POWER AND NEGOTIATIONS
Class 3

DISTRIBUTIVE AND INTEGRATIVE STRATEGIES
CONCESSIONS

• Do not offer more than one concession at a time
  ○ Silence is ok
  ○ Recall Cosby

• Declining magnitude of concessions is an unspoken signal to suggest closeness to RP without bluffing

• Use “norm of reciprocity” – label your concessions, be clear of cost to you, and wait.

• Contingent concessions? May reduce risk but formalization may hurt trust
To maximize your performance the best strategy may not be to compete/“defeat” the adversary.

We often compete by default.
- Especially in “games” like situations (incl. arm wrestling & negotiations),
- Especially when anxious – automaticity kicks in.

What if you’re the stronger party? Any advantage to cooperating in the “power game”?

Did anyone try to “signal” to their partner their willingness to cooperate? How?
INTEGRATIVE NEGOTIATIONS:
EXPANDING THE PIE

--Avoid: “Fixed Pie Bias”
--Don’t assume interests are incompatible
--Don’t assume you know their interests
--“Compromise” may be suboptimal

ARE INTEGRATIVE SITUATIONS RARE?
Examples of Non-Zero Sum Situations

- Parties have compatible interests (non-competitive similarities)
  - Want some of the same things (e.g., location of joint venture).
  - Usually “relationship” is a shared interest

- Parties have different interests
  - Are differences obstacles to integration?
  - Differences in valuations (big office versus nice view)
  - Differences in expectations about future events allow contingency contracts
  - Most negotiations have multiple issues, differences allow trades

HOW TO AVOID FIXED PIE BIAS?
TO FIND INTEGRATIVE SOLUTIONS:

EXPLORE INTERESTS!

- How are interests different from positions?
TO FIND INTEGRATIVE SOLUTIONS:
EXPLORE INTERESTS

• How are interests different from positions?

• Why do we care about interests?
TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

- Why do we care about interests?
  - MUTUAL GAINS
  - Understanding interests essential for optimal deals.
  - KEY POINT: DON’T START WITH POSITIONS, FIRST EXPLORE BOTH SIDES’ INTERESTS

- How to learn counterparty’s interests?
TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

- How to learn counterparty’s interests?
  - ASK WHY WHY WHY, AND LISTEN
  - Resist fears of getting “bogged down” in their irrelevant “stuff”
  - ASK DIAGNOSTIC QUESTIONS THAT PROBE WHERE VALUE IS FOR THEM (unlike RP questions less temptation to lie)
  - RESEARCH
  - PUT YOURSELF IN THEIR SHOES (COGNITIVELY IMAGINE WORLD FROM THEIR PERSPECTIVE)

- How should you describe your interest?
TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

- How should you describe your interest?
  - PROVIDE VIVID AND SPECIFIC DETAILS
  - GET THEM TO SEE THAT THEY WOULD HAVE THE SAME INTERESTS IF THEY WERE IN YOUR SHOES
  - DON’T HIDE EMOTIONS. EMOTIONS CAN HELP COMMUNICATE IMPORTANCE OF ISSUE FOR YOU
USING INTERESTS TO CREATE OPTIONS

- THINK CREATIVELY
- Slow Down! Efficiency ≠ Speed (again, beware default mode)
  - Beware: “splitting the difference” temptation
- Ask: Given all interests, what solutions might benefit both? How to expand pie?
  - Brainstorm as many solutions as possible
  - Try to identify different valuations/priorities, and how issues may be traded.