

Chapter 4

Negotiation: Strategy and Planning

Overview

In this chapter, we discuss what negotiators should do before sitting down to negotiate. Effective strategy and planning are the most critical precursors for achieving negotiation objectives. With effective planning and goal setting, most negotiators can achieve their objectives; without them, results occur more by chance than by negotiator effort.

The discussion of strategy and planning begins by exploring the broad process of strategy development, starting with defining the negotiator's goals and objectives then moves to developing a strategy to achieve those goals. Finally, we address the typical stages and phases of an evolving negotiation and how different issues and goals will affect the planning process. Figure 4.1 shows how these elements are related.

- Although the model suggest the relationships between these elements is linear – that is, goals lead to strategy leads to planning – in fact, many parties often begin midway in the sequence and work their way backward or forward until the three steps of the preparation process are aligned.

Learning Objectives

1. Understand the importance of setting goals for an upcoming negotiation.
2. Explore the major elements of a process for selecting a negotiating strategy and how to execute that strategy.
3. Gain a comprehensive set of tools to effectively plan for an upcoming negotiation.

I. Goals – The Focus That Drives a Negotiation Strategy

The first step in developing and executing a negotiation strategy is to determine your goals. Negotiators may consider:

- Substantive goals – money or a specific outcome
- Intangible goals – winning, beating the other party, or getting a settlement at any cost
- Procedural goals – shaping the agenda or simply having a voice at the table

Effective preparation requires negotiators list all goals they wish to achieve

- Determine the priority among these goals
- Identify potential multi-goal packages
- Evaluate possible trade-offs among multiple goals.

A. Direct Effects of Goals on Choice of Strategy.

There are four ways that goals affect negotiations.

- Wishes are not goals, especially in negotiation.
 - A wish is a fantasy, a hope that something might happen.

- A goal is a specific, focused target that you can realistically develop a plan to achieve.
- A negotiator's goals may be, but not necessarily, linked to the other party's goals.
 - Linkage between two parties' goals defines an issue to be settled and is often the source of conflict.
- There are limits to what realistic goals can be.
 - Goals must be attainable.
- Effective goals must be concrete, specific and measurable.
 - If they are not, then it will be hard to:
 - ◊ Communicate to the other party what you want;
 - ◊ Understand what the other party wants;
 - ◊ Determine whether an offer satisfies your goals.

Goals can also be intangible or procedural.

- Intangible goals might include maintaining a reputation, establishing a precedent for future negotiations, or conducting the negotiations in a manner fair to all sides.
- A procedural goal might be the other negotiator must make at least two concessions from their opening price to convince you of their sincerity.

The criteria used to determine goals depend on your specific objectives and your priorities among multiple goals.

- Trade-offs will be inevitable and can cloud your perspective while negotiating
- Which is why you have to start by defining what you want to achieve right up front.

B. Indirect Effects of Goals on Choice of Strategy

Short-term thinking affects our choice of strategy.

- In developing and framing our goals, we may ignore the present or future relationship with the other party in a concern for achieving a substantive outcome only.
- Other negotiation goals
 - Particularly ones that are more difficult or require a substantial change in the other party's attitude may require you to develop a long-range plan for goal attainment.
 - In these cases, progress will be made incrementally, and may depend on establishing a strong relationship with the other party.
 - Such relationship-oriented goals should motivate the negotiator toward a strategy choice in which the relationship with the other party is valued as much as (or even more than) the substantive outcome.
 - ◊ Thus, relational goals tend to support the choice of a collaborative or integrative strategy – refer to the dual concerns model from Chapter 1.

II. Strategy versus Tactics

How are strategy and tactics related?

- One major difference is that of scale, perspective, or immediacy.
 - Tactics are short-term, adaptive moves designed to enact or pursue broad (or higher-level) strategies
 - Which in turn, provide stability, continuity, and direction for tactical behaviors.
 - Tactics are subordinated to strategy – they are structured, directed, and driven by strategic considerations.

A. Accommodation, Competition, and Collaboration

Competition is described throughout this book as distributive or win-lose bargaining and collaboration as integrative or win-win negotiation.

Accommodation is as much a win-lose strategy as competition

- Although it has a decidedly different image it involves an imbalance of outcomes, but in the opposite direction. (“I lose, you win” as opposed to “I win, you lose.”).
- This strategy is often used when the primary goal of the exchange is to build or strengthen the relationship (or the other party) and the negotiator is willing to sacrifice the outcome just to benefit the other party.
 - If one negotiator accommodates the other this time, they expect a “tit for tat” accommodation from the other in the future.
 - Such reciprocity has been called the glue that holds social groups together.
 - For a long-term relationship building process, a negotiator is encouraged to consider accommodative moves early in the process to build trust and to be able to ask for “reciprocity” as the relationship develops.

How do the three strategies – competition, collaboration, and accommodation – differ?

- Table 4.1 summarizes the three types of strategies (distributive, integrative, and accommodative) and compares and contrasts them across a number of different dimensions.

In addition to the positive characteristics described in the table, each of the three negotiation strategies also has certain predictable drawbacks if the strategy is applied blindly, thoughtlessly, or inflexibly.

- Distributive strategies tend to create “we-they” or “superiority-inferiority” patterns,
 - which may lead to distortions in judgment regarding the other side’s contributions and efforts,
 - as well as distortions in perceptions of the other side’s motives, needs and positions. (See the discussion of framing biases in Chapter 6.)
- If a negotiator pursues an integrative strategy without regard to the other’s strategy, then the other may manipulate and exploit the collaborator and take advantage of the good faith and goodwill being demonstrated.
 - Blind pursuit of an integrative process can also lead negotiators to cease being accountable to their constituencies in favor of the process for its own sake.

- Accommodative strategies may generate a pattern of constantly giving in to keep the other happy or to avoid a fight.
 - This establishes a precedent that is hard to break.
 - Efforts to stop the giving or restore the balance may be met with surprise and resentment from the other.

Remember, that just as most conflicts are neither purely competitive nor purely cooperative, most negotiation strategies reflect a variety of goals, intentions, and situational constraints that tend to make any “pure” strategy difficult to follow.

III. Getting Ready to Implement the Strategy: The Planning Process

The primary determinant for success in negotiation is in the planning that takes place prior to the dialogue.

- Effective planning requires hard work in considering the following ten points.
 1. Defining the negotiating goal.
 2. Defining the major issues related to achieving the goal.
 3. Assembling the issues, ranking their importance, and defining the bargaining mix.
 4. Defining the interests.
 5. Knowing your alternatives (BATNAs).
 6. Knowing your limits, including a resistance point.
 7. Analyzing and understanding the other party’s goals, issues, and resistance points.
 8. Setting your own targets and opening bids.
 9. Assessing the social context of negotiation (for example, who is at the table, who is not at the table but has a strong interests in the negotiation outcomes, and who is observing and critiquing the negotiation).
 10. Presenting the issues to the other party: substance and process.

The remainder of this chapter discusses each of these steps in detail – see also a summary of these steps in Table 4.2, which may be used to plan your own negotiation.

The authors wish to make four observations.

- First, the authors assume a single planning process can be followed for both a distributive and an integrative process.
 - They believe that with the exception of the specific tactics negotiators intend to use, and with a selective emphasis on interests and options versus targets and resistance points, one comprehensive planning process can be used for either form of negotiation.
- Second, so far, we have concentrated on distributive and integrative processes and the differences between them.
 - However, there are several structural and contextual factors beyond the bargaining table that may affect the strategizing and planning processes.
 - ◊ For example, whether there are multiple negotiations that need to be “sequenced”
 - ◊ How the time limits are managed
 - ◊ The role of cultural differences

- ◊ The broader network of relationships among parties at the table and decision makers away from the table.
- Experienced negotiators are more likely to attempt to orchestrate the deal they want by attending to these shaping issues.
- Third, the authors assume that negotiations will be conducted primarily one to one
 - However, it is not uncommon to have multiple individuals on each side, agents representing negotiators, or multiple groups of parties represented at the table.
- Finally, the text describes these steps in a relatively linear fashion.
 - Yet, complete and up-to-date planning will require a certain degree of shuttling back and forth between steps to ensure alignment of strategy and plan.
 - Information discovered in the later steps may force a negotiator to reconsider and reevaluate earlier steps.
 - As a result, the first iteration through the planning process should be tentative, and the negotiator should be flexible enough to modify previous steps as new information becomes available.

A. Step 1. Defining the Negotiating Goal

Goals can be substantive (tangible), psychological (intangible), or procedural (how we get to agreement).

- Goals can have both direct and indirect effects on the choice of strategy.
- Knowing your goals is absolutely the first and most important step in developing a strategy and executing a negotiation.

B. Step 2. Defining the Major Issue Related to Achieving the Goal

This step usually begins with an analysis of the key issues to be discussed in the negotiation.

- The number of issues in a negotiation, along with the relationship between the negotiator and the other party, are often the primary determinant of whether one uses a distributive or integrative strategy.
 - Single-issue negotiations tend to dictate distributive negotiations as the only real issue is the price or “distribution” of that issue.
 - Multiple-issue negotiations lend themselves more to integrative negotiations as parties can logroll to create issue “packages” that are mutually beneficial.
 - ◊ A simple representation of this is presented in Figure 4.2.
 - The vertical axis represents increasingly valuable outcomes for the buyer, and the horizontal axis represents increasingly valuable payoffs to the seller.
 - In a one-issue negotiation, each party is striving to realize as much value as possible.
 - If the buyer dominates, they will receive an outcome high on the buyer’s axis, which will not be advantageous to the seller (point A)

- If the seller dominates, they will receive an outcome high on the seller's axis, but not advantageous to the buyer (point B).
- If they are equally strong, the best they can do is some point along a line between points A and B (point C).
- However, multiple issues may allow the parties to “create value” by finding solutions that improve the outcomes for both parties.
- The choice of whether to pursue a claiming-value or creating-value strategy is described as the “negotiator’s dilemma.”
 - ◇ Single-issue negotiations and the absence of a long-term relationship with the other party are the strongest drivers of claiming-value (distributive) strategies.
 - ◇ Multiple-issue negotiations and the importance of a long-term relationship with the other party are the strongest drivers of creating-value (integrative) strategies.

While the number of issues affects strategy, it does not preclude the possibility that single-issue negotiations can be made integrative or that multiple-issue negotiations will remain distributive.

- Single-issue negotiations can be made integrative by working to increase the number of issues.
 - In any negotiation, a complete list of the issues at stake is best derived from the following sources:
 - ◇ An analysis of all the possible issues that need to be decided.
 - ◇ Previous experience in similar negotiations.
 - ◇ Research conducted to gather information.
 - ◇ Consultation with experts in that industry.
- Even in multiple-issue negotiations, the opportunity to create value may be lost in competitive dynamics that minimize trust and information sharing and that treats each issue in a distributive manner.

C. Step 3. Assembling the Issues, Ranking Their Importance, and Defining the Bargaining Mix

The next step in planning is to assemble all the issues that have been defined into a comprehensive list.

- The combination of lists from each side in a negotiation determines the bargaining mix.
- Large bargaining mixes allow many possible combinations for settlement, thus increasing the likelihood that a particular “package” of elements will meet both parties’ needs and lead to a successful settlement.
- Large bargaining mixes may also lengthen negotiations as there is more to consider.

After assembling issues on an agenda, the negotiator next must prioritize them.

- Prioritization includes two steps:
 - *Determine which issues are most important and which are less important.*

- ◇ When negotiators do not have priorities, they may yield on those points aggressively argued by the other side rather than to yield based on their own priorities.
- ◇ Priorities can be set in a number of ways – involve the constituency if there is one.
 - A simple way is for the negotiator to rank-order the issues or group issues into categories of high, medium, or low importance.
 - Another method is to award a total of 100 points to the total package of issues and divide the points in proportion to each issue’s relative importance – also making trade-offs and “packaging” systematic.
- ◇ Set priorities for both tangible and intangible issues.
 - Intangibles are often difficult to discuss and rank-order, yet if they remain subjective and not quantified, negotiators may over or underemphasize them.
- ◇ Finally, negotiators may also wish to specify a bargaining range for each issue in the mix.
 - Not only should “best possible” and “minimally acceptable” packages be specified, but also a target and minimally acceptable levels for the most important issues in the mix.
- *Determine whether the issues are linked together or are separate.*
 - ◇ If the issues are separate, they can be easily added or subtracted
 - ◇ If connected, then settlement on one will be linked to settlement on the others
 - ◇ The negotiator must decide whether the issues are truly connected as opposed to simply being connected in his own mind for the sake of achieving a good settlement.

D. Step 4. Defining the Interests

Positions are what a negotiator wants – interests are why they want them.

- Asking “why” questions helps to surface critical values, needs, or principles underlying the negotiation. Like goals, interests may be:
 - Substantive – directly related to the focal issues under negotiation.
 - Process-based – related to how the negotiators behave as they negotiate.
 - Relationship-based – tied to the current or desired future relationship between the parties.
- Interests may also be based on intangibles of negotiation.
- Surfacing interests may be essential to understanding another side’s position.

E. Step 5. Knowing Your Alternatives (BATNAs)

Good preparation requires you establish two clear points:

- Your alternatives if this deal cannot be successfully completed
- And your limits – the least acceptable offer from the other that you will still agree to

Alternatives (i.e., best alternatives to this negotiated agreement, or BATNAs) are other agreements negotiators could achieve and still meet their needs.

- Alternatives are very important in both distributive and integrative processes because they define whether the current outcome is better than another possibility (with a different negotiating partner).
- In any situation, the better the alternatives, the more power you have as you can walk away from the current deal and still know your needs and interests can be met.

F. Step 6. Knowing Your Limits, Including a Resistance Point

A resistance point is the place where you decide that you should stop the negotiation rather than continue as any settlement beyond this point is not minimally acceptable.

- If you are a seller, your resistance point is the least you will take for an item.
- If you are the buyer, your resistance point is the most you will pay for an item.

Setting resistance points is a crucial part of planning.

- Clear resistance points help keep people from agreeing to deals that they later realize weren't very smart.

G. Step 7. Analyzing and Understanding the Other Party's Goals, Issues, and Resistance Points

Earlier, we discussed the importance of assigning priorities to your own goals and objectives but gathering information about the *other party* is also a critical step in preparing for negotiation.

- If a negotiator has not met with people from the other side, then find a way to understand the negotiation from the other party's perspective.
 - Speak to the other party prior to the formal meeting.
 - Or speak to others who know the other party or to people who have been in the other party's situation before.
- The goal is to understand the approach to the negotiation they are using and what they are likely to want – by comparing against your own, you can define areas
 - Where there may be strong conflict – both parties have a high priority for the same thing
 - There can be simple trade-offs – both parties want the same group of things but differ in priorities
 - Or where there is no conflict at all – both parties want very different things and both can easily have their objectives and interests met

Several key pieces of background information will be of great importance, including their:

- Broad, overall goals and objectives
- Issues and likely bargaining mix
- Interests and needs
- Resistance point and alternative

In theory, it would be useful to have as much information as possible before negotiation.

- In reality, it may not be possible to obtain this information before negotiation starts.
- If this is the case, negotiators should plan to collect as much information as possible during the opening stages of the deliberations.

The Other Party's Goals

You should make an effort to understand or anticipate the other party's goals.

- Asking the other party to discuss their goals (either at the table or before negotiations), and gathering data about the other party prior to negotiations, are two common ways to gather this data.
 - ◇ Most importantly, you should attempt to understand whether the other party has the same goals as you do.
 - ◇ We commonly assume the other party's goals are the same as ours.
 - ◇ Discovering the other may have *different* goals may be an important first step to inventing a solution by which both parties achieve their goals.

The Other Party's Issues and Bargaining Mix

The more information you can gather about the other through initial research, the better.

- Which data are most relevant depends on the issues and elements in the bargaining mix.
 - ◇ Analyzing the other party's business history or previous negotiations may be useful.
 - ◇ Financial data may be obtained online.
 - ◇ You might investigate the other party's inventories.
 - ◇ You might learn a lot by visiting the other party.
 - ◇ Ask questions of people they do business with.
- The more you can get even a general sense of how much the other is capable of addressing and meeting your issues or needs, and what issues they will bring to the bargaining table, the better you can predict how the process is likely to unfold.

The Other Party's Interests and Needs

In addition to learning about the party's major issues and resources, we also need to get information about his or her current interests and needs (see Chapter 3). This information may be obtained through a variety of approaches:

- A preliminary discussion of what the other party would like to achieve in the upcoming negotiations (focus on broad interests, not just issues).
- Anticipate the other party's interests (as if you were "in their shoes").
- Asking others who know or have negotiated with the other party.
- Reading how the other party portrays himself or herself in the media.

The importance of the issues or interests, along with the nature of the past relationship with the other party, will influence the depth you will probe to get information.

The Other Party's Resistance Point and Alternatives

You also need to get a sense of the other party's resistance point and alternatives.

- Understanding the other party's limits and alternatives is important because it will give you some information about how you can "push" them.
- If the other party has a strong and viable alternative, they will probably be confident in negotiation, set high objectives, and be willing to push hard for those objectives.
- In contrast, if the other party has a weak alternative, then they will be more dependent on achieving a satisfactory agreement with you and be less likely to push as hard.

Bear in mind that in a distributive negotiation, the other party may be less likely to disclose this information and/or may misrepresent their limits and alternatives in order to pressure you into a deal that is better for them.

- See Box 4.1 for helpful advice on how to do "investigative negotiation."

H. Step 8. Setting One's Own Targets and Opening Bids

After negotiators have defined the issues, assembled a tentative agenda, and consulted others as appropriate and necessary, the next step is to define two other key points: the specific target point, where one realistically expects to achieve a settlement, and the opening bid, representing the best deal one can hope to achieve.

Setting a Target

There are numerous ways to set a target but several principles to keep in mind:

- *Targets should be specific, difficult but achievable, and verifiable.*
 - ◇ This should be easier for anyone who has set a goal as a motivation and performance management tool.
- *Target setting requires proactive thinking about one's own objectives.*
 - ◇ If negotiators focus attention on the other party to the exclusion of themselves, they may set their goals as a reaction to the other's anticipated goals and targets.
 - ◇ Reactive strategies make negotiators feel threatened and defensive, lessening their flexibility and creativity.
 - ◇ In contrast, being proactive about target setting permits negotiators to be flexible and improves the change of a mutually satisfactory outcome.
- *Target setting may require considering how to package several issues and objectives.*
 - ◇ To package issues effectively, negotiators need to understand:
 - The issues,
 - The relative priorities across the issues
 - And the bargaining mix
 - ◇ It is more difficult to evaluate packages containing intangible issues, but efforts should be made to do so.
- *Target setting requires an understanding of trade-offs and throwaways.*

- ◇ Even if an issue is unimportant or inconsequential to you, it may be valuable or attractive to the other party.
- ◇ Awareness of the actual value of a concession can enrich the value of what you offer to the other party at little or no cost to yourself.

To evaluate these packages, negotiators need to have some idea of what each item in the bargaining mix is worth in terms that can be compared or traded-off across issues.

Setting an Opening Bid

Similarly, there are numerous ways to set an initial asking price.

- An opening bid may be the best possible outcome, an ideal solution, something even better than was achieved last time.
- It is easy to get overly confident, however, and to set an opening that is so unrealistic that the other party immediately laughs, gets angry, or walks away before responding.
- See Box 4.2 for helpful advice on the setting of an opening bid.

I. Step 9. Assessing the Social Context of a Negotiation

When people negotiate in a professional context, there may be more than two parties.

- There may be more than two negotiators at the table.
 - Multiple parties often lead to the formation of coalitions.
- Negotiators also have constituents who will evaluate and critique them.
 - There may be observers who watch and critique the negotiation.
- Negotiation occurs in a context of rules – a social system of laws, customs, common business practices, cultural norms, and political cross-pressures.

One way to assess all the key parties in a negotiation is to complete a “field analysis.”

- Image you are the captain of a soccer team, envision the field and assess all the parties who are in the soccer stadium– see Figure 4.3.
 - Who is, or should be, on our team on our side of the field?
 - Who is on the other side of the field (Side B)?
 - Who is on the sidelines and can affect the play of the game (Side C)? Who are the negotiation equivalents of owners, managers and strategists?
 - Who is in the stands (D)? Who is watching the game, is interested in it, but can only indirectly affect what happens?
 - What is going on in the broader environment in which the negotiation takes place (E)? A number of context issues can affect negotiation:
 - ◇ What is the history of the relationship with the other party, and how does it affect the overall expectations they bring to this negotiation.
 - ◇ What kind of a relationship with the other party is expected or desired for the future, and how do these expectations affect the current negotiation.
 - ◇ How often do we expect to negotiate in the future?
 - ◇ What are the deadlines or time limits?
 - ◇ What are the “rules of the game” by which this agreement will be managed?

- ◇ What is common and acceptable practice in the ethical system in which the deal is being done?

Considering these questions is important to the progress of the negotiation process.

- A negotiator who is representing a constituency is accountable to that constituency and must include their wishes in proposals.
- Constituents control negotiators by limiting how much they can decide on their own, and understanding these limits will keep negotiators in alignment with their constituents.

J. Step 10. Presenting Issues to the Other Party: Substance and Process

Once you have thoroughly worked your way through the previous planning steps, the last step is to think through the execution of your plan.

- There are two major components to consider here:
 - How you will present and frame the issues and interests
 - And how you should structure the process by which this information is presented.

Presenting and Framing the Issues

First, consider how you will present your case to the other negotiator.

- Consider how to provide ample supporting facts and arguments for your case
- Be able to anticipate and refute the other party's arguments with counterarguments.

Because of the breadth and diversity of issues that can be included in negotiations, it is not possible to specify all the procedures that can be used to assemble information.

- There are, however, some good general guides that can be used – a negotiator can ask these questions:
 - ◇ What facts support my point of view?
 - ◇ Whom may I consult or talk with to help me elaborate or clarify the facts?
 - ◇ Have these issues been negotiated before by others under similar circumstances?
 - ◇ What is the other party's point of view likely to be?
 - ◇ How can I develop and present the facts so they are most convincing?

Planning the Process and Structuring the Context by Which Information Is Presented

A negotiator should consider a number of elements of protocol and process before sitting down at the table.

- *What agenda should we follow?*
 - ◇ Five major concerns to be considered in developing a negotiation agenda:
 - Scope: What issue should be considered?
 - Sequence: In what order should those issues be addressed?
 - Framing: How should the issues be presented?
 - Packaging: Should the issues be taken one at a time, or in various groupings/packages?

- Formula: Should we strive to first get an agreement on general principles, or should we immediately begin to discuss each of the issues?
 - ◇ While negotiators may propose agendas unilaterally, this approach has a potential risk.
 - If the lists differs from a present agenda or the other side’s preferred list, the negotiator may bring issues to the table the other party is unprepared to discuss.
- *Where should we negotiate?*
 - ◇ Negotiators are more comfortable on their home turf.
 - ◇ To minimize advantages of home turf, select neutral territory.
 - ◇ Negotiators can also choose the degree of formality of the environment.
- *What is the time period of the negotiation?*
 - ◇ If long deliberations are expected, negotiate the time and duration of sessions.
- *What might be done if negotiation fails?*
 - ◇ Can we “redo” the deal?
 - ◇ Will we go to a third-party neutral?
 - ◇ Might we try some other techniques?
- *How will we keep track of what is agreed to?*
 - ◇ Being a recording secretary may be a tedious and uninteresting job but experienced negotiators know this role is critical.
 - First, the person with the best notes often becomes the “memory” of the session.
 - Second, the person with the best notes may volunteer to draft the initial agreement – this person may have some latitude in how the agreement is stated and what points are emphasized or deemphasized.
 - Finally, if the agreement is highly technical or complex, the agreement should be reviewed by experts and specialists.
 - ◇ In new bargaining relationships, discussions about these procedural issues should occur before major substantive issues are raised.
- *Have we created a mechanism for modifying the deal if necessary?*
 - ◇ You can’t anticipate all the future situations you might run into, nor can you get every detail right the first time.
 - ◇ So periodically evaluate how the deal compares with
 - The initial plan
 - And how things are working out as you try to implement the agreement
 - See Box 4.3 for advice on how to “fix” imperfect agreements.

Chapter Summary

Planning is a critically important activity in negotiation. As we noted at the outset, however, negotiators frequently fail to plan for a variety of reasons. Effective planning allows negotiators to design a road map that will guide them to agreement. While this map may frequently need to be modified and updated as discussions with the other side proceed, and as the world around the negotiation changes, working from the map is far more effective than attempting to work without

it.

We began this chapter with a basic understanding of the concepts of strategy . We then discussed the importance of setting clear goals, based on the key issues at stake.

When negotiators are able to consider and evaluate each of ten factors of protocol, they will know what they want and will have a clear sense of direction on how to proceed. This sense of direction, and the confidence derived from it, is a very important factor in affecting negotiating outcomes.