

Session 2

Distributive Negotiation

Distributive Bargaining

- There are two ways in which the parties to the negotiation can try to meet their needs. They can each try to claim as large a share of the available benefits for themselves or they can try to increase the total amount of benefits available to everyone.

Distributive Bargaining

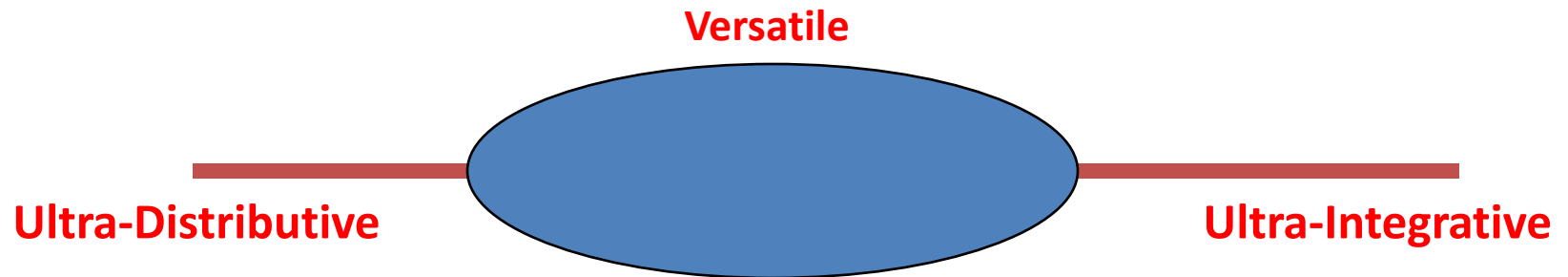
- To the extent that a negotiation is about gaining as much as possible of what is available, it is Distributive.
- People try to get their needs met at other peoples' expenses.
- A zero-sum game. You try to divide up a pie so you get the majority share.

We Will Bury You!

- Nikita Khrushchev

The Importance of You

One of the first choices a negotiator has to make is whether to use distributive or integrative bargaining.

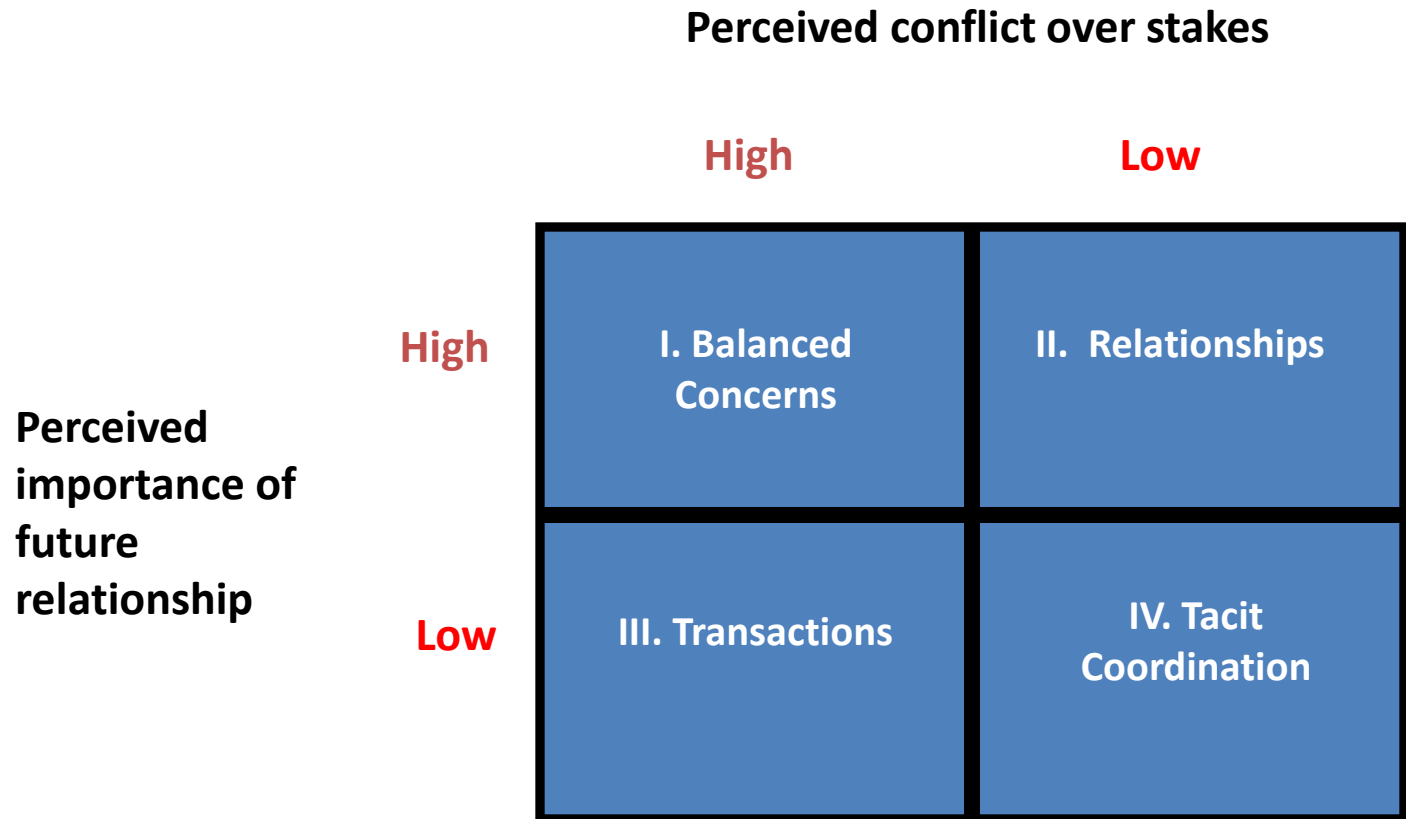


THE IMPORTANCE OF RANGE

The Importance of You

- If you are basically an accommodating, nice person, do not try to become a monster. It will not work. And if you are basically competitive, do not try to convince people you are a saint!
- Just be yourself and use the style that fits you more effectively.
- However, be certain you develop a range of skills. You cannot afford to be one dimensional.

Assess the Situation



Quadrant I:

Balanced Concerns

- The future relationship and the immediate stakes are in *balanced tension*.
- You want to do well but not at the cost of the future relationship.
- Examples: Many employment disputes, partnerships, mergers, long-term supplier relationships, family business issues, relationships between different units of the same organization.

Best strategies: Collaborate or Compromise

Quadrant II: Relationships

- The relationship matters a lot and the matter being negotiated is secondary.
- We strive to treat the other party 'well'. We play by the rules and conduct ourselves accordingly.
- Examples: Healthy marriages, friendships, well-functioning work teams.

Best strategies: Accommodation, Collaborate, or Compromise

Quadrant III: Transactions

- The stakes matter more than a continuing relationship.
- Leverage counts.
- Examples: Buying a car, buying a house, land transactions, many market-mediated deals.

Best strategies: Competition, Collaborate, or
Compromise

Quadrant IV:

Tacit Coordination

- These situations do not require formal negotiation so much as the tactful avoidance of conflict.
- Example: Two cars meet at an intersection or choosing seats in an unassigned bus or train

Best strategies: Avoidance, Accommodation,
Compromise

Distributive Bargaining Characteristics

- The focus is on how to get the most for yourself.
- Issues tend to be framed in terms of how to compromise among conflicting needs or how to choose among mutually exclusive alternatives.
- Power is applied to 'wrest' concessions from the other side. The power is applied to convince the opponent they have no option but to make concessions.

Distributive Bargaining Characteristics

- Information is shared only to the extent it will convince others to compromise. Information that points out weaknesses of the other side is 'good'.
- Alternatives are used as 'leverage' to convince others to compromise or give up potential benefits.
 - Leverage means the tools negotiators use to give themselves an advantage or increase the probability of achieving their objectives.
- Agreement is reached when the parties accept a proposal they believe to be better than their realistic alternatives.

Negotiation is a process of give and take

The process exchanges:

1. Information
2. Concessions

- Changes in positions are usually accompanied by new information concerning the other's intentions, the value of outcomes, and likely area of settlement.

Information - Questions

- Questions are mind openers. They lead both buyer and seller into more active involvement with each other.
- Give a lot of attention to the questions you will ask during preparation.
- Questions and answers can be looked at as a negotiation in their own right.
- Every question has the character of a demand. Every answer is in a sense, a concession. Try to keep your questions '**open ended**'.

Information Needed

- Why are they negotiating?
- What are their time constraints and deadlines?
- What is their negotiating style?
- What are the limits to their authority?
- What are their underlying interests and concerns?
- What are their expectations with respect to the outcome?
- What do they know about us?

Facts are a Stupid Thing!

- Ronald Reagan

Concession

- An opening offer is usually met by a counteroffer, and these two offers define the initial bargaining range.
- After the first round of offers, the next step is to decide what movement or, concessions are to be made.
- **NOTE:** the first concession conveys a message, frequently a symbolic one, to the other side.

Role of Concession

- Concessions are central to negotiation but avoid the resentment of the 'take it or leave it' scenario.
- By beginning with an opening offer not close to your resistance point, you ensure some room for YOU to make some concessions which plays to the psychology of bargaining.

Guidelines to Making Concessions

- Never accept the first offer.
- Never give a concession without getting one in return.
- Never lose track of how many concessions you have made.
 - Try and identify patterns in concession made to you.
- Never make concessions in a predictable manner.
- Try not to make the first concession on important issues.
 - However, be the first to concede on a minor issue.

Guidelines to Making Concessions

- Give yourself enough room to make concessions.
- Try to get the other party to start revealing their needs and objectives first.
- Make the other party work hard for every concession you make.
- Make unimportant concessions and portray them as more valuable than they are.
 - Negotiators reciprocate concessions based on the **benefits** they receive, not the other side's **sacrifices**.

Guidelines to Making Concessions

- Generally, concede slowly and give a little with each concession.
- Do not reveal your deadline to the other party.
- Occasionally to say “no” to the other negotiator.
- Be careful trying to take back concessions even in tentative negotiations.
- Do not concede “too often, too soon, or too much.”

Two Dilemmas in Distributive Negotiation

- Dilemma of Honesty
 - How much of the truth to tell the other party?
- Dilemma of Trust
 - How much should negotiators believe what the other party tells them?

Settlement Range

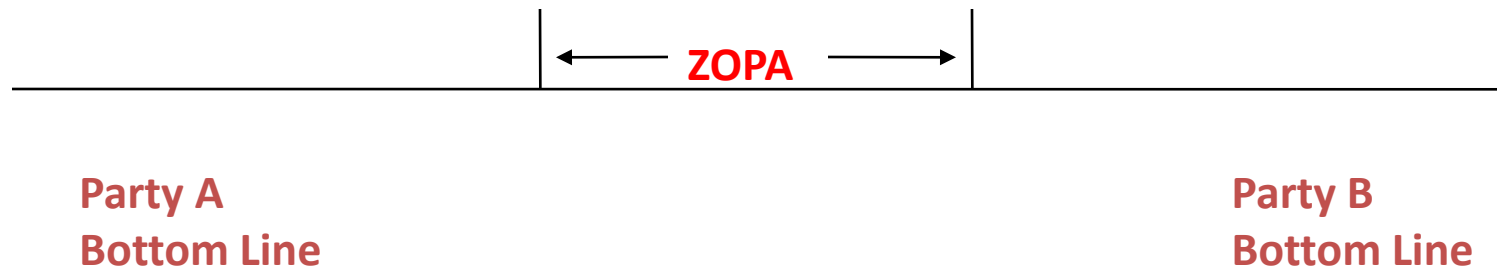
- The settlement range, sometimes called the bargaining range or ZOPA, is the spread between reservation points.
- This is the area where bargaining takes place.

Reservation Points

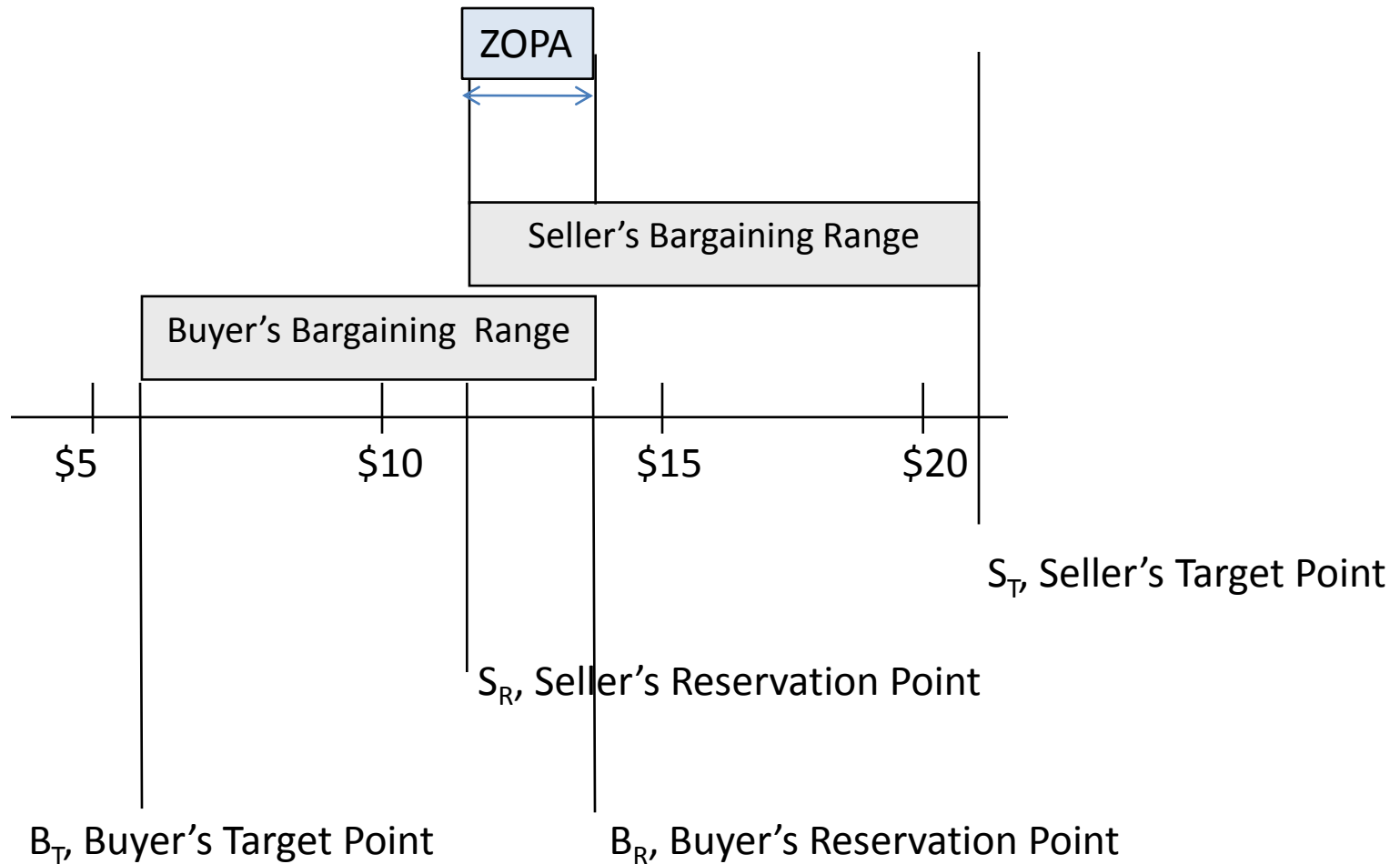
- This is your 'bottom line' or the point beyond which you will not go.
- This is where you will 'walk away'.

Zone of Potential Agreement (ZOPA)

- ZOPA: A series of points on a line between the bottom line of both parties where settlement is possible.



ZOPA



BATNA

BATNA is an acronym for:

Best
Alternative
To
a
Negotiated
Agreement



Why BATNAs Matter

BATNAs tell you when to accept and when to reject an agreement

- When a proposal is **better** than your BATNA: **ACCEPT IT**
- When a proposal is **worse** than your BATNA: **REJECT IT**

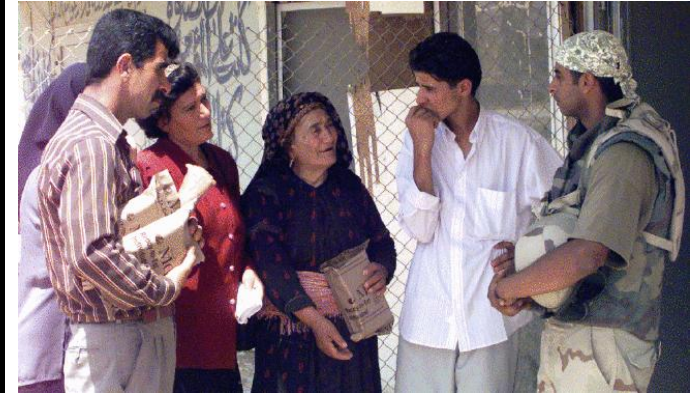


Why BATNAs Matter

A good BATNA strengthens your negotiation power.

Agreement on each side's BATNA leads to “ripe moments” — e.g., parties who agree on a likely court outcome can “settle out of court.”

Divergent BATNA images lead to “intractability” or violence — e.g., when each side thinks it can win, both pursue conflict intensely.



Determining Your BATNA

Develop a list of possible alternative actions to negotiation.

Convert the more promising ideas into practical actions.

Select the best option.



BATNAs and the Other Side

Attempt to determine their BATNA

- Follow the same steps as for determining your own BATNA
- Knowing your BATNA and theirs tells you the strength of your own position

Only reveal your BATNA if it's better

- Revealing a weak BATNA weakens your position
- Revealing a strong BATNA strengthens your position



Third Parties and BATNAs

Third parties can help disputants identify their BATNA.

Questions to ask:

- How could you do that?
- What would the outcome be?
- What would the other side do?
- How do you know?

Can be asked privately or together



WATNA

WATNA

WATNA is an acronym for:

Worst

Alternative

To

a

Negotiated

Agreement

Distributive Negotiation Strategy

- **Step 1:** Assess your BATNA and improve it
- **Step 2:** Determine your reservation point, but do not reveal it
- **Step 3:** Research the other party's BATNA and estimate their reservation point
- **Step 4:** Set high aspirations (be realistic, but optimistic)
- **Step 5:** Make the first offer (if you are prepared)

Distributive Negotiation Strategy

- **Step 6:** Immediately reanchor if the other party opens first
- **Step 7:** Plan your concessions
 - Pattern, magnitude, and timing of concessions
- **Step 8:** Support your offers with facts
- **Step 9:** Appeal to norms of fairness
- **Step 10:** Do not fall for the “even split” ploy