



NOVA SCHOOL OF  
BUSINESS & ECONOMICS

# PERSUASION & NEGOTIATION

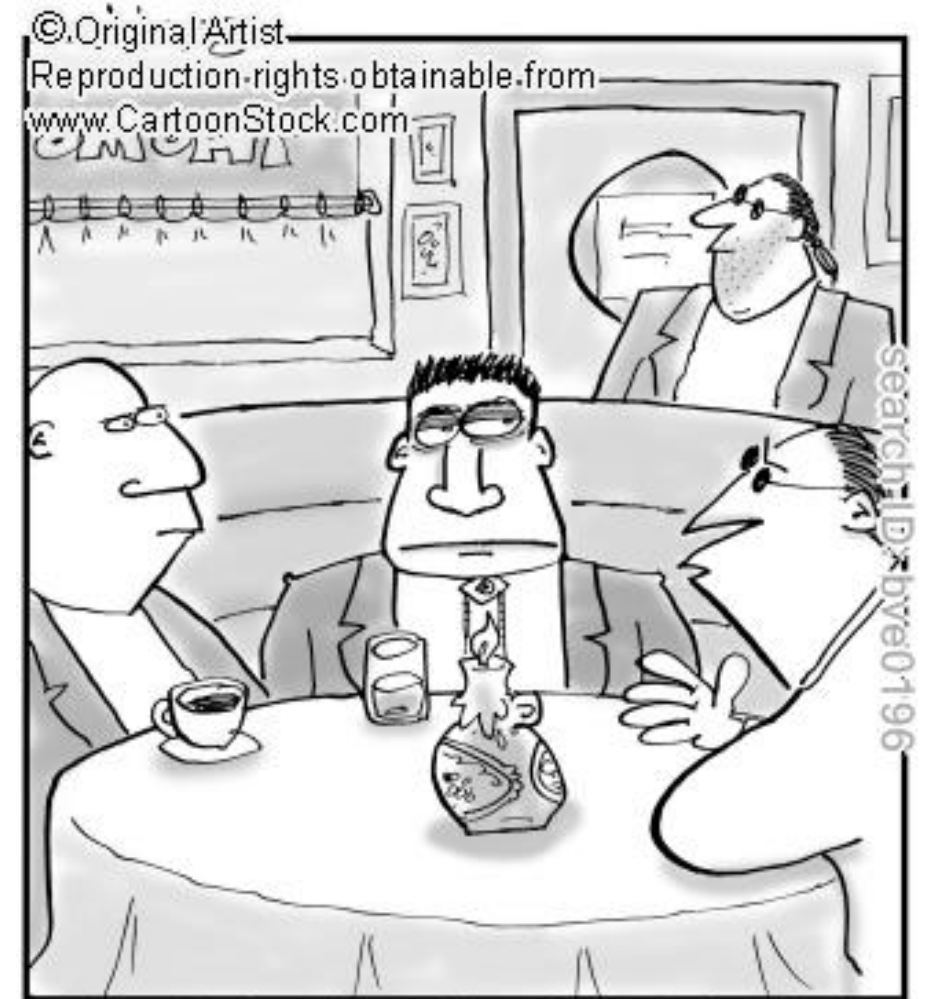
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## Introduction to negotiation

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## Topics:

1. The nature of negotiation;
2. Characteristics of negotiation;
3. Interdependence;
4. Mutual adjustment;
5. Value creation.



*"For the last time, it's called a 'win-win' contract. Nobody gets whacked."*

# The nature of negotiation

- Negotiation is something that *everyone* does, almost daily
- **Why** do they occur:
  - To *agree* on how to share or divide a limited resource
  - To *create something new* that neither party could attain on his or her own
  - To *resolve a problem* or dispute between the parties
- Sometimes we fail just because we do NOT recognize we are in a negotiation



# The nature of negotiation

- Two concepts:

*Bargaining:* win-lose competitive situations

*Negotiation:* win-win situations (e.g., try to find a mutually acceptable solution to a complex conflict)

- Three main ideas:

1. The definition of negotiation and the basic **characteristics** of negotiation situations
2. **Interdependence**, the relationship between people and groups that most often leads them to negotiate
3. Understanding the **dynamics of conflict** and conflict management processes which affect how we approach and manage negotiations



# The characteristics of negotiation

- There are two or more parties
- There is a conflict of needs and desires between two or more parties
- Parties negotiate because they think they can get a better deal than by simply accepting what the other side offers them
- Parties expect a “give-and-take” process





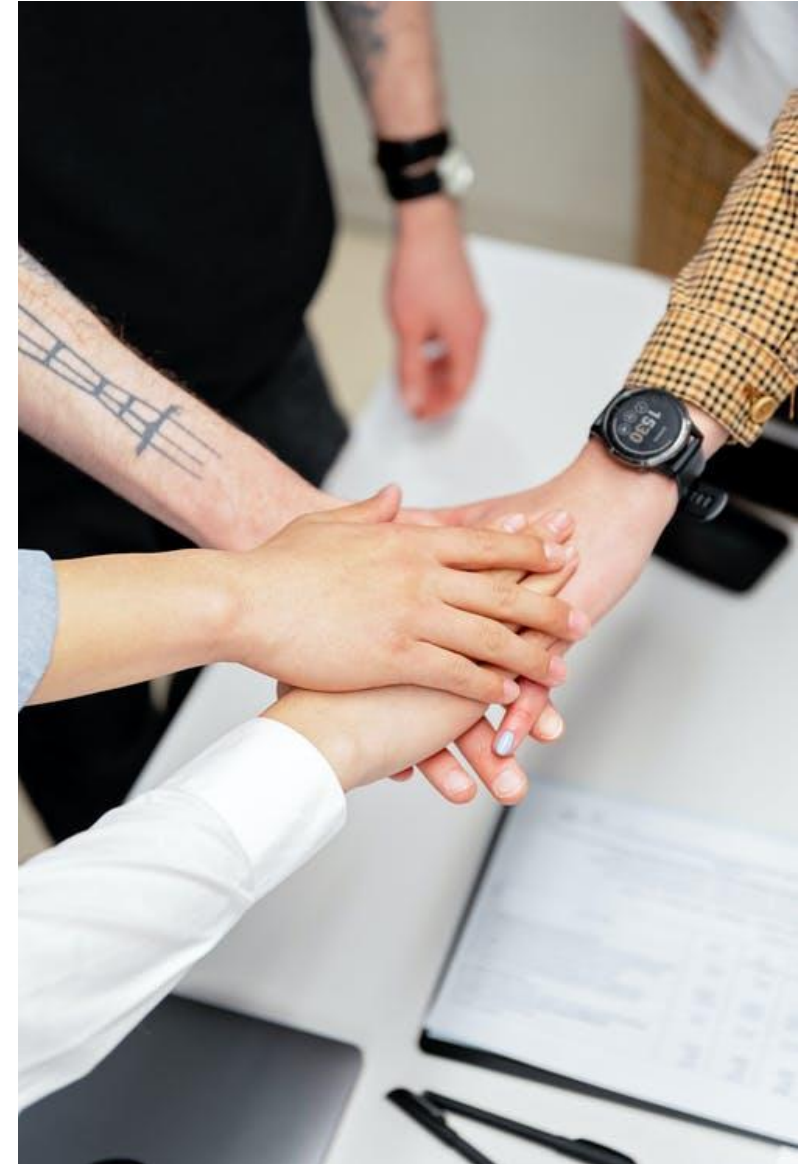
# The characteristics of negotiation

- Parties search for agreement rather than:
  - Fight openly
  - Capitulate
  - Break off contact permanently
  - Take their dispute to a third party
- Successful negotiation involves:
  - Management of **tangibles** (e.g., the price or the terms of agreement)
  - Resolution of **intangibles** (the underlying psychological motivations) such as winning, losing, saving face, appear fair



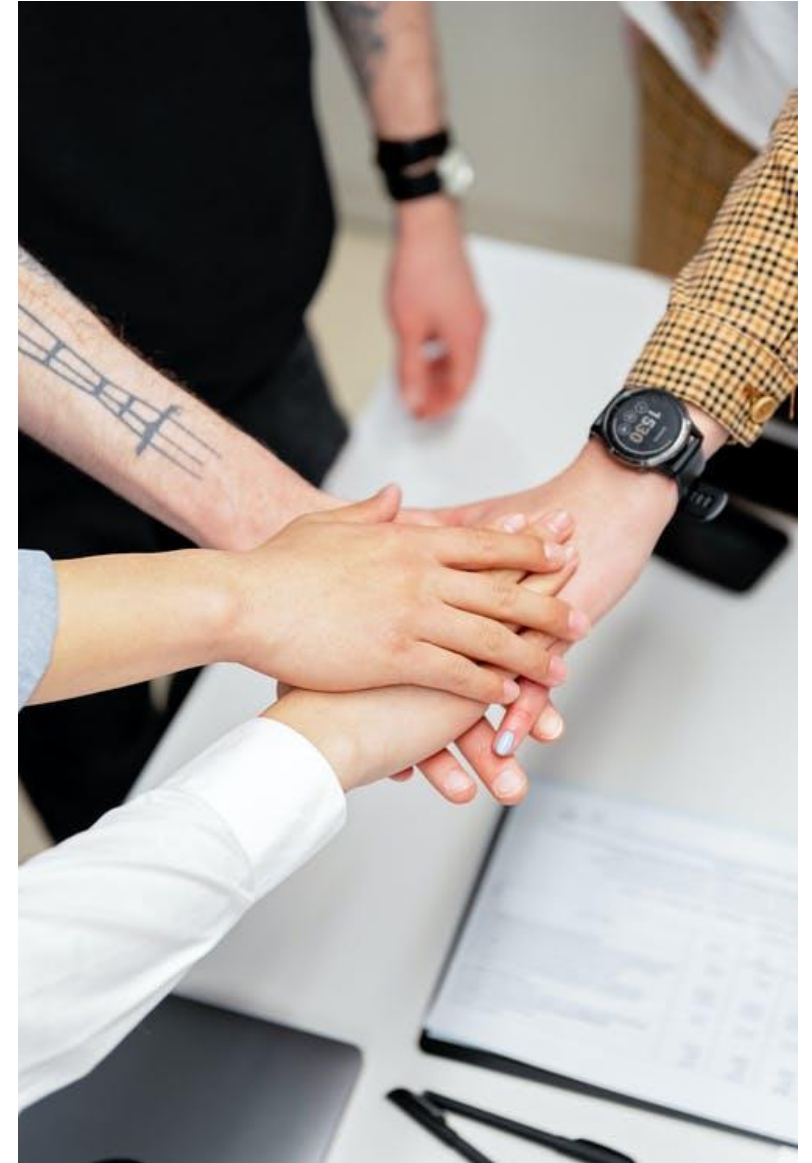
# Interdependence

- In negotiation, parties need each other to achieve their preferred outcomes or objectives
- Interdependent parties are characterized by interlocking goals
  - This does not mean that everyone wants or needs exactly the same thing
- Sometimes there is a mix of convergent and conflicting goals



# Interdependence

- The type of interdependence affects processes and outcomes
  - **Zero-sum** or **distributive** – one winner
  - **Non-zero-sum** or **integrative** – a mutual gains situation
- AND the alternatives shape interdependence
  - Best available alternative: **BATNA** (acronym for Best Alternative to a Negotiated Agreement) – what do you do if you can't reach an agreement
  - The value of BATNA is always relative and depends on the attractiveness of your best available alternatives.
  - Negotiators need to understand their BATNA, as well as the other parties'





# Mutual adjustment

- As parties act to influence each other in a negotiation, they engage in a mutual adjustment
  - Adjustment is based on one's own moves and the other's responses
- **Concession:** When one party agrees to make a change in his/her position
  - Concessions restrict the range of options
  - When a concession is made, the *bargaining range* is further constrained



# Mutual adjustment

- **Two dilemmas**
  - *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
- **Two strategies**
  - *Outcomes perception* – try to manage how the receiver views your proposal
  - *Process perception* – try to create an image that signals fairness and reciprocity in proposal and concessions



# Value claiming and creation

- Opportunities to “win” or share resources
  - *Claiming value*: result of zero-sum or distributive situations where the object is to gain largest piece of resource (**distributive bargaining**)
  - *Creating value*: result of non-zero-sum or integrative situation where the object is to have both parties do well (**integrative negotiation**)
- Most negotiations are a combination of the two processes
  - Recognize, be versatile and be aware of biases
  - E.g., people tend to view situations as more distributive than they really are



- **How to create value?**
- Exploiting differences between the parties, such as:
  - Differences in interests;
  - Differences in judgments about the future;
  - Differences in risk tolerance;
  - Differences in time preferences.



# HOMEWORK: Go to Pemberton!



"Then it's agreed. I'll try to get the best of you and you'll try to get the best of me."

## Analyze Pemberton's Dilemma:

1. What were your basic objectives and strategy when you started the exercise? Did they change? What outcomes did you achieve as a result of these plans?
2. What did you talk about during the first round of negotiation?
3. Did the content of your negotiating discussion change? Why?
4. What were the most important things that led to the outcome of the exercise?
5. If cooperating in this exercise is a matter of trust, can you build and enforce trust between the parties representing the two stores?
6. What is the "rational" move on the last round of the exercise? Why? What was your thinking as you prepared to make your decision for the last round?





# GOALS

IT'S BEST TO AVOID STANDING DIRECTLY BETWEEN A COMPETITIVE JERK AND HIS GOALS.

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# THANK YOU FOR YOUR ATTENTION!