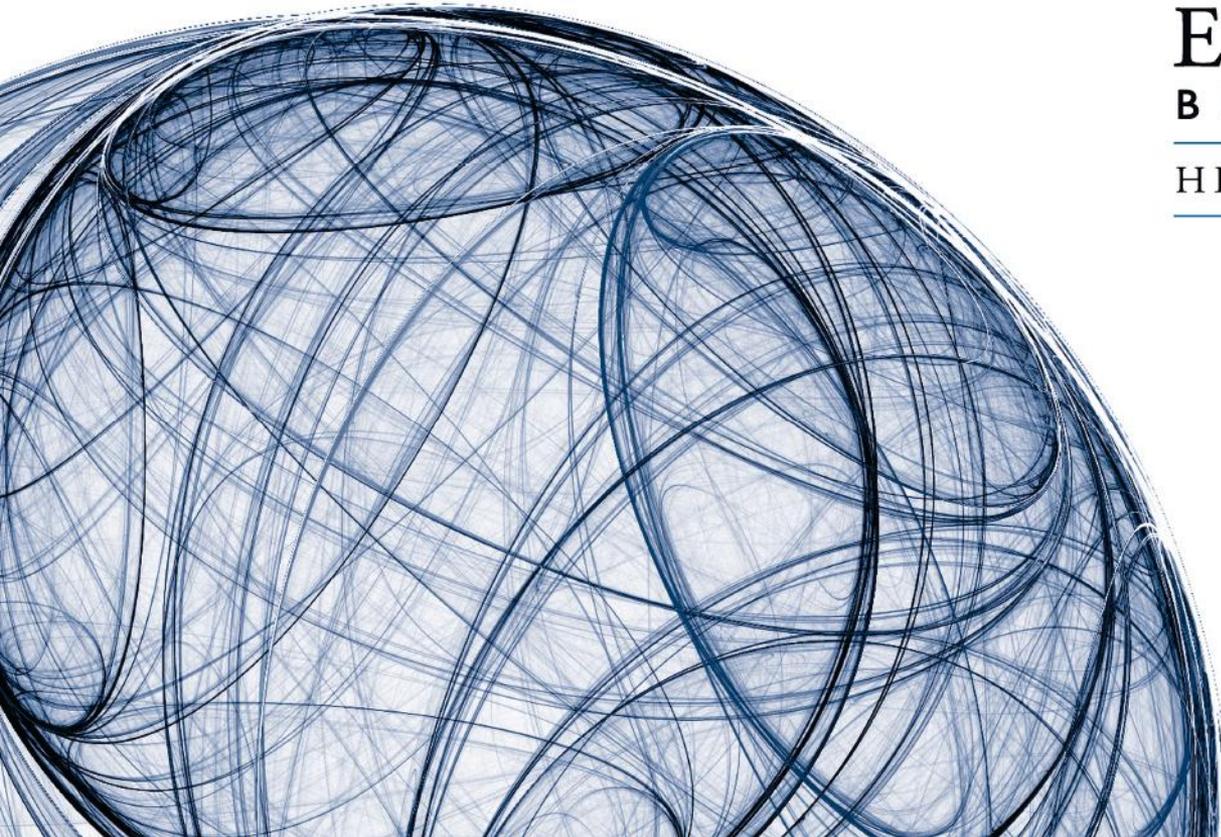


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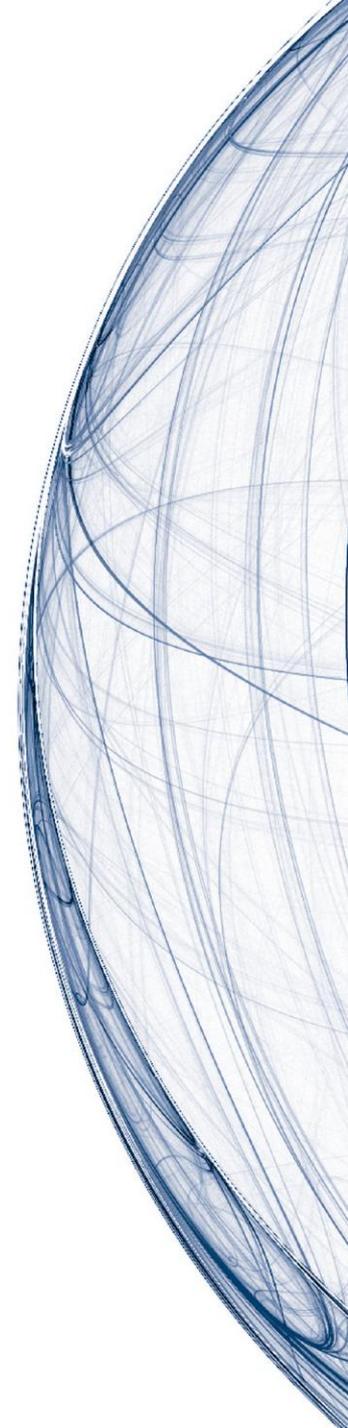
HERIOT-WATT UNIVERSITY

Advanced Negotiation

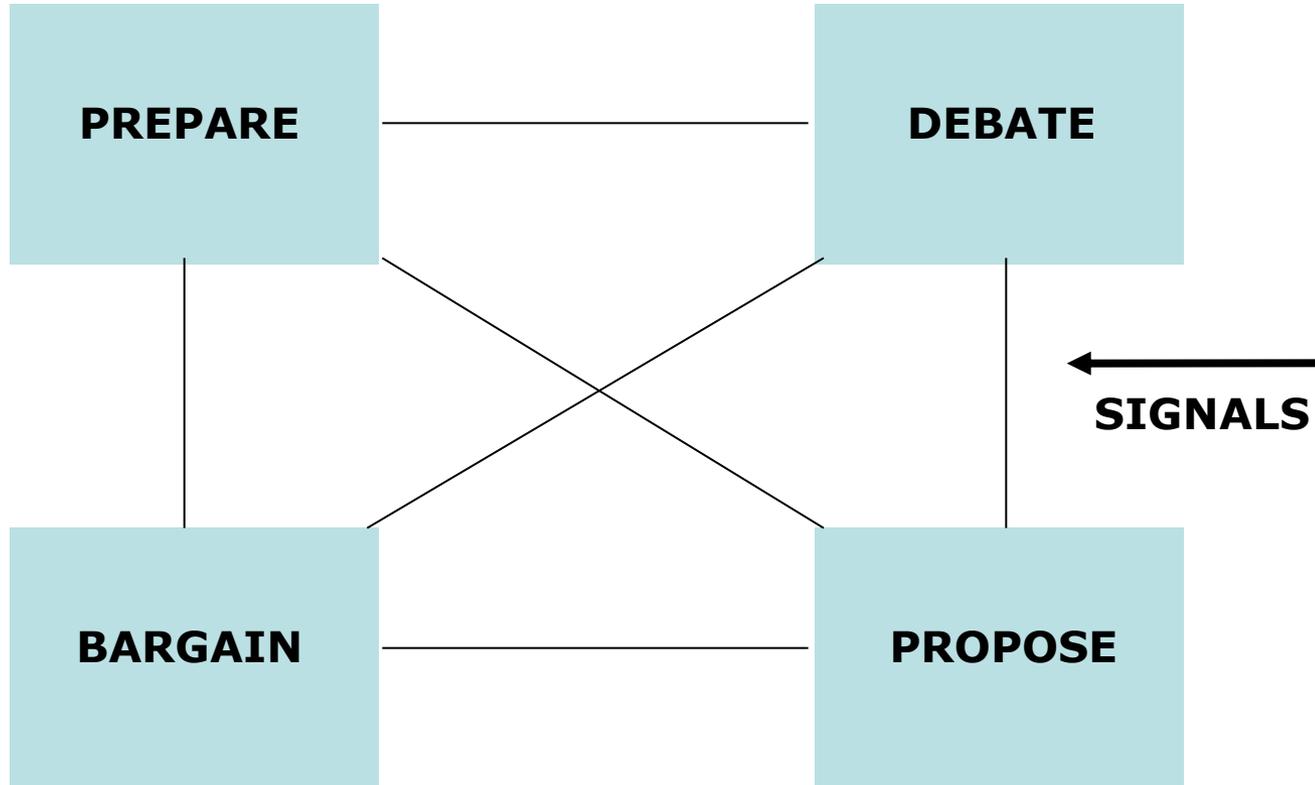
Advanced Negotiation takes the skills taught on the Essentials of Negotiation course to a deeper level.

We explore the problems of negotiation bias, and apply the techniques developed for the Harvard Negotiation Project by Fisher & Ury.

The Four Phases of the negotiation process and conditional bargaining remain.

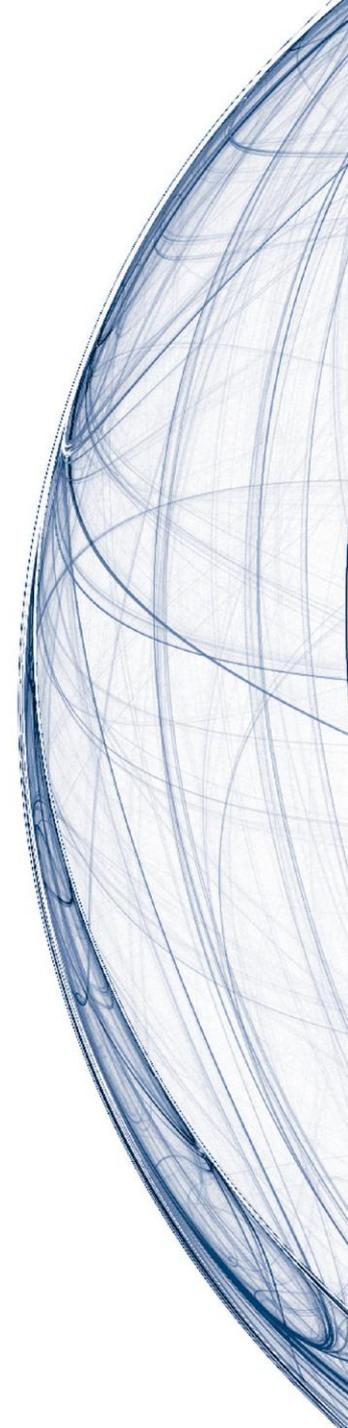


The Four Phases



A New Runway at Exeter Airport

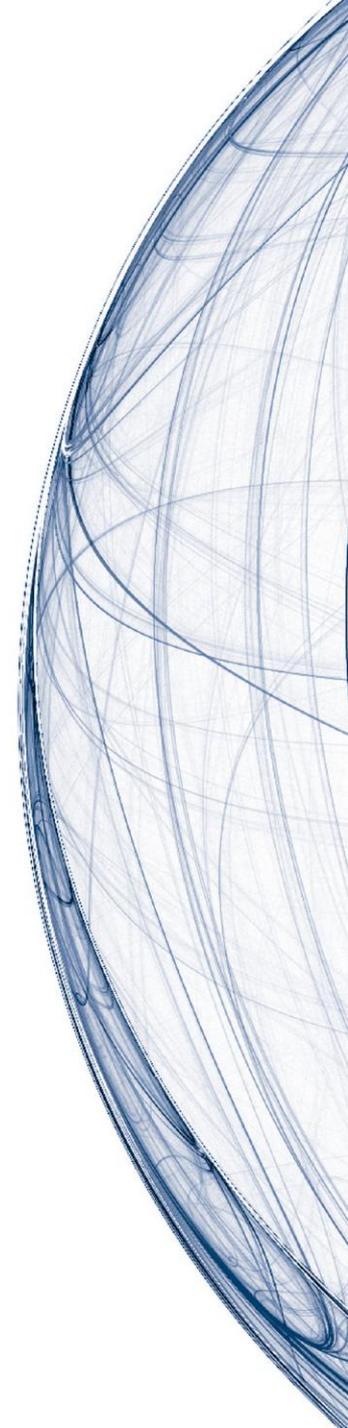
- The Civil Aviation Authority has decided to build a new runway for Exeter Airport.
- People living within the area of 15 kilometres to the north of the airport believe that their lives would be affected severely by a new 3 km runway and its 18 km flight path.
- On the southern boundary, economic developments crowd right up to the airport. This is also the only suitable route for a wider road to and from the city.
- The land close to the east and west boundaries mainly contains high income residential properties, mixed with isolated green sites which contain some rare plants, many indigenous and migratory birds and other small wildlife.



Bazerman & Neale's Decision-Making Biases

1. Irrationally escalating your commitment to an initial course of action, even when it is no longer the beneficial choice.
2. Assuming your gain must come at the expense of the other party, and missing opportunities for trade-offs that benefit both sides.
3. Anchoring your judgements upon irrelevant information such as the initial offer.
4. Being overtly affected by the way information is presented to you.
5. Relying too much on readily available information, while ignoring more relevant data.
6. Failing to consider what you can learn by focusing on the other side's perspective.
7. Being overconfident about attaining outcomes that favour you.

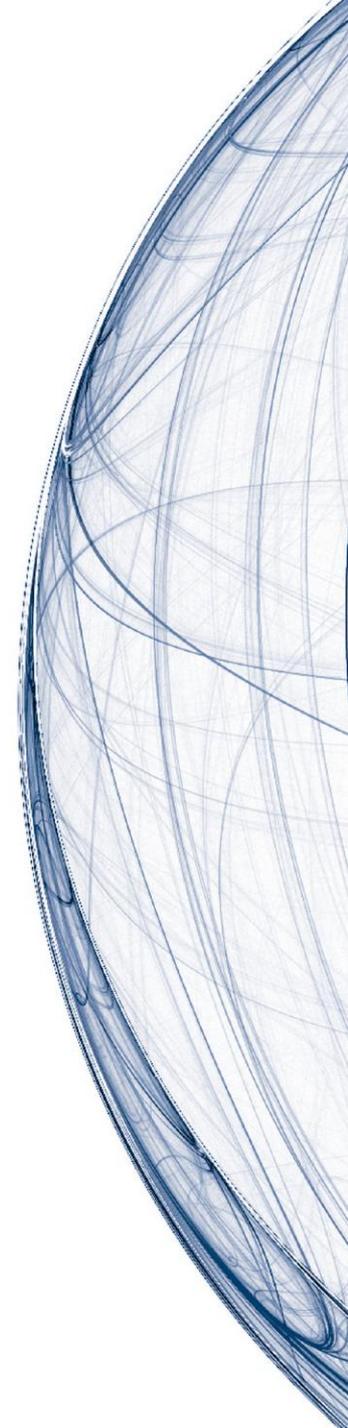
© Max H. Bazerman and Margaret A. Neale 1992



The Irrational Escalation of Commitment

- Irrationally staying committed to an initial course of action – beyond what rational analysis would recommend.
- Price wars, a desire to “win” a bidding war, auction bidding to stop the another winning etc. The \$20 auction.
- Behaviour to justify previous action, allowing “sunk costs” to influence future decisions.
- Occurs because of biases in perception and judgement, not wishing to admit failure, and competitive irrationality.
- Recognise the bias and search vigilantly for disconfirming information, monitoring systems to check perceptions, and seek advice from an objective observer.

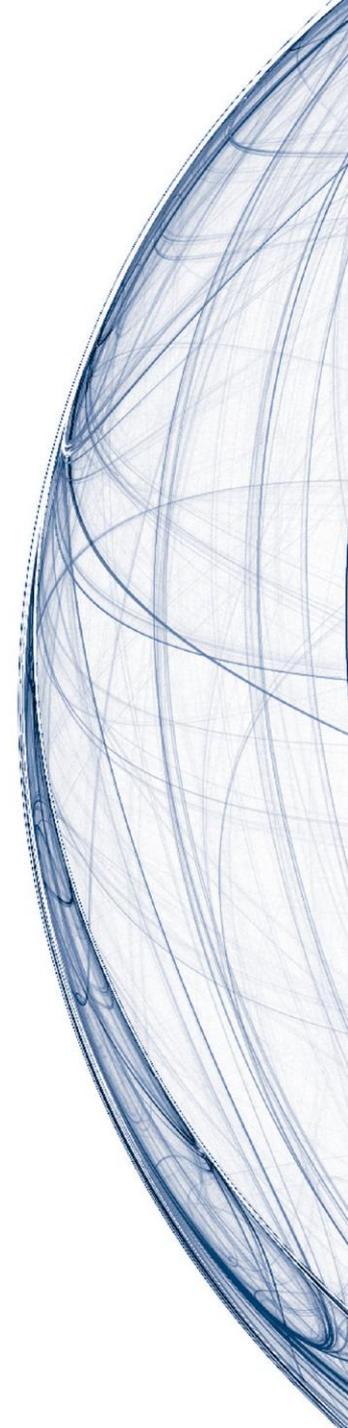
Source: Max H. Bazerman and Margaret A. Neale 1992



The Mythical Fixed-Pie

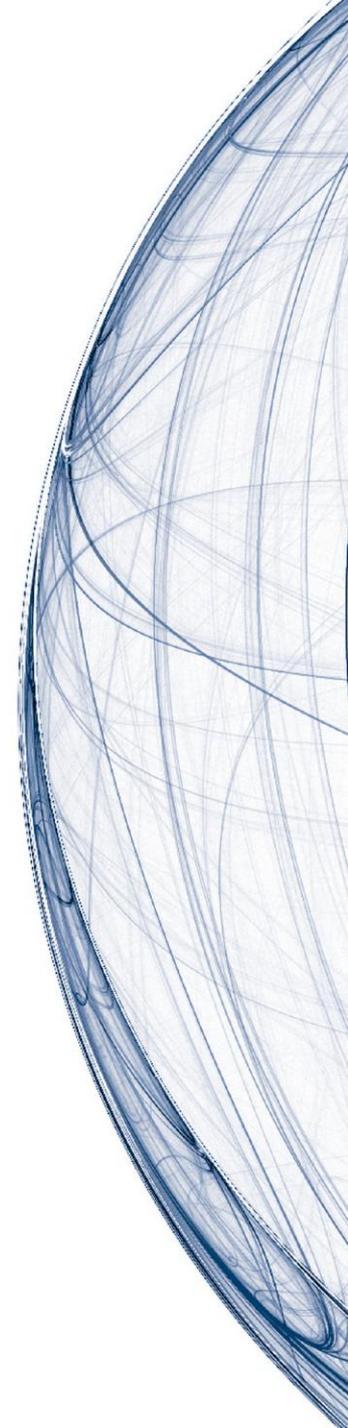
- Encouraged by single-issue negotiations and the “What is good for the other side must be bad for us” leads to a fight over who gets how much of the pie.
- Failure to evaluate the relative importance their various interests and those of the other party.
- The win-lose orientation that is reinforced by such traditions such as athletic competitions etc. Creative problem-solving is inhibited.
- Reactively devaluing a concession simply because it is offered by an adversary.
- Seek effective trade-offs by conceding less important issues to gain on more important ones.

Source: Max H. Bazerman and Margaret A. Neale 1992



Anchoring and Adjustment

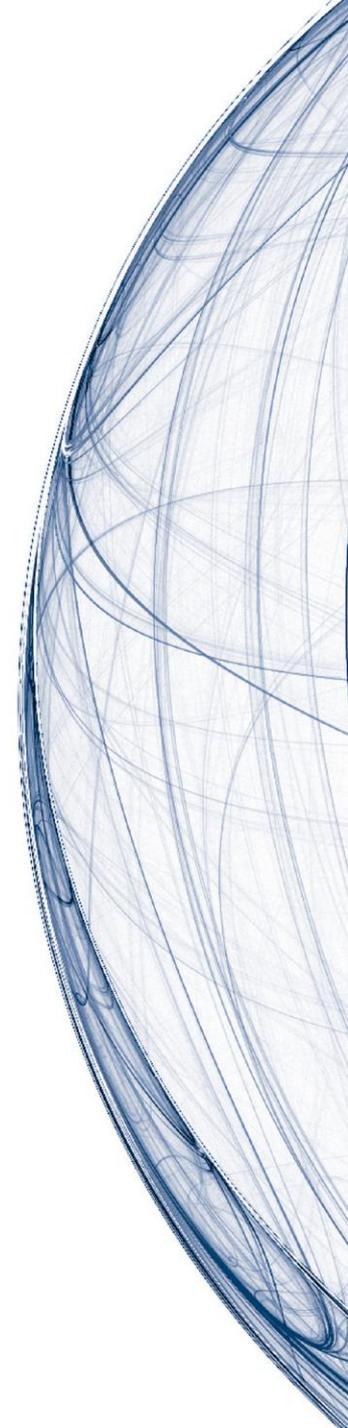
- Initial positions act as anchor and affect each side's perception of what outcomes are possible.
- The impact of initial offers are powerful. People estimate the values of unknown or uncertain values from an initial anchor value and adjusting from there.
- Often such anchors are based on whatever information, relevant, or irrelevant, is handy or strategic. Frequently, an anchor will inhibit individuals from negotiating rationally.
- Setting realistic goals in negotiation can limit the anchoring effect of the other side's offer. Be aware that our own goals can become our anchors.
- Do not let an initial anchor minimise the amount of information and depth of thinking used to evaluate a situation. Avoid giving too much weight to the other party's initial offer too early in the negotiation.
- Challenge the initial offer by questioning. Do not legitimise an unacceptable initial offer by making a counter offer.



Framing Negotiations

- The way the options available are framed, or presented, can strongly affect a negotiator's willingness to reach an agreement. The frame of a "great offer too good a deal to pass up" often has more value than what is actually accepted.
- Presenting a proposal in terms of the other party's gain, can induce them to adopt a positive frame of reference and make them more likely to make concessions. Inherent risk for them can be empathised and contrasted with the opportunity for a sure gain that you have offered.
- Sellers tend to value an item at a higher price than buyers. The seller's frame, or referent point, is regarded as a loss of possession, and they tend to overvalue an item to compensate for the loss they feel – the endowment effect. Buyers undervalue an because they have no sense yet of the possession of it.
- Reframe the referent points to avoid deadlock. Do not let framing influence you unduly, question it and do not allow a frame to minimise the amount of information and depth of thinking used to evaluate a situation.

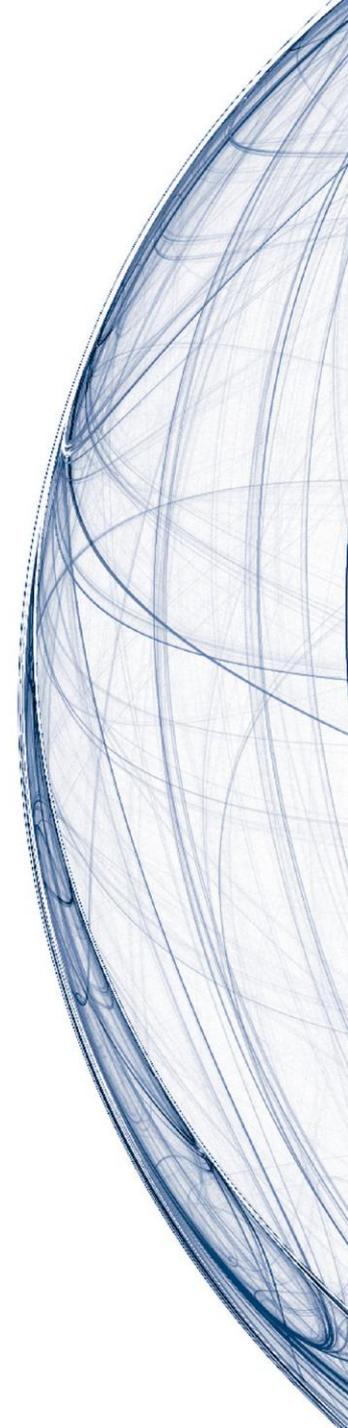
Source: Max H. Bazerman and Margaret A. Neale 1992



Availability of Information

- Executives tend to rely too much on information that is easily available, regardless of its importance to the final outcome.
- People tend to overestimate the probability of unlikely events if the memories associated with them are vivid and, thus, easier to recall. Managers who present information in colourful or emotionally vivid ways exert a much greater impact on decisions than individuals with equally informative, but dull, presentations.
- Past experience as well as present information should be used when assessing various choices, but past experiences are less likely to be equally accessible in memory.
- Good negotiation and decision-making requires identifying and using truly reliable, not just available, information.
- Distinguish what is emotionally familiar from what is reliable and relevant. This is challenging, but it is necessary to improve the quality of your negotiated agreements.

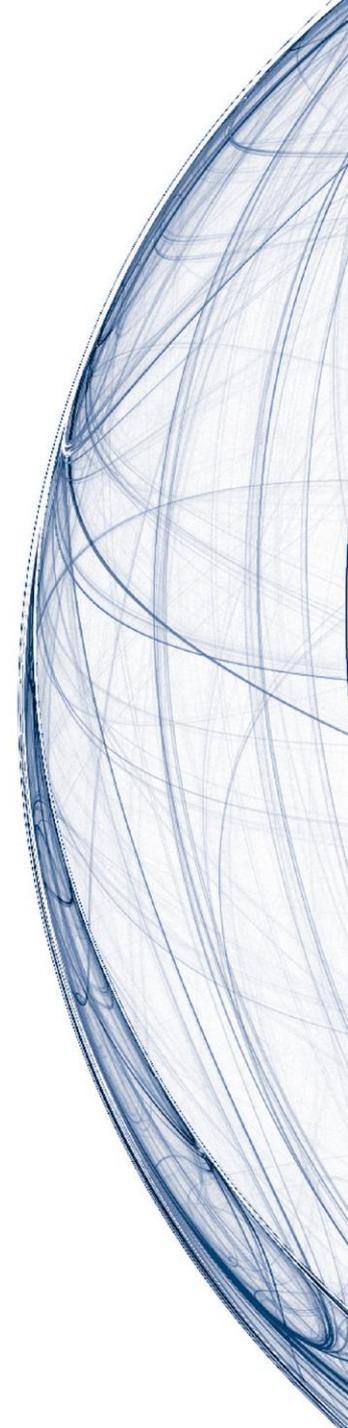
Source: Max H. Bazerman and Margaret A. Neale 1992



The Winner's Curse

- “A tendency for the winning bid in an auction to exceed the intrinsic value of the item purchased. Because of incomplete information, emotions or any other number of factors regarding the item being auctioned, bidders can have a difficult time determining the item's intrinsic value. As a result, the largest overestimation of an item's value ends up winning the auction.” Investopedia.
- Negotiators often make offers in negotiating without realising the implications of having those offers accepted.
- The key feature of the “winner's curse” for negotiating is that one side, usually the seller, often has much better information than the other. Caveat emptor is difficult to apply where the other side knows more than you do.
- Realise the importance of getting accurate information when negotiating.
- Taking into account the other side's perspective will increase success in negotiations. In simulations, actively thinking about the other party will cause you to act more rationally.

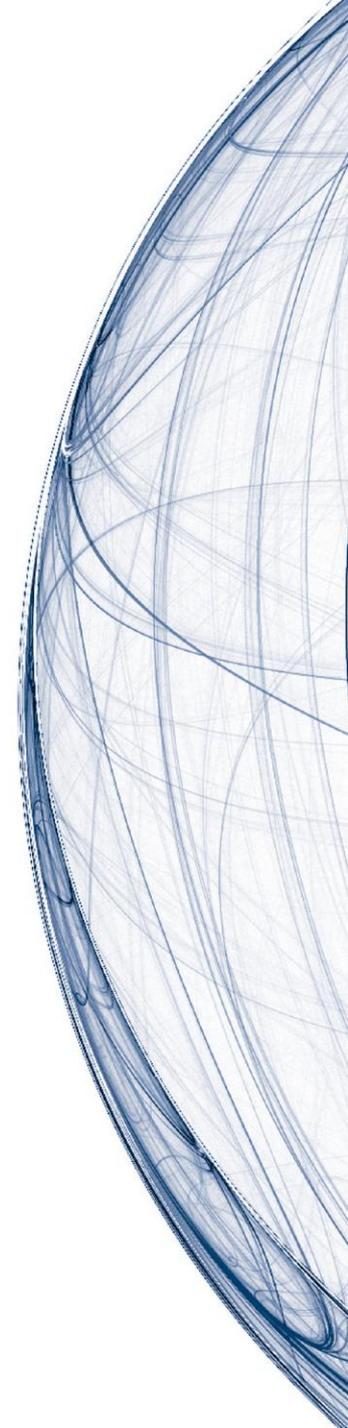
Source: Max H. Bazerman and Margaret A. Neale 1992



Overconfidence

- Many of the biases already discussed can combine to inflate a manager's confidence in his or her judgement and choices.
- Overconfidence in the likely success of your preferred position is one of the more common errors of negotiation. This results in behaviour that is likely to be less flexible than it needs to be if agreement is the ultimate aim.
- Need-based illusions distort people's perceptions of situations to make themselves feel more competent and secure:
 - Illusion of superiority – unrealistically positive view of the self.
 - Illusion of optimism – underestimating the chances of "bad" events and overestimating the likelihood of experiencing "good" future events.
 - Illusion of control – belief that one has more control over outcomes that one really does.

When people hold certain beliefs or expectations, they tend to ignore information that contradicts them.

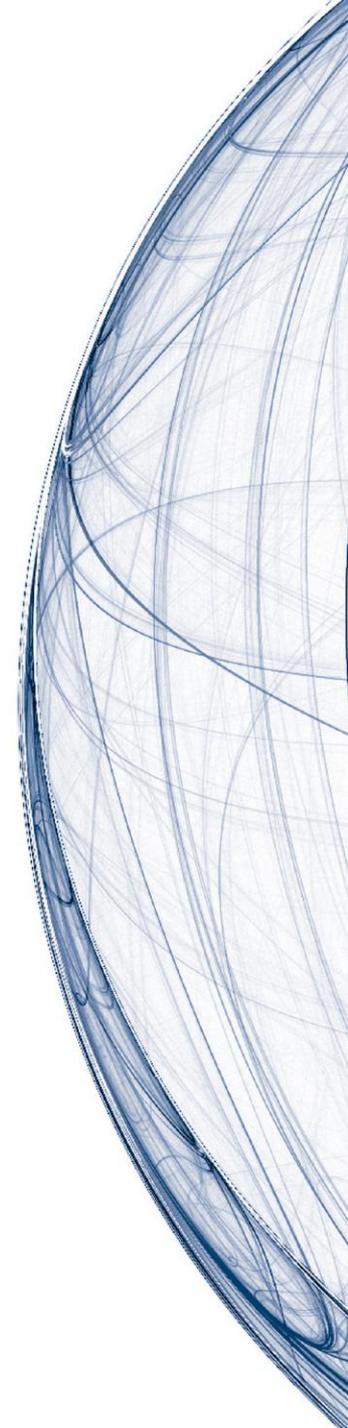


Overconfidence

Final words from Bazerman and Neale:

“Managers tend to enter negotiations with one strategy for reaching agreement. They assume success and develop their strategy accordingly. A very different view, and one we believe is more useful, is to realize that your initial strategy may not work and seek to disconfirm it by searching for new information. If you are not open to disconfirming information, you will have a harder time adapting when confronted by unexpected circumstances in a negotiation.”

Source: Max H. Bazerman and Margaret A. Neale 1992



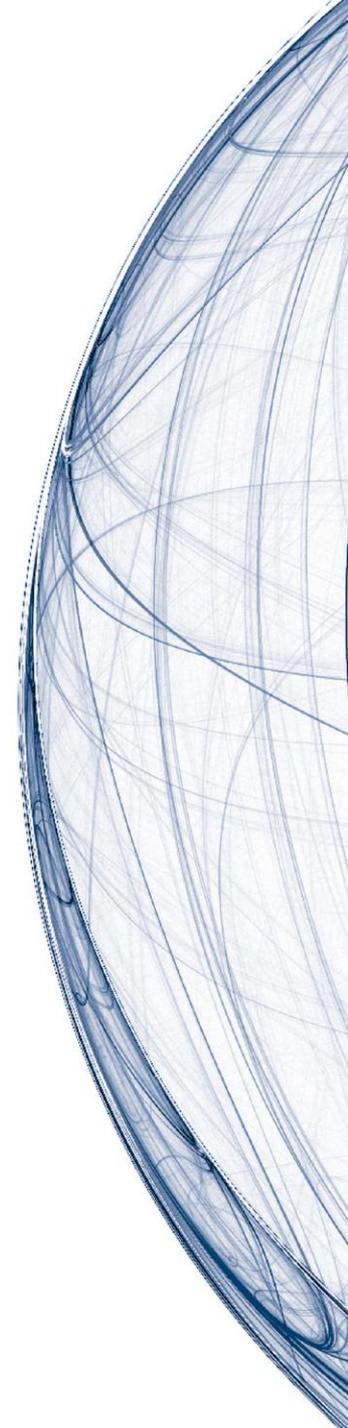
Principled Negotiation

Four Prescriptions of Principled Negotiation:

1. Separate the PEOPLE from the Problem.
2. Focus on INTERESTS, not Positions.
3. Invent OPTIONS for mutual gain.
4. Insist on using objective CRITERIA upon which to base agreement.

These four prescriptions should be employed collaboratively at each stage of the negotiation process.

Source: Fisher & Ury 1992



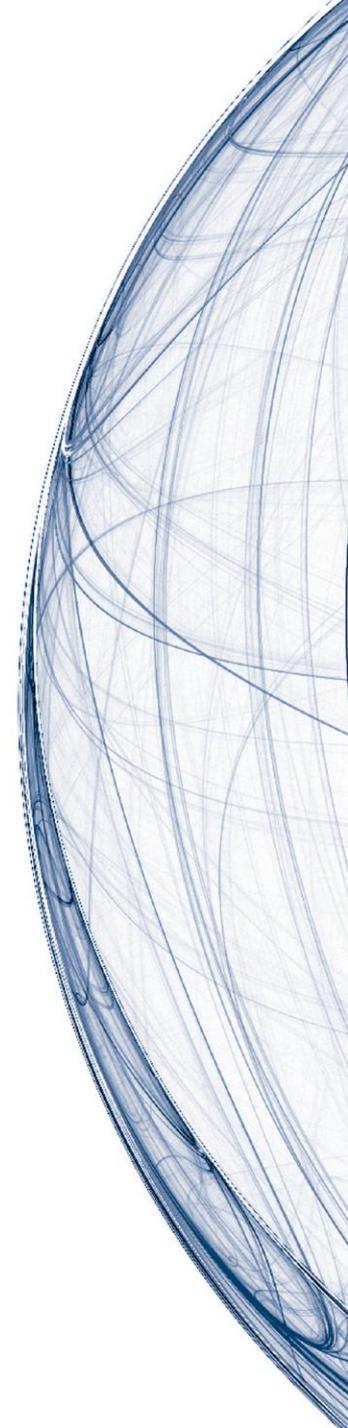
Principled Negotiation

1. Separate the PEOPLE from the Problem:

Three basic sorts of people problems:

- (1) different perceptions among the parties;
- (2) emotions such as fear and anger; and
- (3) communication problems.

Source: Fisher & Ury 1992



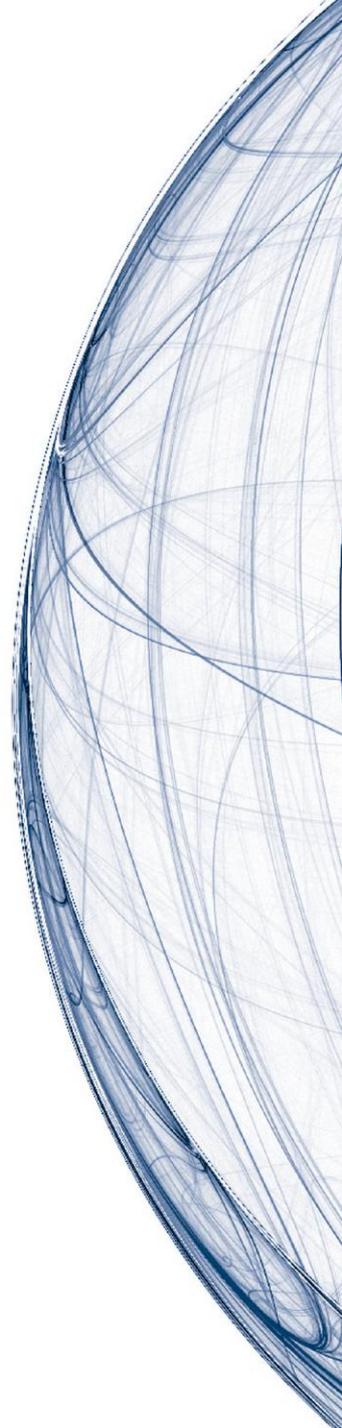
Principled Negotiation

Solution:

Separate the people from the problem – be hard on the problem and soft on the people.

What kinds of behaviour does this solution imply?

Source: Fisher & Ury 1992



Principled Negotiation

Fisher & Ury's suggested solutions:

Try to understand the other person's viewpoint by putting yourself in the other's place.

Do not blame or attack the other party for the problem.

Try to create proposals which should be appealing to the other party.

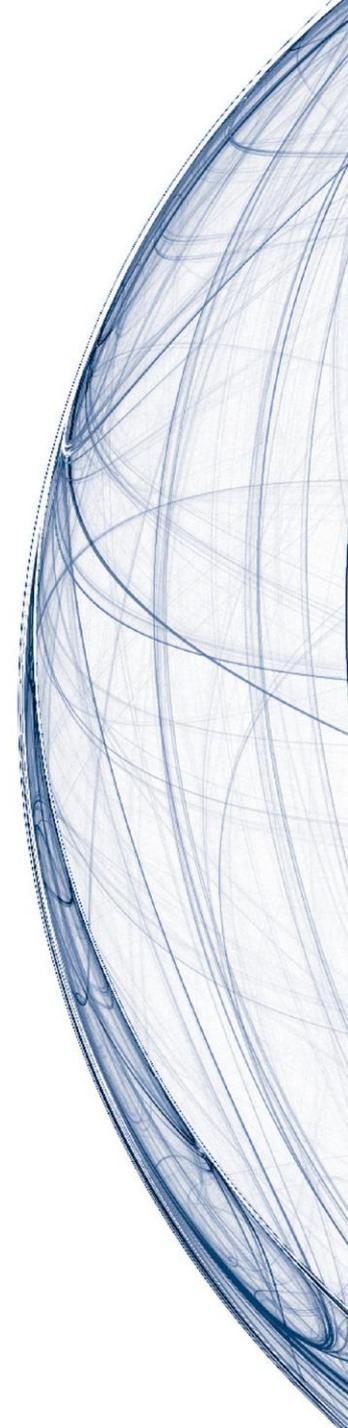
Acknowledge emotions and try to understand their source (understand that all feelings are valid even if you do not agree or understand them).

Allow the other side to express their emotions.

Actively listen to the other party (give the speaker your full attention, occasionally summarizing the speaker's points to confirm your understanding).

Think of each other as partners in negotiation rather than as adversaries.

Source: Fisher & Ury 1992



Principled Negotiation

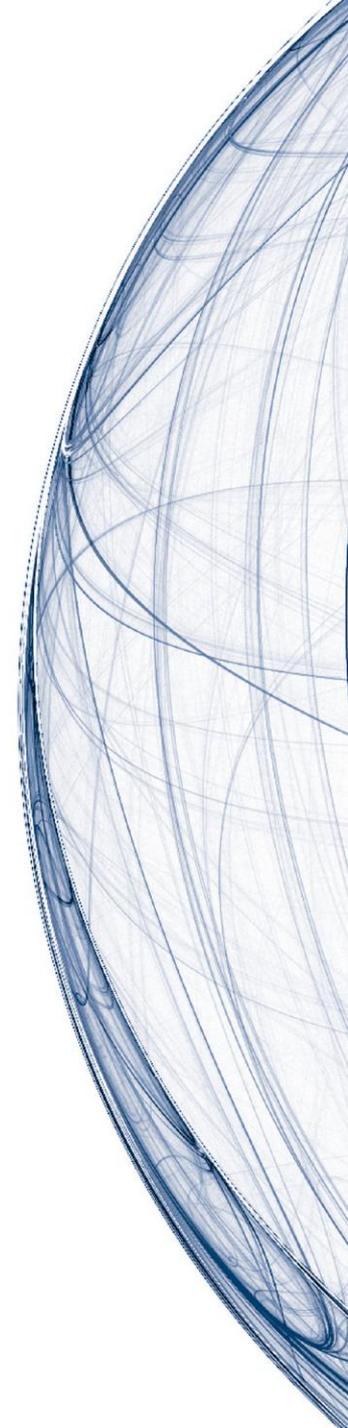
2. Focus on Interests not Positions:

Interests define the problem. They are the fears, hopes and concerns that motivate negotiators. The basic problem in a negotiation lies not in conflicting positions, but in the conflict between each side's interests.

To identify, understand, and deal with both parties' underlying interests you must:

- Ask why the party holds the positions she or he does, and consider why the party does not hold some other possible position.
- Explain your interests clearly.
- Discuss these interests together looking forward to the desired solution, rather than focusing on past events.
- Focus clearly on your interests, but remain open to different proposals and positions.

Source: Fisher & Ury 1992



Principled Negotiation

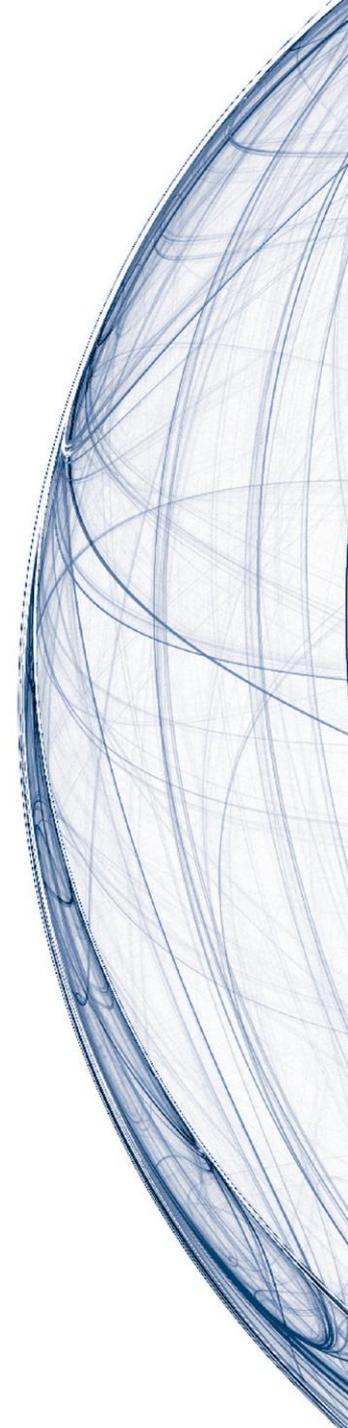
3. Invent Options for Mutual Gain

Fisher and Ury identify four obstacles to generating creative problem solving options:

- (1) deciding prematurely on an option and thereby failing to consider alternatives;
- (2) being too intent on narrowing options to find the single answer;
- (3) defining the problem in win-lose terms; or
- (4) Thinking that it is up to the other side to come up with a solution to the party's problem.

What solutions would you propose to overcome these problems?

Source: Fisher & Ury 1992



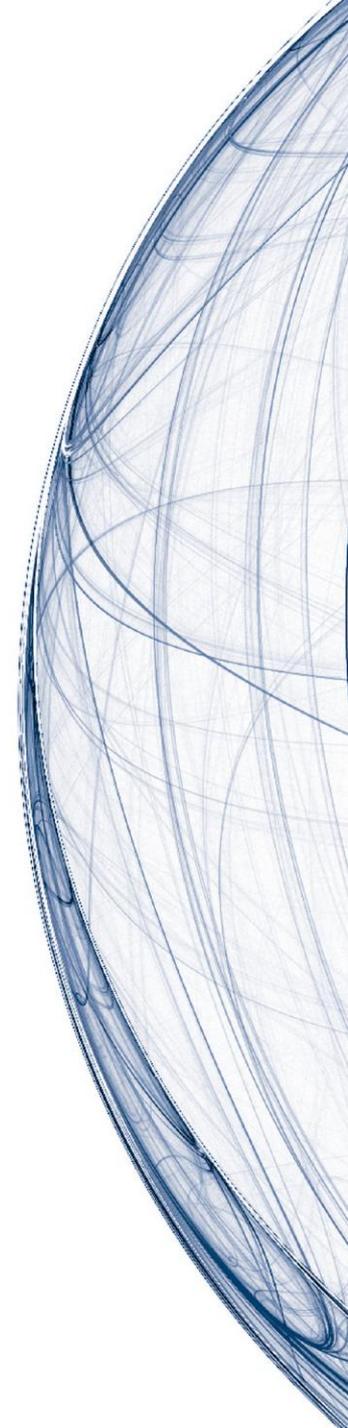
Principled Negotiation

3. Invent Options for Mutual Gain

The authors also suggest four prescriptions for overcoming these obstacles and generating creative options:

- (1) Separate the process of inventing options from the act of judging them;
- (2) Broaden the options on the table rather than only look for a single solution;
- (3) Search for mutual gains; and
- (4) Invent ways of making decisions easy.

Source: Fisher & Ury 1992



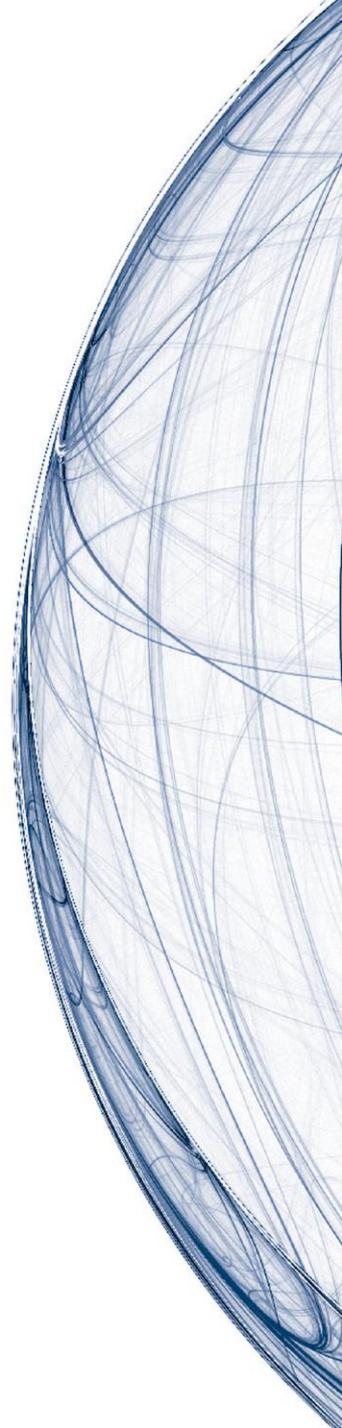
Principled Negotiation

4. Insist on Using Objective Criteria

When interests are directly opposed, the parties should use objective criteria to resolve their differences. Allowing differences to spark a battle of egos and thus wills is inefficient, destroys relationships, and is unlikely to produce wise agreements. The remedy is to negotiate a solution based on objective criteria, independent of the will of either side.

Parties must first develop objective criteria that both parties agree to. Criteria should be both legitimate and practical, such as scientific findings, professional standards, or legal precedent. To test for objectivity, ask if both sides would agree to be bound by those standards.

Source: Fisher & Ury 1992



Principled Negotiation

4. Insist on Using Objective Criteria

Three points to keep in mind when using objective criteria:

1. Frame each issue as a joint search for objective criteria. Ask for the reasoning behind the other party's suggestions.
2. Reason as to which standards are most appropriate and how they should be applied; Keep an open mind.
3. Never yield to pressure, threats, or bribes – only to principles. When the other party stubbornly refuses to be reasonable, shift the discussion from a search for substantive criteria to a search for procedural criteria.

Source: Fisher & Ury 1992

