taking a committed position is to ignore or downplay a threat by not acknowledging the other's commitment, or even by making a joke about it.
    - "You don't really mean that."
    - "I know you can't be serious about really going through with that."
    - Or simply move negotiations along as though the commitment statement was not heard or understood.

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- There are times when it is to a negotiator's advantage for the other party to become committed.
  - When the other party takes a position on an issue relatively early, it may be very much to a negotiator's advantage to solidify that position so it will not change.
  - This may be handled in one of two ways.
    - By identifying the significance of a commitment when it is made
    - By taking notes and keeping track of the other's statements

D. Finding Ways to Abandon a Committed Position

- Negotiators may want to get the other party out of a committed position, and the other party may also want a way out.
- Here are four avenues for escaping commitments.

Plan a Way Out

- When planning a commitment, a negotiator should simultaneously plan a private way out.
- The negotiator may also reword a commitment to indicate the conditions under which it applied have changed.

Let it Die Silently

- After a lapse of time, a negotiator can make a new proposal in the area of the commitment without mentioning the earlier one.
- A variation is to make a tentative step in a direction previously excluded by the other's commitment.

Restate the Commitment

- A third route is to restate the commitment in more general terms.
- The party that wants to abandon a commitment will make a new proposal, changing some of the details to be more in line with their current needs, while appearing to still be living with the general principles of the earlier wording.

Minimize the Damage

- If the other party backs off from a committed position, it is important to help them save face, which means helping to minimize any possible damage to the their self-esteem or to their constituent relationships.
- One strategy to use in this instance is to make a public attribution about the other party's move to some noble or higher outside cause.
  - Diplomats can withdraw from a committed position due to their deep concern for peace and humankind.
- A committed position is a powerful tool in negotiation.
  - It is also a rigid tool and must be used with care.
  - The essential effect of a committed position is to remove an issue from further discussion.
  - The committed position has to be believable, and it must appear inevitable.

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- Because of this, getting out of a committed position is not easy, but made simpler by planning.

V. Closing the Deal

- After negotiating for a period of time, and learning about the other party's needs, positions, and perhaps resistance point, the next challenge is to close the agreement.
- Negotiators can choose from several tactics – as much art as science.

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.
- People like to have choices, and providing them is effective for closing a negotiation.

B. Assume the Close

- Salespeople use this technique frequently.
- After 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

- This may be the most popular tactic used.
- When an agreement is close, suggest that the parties split the difference.

D. Exploding Offers

- This offer contains an extremely tight deadline in order to pressure the other party to agree quickly – an extreme version of manipulating negotiating schedules.
- The purpose of an exploding offer is to convince the other party to accept the settlement and to stop considering outcomes.
- Particularly effective in situations where the party receiving the offer is still in the process of developing alternatives that may or may not be viable.
- Appear to work best for organizations with the resources to make an exceptionally attractive offer early in a negotiation in order to prevent the other party from continuing to search for a potentially superior offer.

E. Sweeteners

- Another tactic is to save a special concession for the close.
- To use this effectively, negotiators need to include the sweetener in their negotiation plans, or they may concede too much during the close.

VI. Assessing the Quality of the Agreement

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- There are two categories of outcomes that are important.
  - Objective outcomes
  - Subjective value
- Objective outcomes include assessment of the agreement against the negotiator's target and resistance points.
  - Another way to assess agreements would be against what the other party "would have paid" – this information is not always available and even if obtained, should be treated with suspicion as it could be from self-serving motivation or strategic reasons.
- Subjective value is a cluster of psychological variables that negotiators use to evaluate negotiation outcomes.
  - Feelings about the outcome – outcome satisfaction, distributive fairness
  - Feelings about the self – Did you lose face? Was your behavior principled?
  - Feelings about the process – Did the other party listen? Was the process fair?
  - Feelings about the relationship – What impression did the other negotiator make on you? Do you trust the other negotiator?
- There is no perfect way to assess the quality of agreements, but negotiators should try.
  - Both objective outcomes and subjective value appear important, with subjective value having an important influence on future negotiations.

VII. Hardball Tactics

- Designed to pressure negotiators to do things they would not otherwise do.
  - Their presence usually disguises the user's adherence to a distributive bargaining approach.
  - Their effect is unproven and they can backfire.
  - Many find these tactics offensive and they illicit feelings of revenge in others.
  - Many negotiators consider these tactics out-of-bounds for any negotiation situation.
  - The authors do not recommend the use of the following tactics.
- It is important to understand hardball tactics and how they work so you can recognize them is they are used against you.

A. Dealing with Typical Hardball Tactics

- As a negotiator, there are several choices about how to respond.
  - A good strategic response is to identify the tactic quickly and understand how it works.
  - No one response will work in all situations, and your response will depend on your goals and the broader context of the negotiation.

Discuss Them

- Label the tactic and indicate to the other party that you know what they are doing
  - Then offer to negotiate the negotiation process itself, such as behavioral expectations, before continuing.
  - Suggest you both use more productive methods, allowing you both to gain.

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- Separate the people from the problem and then be hard on the problem, soft on the people.

Ignore Them

- This appears as a weak response, but it can be powerful.
- Your opponent is expending much energy into their tactic, conserve yours.
- Not responding to a threat is often the best way of dealing with it.
  - Pretend you didn't hear it.
  - Change the subject.
  - Call a break and, upon returning, switch topics.

Respond in Kind

- You can always respond to a hardball tactic with one of your own.
  - This can result in chaos but once the smoke clears, both parties may realize each other's skill in such tactics and be willing to try something different.
- This may be most useful when dealing with another party who is testing your resolve or as a response to exaggerated positions taken in negotiations.

Co-Opt the Other Party

- Another way of dealing with negotiators using aggressive hardball tactics is to try to befriend them before they use the tactics on you.
- Stress your commonalities and find another element upon which to place the blame, and you may sidetrack the other party, preventing their hardball tactics.

B. Typical Hardball Tactics

- Here are some of the more frequent hardball tactics and their weaknesses.
- See Table 2.1

Good Cop/Bad Cop

- A subtle form of this tactic is to assign the bad cop the role of speaking only when the negotiations are headed in a direction the team does not want; as long as things are going well, the good cop does the talking.
- Weaknesses:
  - Relatively transparent
  - Easily countered by openly stating what you are doing
  - Difficult to enact – requires a lot of energy toward making the tactic work

Lowball/Highball

- Negotiators using this tactic start with a ridiculously low, or high, opening offer they know they will never achieve.
- They hope the extreme offer will cause the other party to reevaluate their own opening offer and move closer to or beyond their resistance point.
  - The risk in using this tactic is that the other party will think it is a waste of time to negotiate and stop the process.

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- The best way to deal with a lowball/highball tactic is not to make a counteroffer but to ask for a more reasonable opening offer from the other party.
  - The reason this is important is that this tactic works in the split second between hearing the opening off and the delivery of your first offer.
  - If you give in, the other party has "anchored" you to this offer.
- Good preparation is critical to defend against this tactic – allowing you to choose from one of several different strategies.
  - Insist the other party start with a reasonable opening offer and refuse to negotiate further until they do
  - State your understanding of the general market value of the item being discussed, support it with facts and figures, showing the other party that you won't be tricked
  - Threaten to leave the negotiation, either briefly or for good, demonstrating your dissatisfaction in the other party in using this tactic
  - Respond with an extreme counter offer to send a clear message you won't be anchored by an extreme offer from the other party.

Bogey

- Negotiators using the bogey tactic pretend an inconsequential issue is quite important to them – then trade them for major concessions, which really are important to them, later in the negotiations.
- The bogey tactic is most effective when negotiators identify an issue that is quite important to the other side but of little value to themselves.
- This tactic is fundamentally deceptive, and can be difficult to enact.
  - You can waste time and effort arguing for an issue you don't even want.
  - It can be very difficult to change gracefully and accept an offer in completely the opposite direction
  - If the maneuver cannot be undone, you may end up accepting a suboptimal deal.
  - This tactic can damage relationship if the other party reacts strongly to being mislead.
- The bogey is a difficult tactic to defend against, but being well prepared makes you less susceptible.
  - Be suspect when the other party takes a position counter to what you expect.
  - Probe with questions about why they want a particular outcome.
  - Be very cautious about sudden reversals in position, especially late in the negotiation – question them carefully and don't concede too much.

The Nibble

- Negotiators using the nibble tactic ask for proportionally small concession on an item that hasn't been discussed previously in order to close the deal.
  - After considerable negotiations, when an agreement is close, one party asks to include a clause not previously discussed that will cost the other party a proportionally small amount.

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        - The amount is too small to lose the deal over but large enough to upset the other party.
    - This is the major weakness with the nibble:
        - Many people feel that the party using the nibble did not bargain in good faith.
        - The party feeling nibbled will be motivated to seek revenge.
    - Combating the nibble tactic:
        - Respond to each nibble with the question "What else do you want?"
        - Have your own nibbles prepared for exchange.

Chicken

- Negotiators using this tactic combine a large bluff with a threatened action to force the other party to "chicken out" and give them what they want.
- Weakness of chicken tactic:
    - Turns the negotiation into a serious game in which one or both parties find it difficult to distinguish reality from postured negotiation positions
    - Difficult to defend against
        - It can lose its power if downplayed, reworded, or ignored.
        - The riskiest response is to introduce your own chicken tactic.
        - Preparation and a thorough understanding of the situations of both parties is essential for identifying where reality ends and chicken tactics begin.
        - Use of external experts to verify information or to help reframe the situation is another option.

Intimidation

- Many tactics attempt to force the other party to agree by means of an emotional ploy.
- Negotiators intimidate by:
    - Deliberately using anger to indicate the seriousness of a position
    - Increasing the appearance of legitimacy, making the other party less likely to question the process being followed or the contract terms being proposed.
    - Guilt can be used as a form of intimidation by questioning the other party's integrity or the other's lack of trust in them – placing the other party on the defensive.
- To deal with intimidation tactics, negotiators have several options.
    - It is important to understand why you are making any concession – do not concede due to feeling threatened.
    - Discussing the negotiation process with them is a good option.
    - You can ignore the other party's attempts to intimidate you, which influences you only if you let it.
    - Use a team to negotiate, providing two advantages over individuals.
        - People are not always intimidated by the same things so not all team members will be intimidated by such tactics.

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- Team members can discuss the tactics and provide mutual support if the intimidation starts to become increasingly uncomfortable.

Aggressive Behavior

- Aggressive tactics include:
  - Pushing relentlessly for further concessions
  - Asking for the best offer early in negotiations
  - Asking the other party to explain and justify their proposals
- When faced with aggressive behavior tactics, an excellent response is to halt the negotiations in order to discuss the negotiation process itself.
- Again, having a team to counter aggressive tactics can be helpful.
- Good preparation and understanding of your own and the other party's needs and interests make responding to such tactics easier.

Snow Job

- Snow jobs occur when negotiators overwhelm the other party with so much information that they have trouble determining which facts are real or important, and which are distractions.
  - Governments use this tactic when releasing information publicly.
- Another example of a snow job is the use of highly technical language to hide a simple answer to a question asked by a non-expert.
- The snow job can backfire because providing non-diagnostic information in a negotiation interferes with the ability of negotiators to concentrate on what is important in order to reach agreement.
- Negotiators trying to counter a snow job tactic can choose from several alternative responses.
  - Do not be afraid to ask questions until you receive an answer you can understand.
  - If the matter under discussion is, in fact, highly technical, then suggest that technical experts get together to discuss the technical issues.
  - Negotiators should listen carefully to the other party and identify consistent and inconsistent information – then probe inconsistent information to undermine the effectiveness of the snow job tactic.

VIII. Distributive Bargaining Skills Applicable to Integrative Negotiations

- Many distributing bargaining skills are also applicable to integrative negotiations when negotiators need to claim value, or decide how to divide their joint gain.
- Some applicable distributive skills include:
  - Setting clear target and resistance points;
  - Understanding and working to improve their BATNA;
  - Starting with a good opening offer;
  - Making appropriate concessions;
  - Managing the commitment process

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Chapter 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 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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