

Chapter One

Negotiation Basics

Negotiation is the process by which people with *conflicting interests* determine how they are going to allocate resources or work together in the future. Negotiators are *interdependent*, which means that what one wants affects what the other can have and vice versa. Because negotiation involves conflicting interests and interdependence it takes some skills to be an effective negotiator. One of the purposes of this book is to help you improve your negotiation skills. Another is to get you prepared to negotiate with people who do not share your cultural background, people who you cannot assume even think about the process of negotiations in the same way you do.

To get you prepared to negotiate globally we begin with the basics. If you are already an experienced negotiator, having closed deals, resolved disputes, and even taken a negotiation course or workshop, the basics in this chapter should be familiar. But if you have never negotiated in a global environment—or have and were not satisfied with the result—you need the overview of culture in Chapter Two to get up to speed. For those with a background in international business, Chapter Two will not so much be new as a new way to organize your thinking about your experiences working in an international setting. Whatever your background, the first two chapters of the book provide all the language and conceptual frameworks to get you ready for learning how to negotiate in a global setting. By the time you get to Chapter Three, which leads you through the process of analyzing a cross-cultural negotiation and preparing a strategy, and Chapter Four, which coaches you on implementing that strategy, you'll be ready to negotiate globally!

Venues for Negotiation

Negotiation is not just for making deals. People use, or should use, negotiation skills for resolving disputes and reaching decisions in teams and other multiparty environments. Let's begin by briefly visiting deals and these other venues in which negotiation occurs, before moving on to understanding what negotiators are trying to accomplish, the general nature of negotiation strategy, and how to plan for a negotiation.

Deals

It's important to distinguish between two overlapping types of deal-making negotiations: distributive and integrative.

Distributive Deals. After viewing the terra cotta warriors, my friend and I visited the Muslim market, or souk, in Xian, China. A small brass incense burner caught my eye. I asked the shopkeeper the price, came back to him with an offer for 50 percent less, he came down, I came up, he didn't move, I started to walk out, he came after me with a new price, and we ultimately split the difference between my second and his third price.

The shopkeeper and I were engaged in *distributive* deal making, which means that we were negotiating over a single issue, price, and in conflict over how much I would pay and how much he would get. In distributive negotiations, parties assume a *fixed pie* of resources and negotiate about how to cut up the pie (distribute resources) or *claim value*. In the negotiation in the souk, the shopkeeper started high, I countered low, and we made reciprocal concessions until we reached an agreement that was better than no deal to each of us.

Many people throughout the world treat negotiation as distributive deal making—start high or low, concede only enough to avoid impasse—but as you will see in this book, although every ne-

gotiation is in part a distribution of resources, distribution is only one aspect of negotiation.

Integrative Deals. When my daughters were in grade school in a small village in the south of France, the teacher asked my husband and me to plan a Halloween party. He wanted his class of thirty-two children to carve pumpkins. My job was to buy the pumpkins. I looked everywhere, finally locating a roadside stand with exactly thirty-two pumpkins. I immediately accepted the seller's price, because I had no other source of pumpkins. (It's also not customary in outdoor French food markets to negotiate prices.) But when I told the seller that I wanted to buy all her stock, she shook her head no. What to do? My alternative was poor. Offer her more money? Try sympathy, tell her why I wanted all thirty-two? Instead, I asked her why she wouldn't sell me all her pumpkins. She said if she sold all her pumpkins to me, she would have no seeds to plant the next year. "Chere Madame," said I, "if I bring you all the seeds November 1, will you sell me all your pumpkins?" She said yes, each child got a pumpkin to carve, and a picture of the children and Mme. Petit's pumpkins, as I later learned her name was, graced the front page of the local newspaper.

Mme. Petit and I were engaged in *integrative* deal making. We refocused the negotiation from distributive over the single issue of price to integrative over the multiple issues of pumpkin seeds and pumpkin rind. Mme. Petit got the seeds, which were more important to her than to me, and I got the rind, which was more important to me than to her. Integrative negotiation concerns how the negotiators *expand the pie* of resources or *create value* in negotiations. They typically do so by identifying more than one single issue, so that issues can be traded off.

There are many opportunities for integrative negotiations throughout global negotiations if negotiators have the motivation and the strategy to transform single issues into multiple issues and make trade-offs.

Conflict Management and Dispute Resolution

No culture is immune to conflict. Disputes often arise when deals do not work out quite the way parties had envisioned. People everywhere negotiate to resolve disputes. What works often depends on cultures. Following are two examples in which negotiation took a path it might not have taken had both parties been American.

Avoiding Direct Confrontation. A U.S. entrepreneur had a contract from a German buyer for bicycles that were being produced in China. When the first shipment was ready, there was a problem. The bikes rattled. Knowing that rattling bikes would not be acceptable to the German customer, the U.S. entrepreneur went to the Chinese plant, inspected the bicycles, rode a few, and asked about the rattle. “Is this rattle normal?” “Do all the bikes rattle?” “Do you think the German buyer will think there is something wrong with the bikes if they rattle?” Soon after he left, the bicycles were shipped to Germany without any rattles.

In U.S. culture the normal approach to the problem of the rattling bicycles would be to tell the manufacturer that rattling bicycles were unacceptable, and that the problem had to be fixed before shipping to Germany. In China such a direct confrontation would be extremely rude and cause much loss of face. Knowing this, the U.S. entrepreneur resolved this important point of dispute by some indirect negotiation.

Third-Party Conflict Management. When a U.S. manager in a U.S.-Chinese joint venture did not receive the information he was expecting in a report, he asked the person responsible for the report, a Chinese woman, for a meeting to discuss his needs. She politely put him off. A day later he was called into her manager’s office and told that there was no problem with the report. The report had the information it always had, and the report could not be changed. From the U.S. manager’s perspective, his Chinese counterpart’s behavior—refusing to meet with him, getting her superior involved,

stimulating a reprimand from the superior—was inappropriate. He had wanted to talk about his interests; she had turned the situation into a power play that he lost. From her perspective, she knew that she did not have the authority to change the report. So involving her superior, who had the authority to change the report, was, for her, the right approach.

As this example shows, dispute resolution negotiations are not always direct verbal interactions between principals. Sometimes a third party gets involved as a go-between, conveying information between disputants and others with interests in the outcome. Sometimes the third parties are superiors with status and authority to impose an outcome, sometimes they are peers whom both disputants respect, and sometimes they are independent professionals who are hired for the purpose of helping resolve the dispute.

Multiparty Negotiation and Team Decision Making

There are many challenges associated with being a member of a multicultural team. For example, a U.N. peacekeeping task force consisting of army officers from Russia, Germany, Turkey and the United States was charged with preparing for the exhumation of a mass grave in Bosnia. One of the U.S. members of the team described the situation, “Everyone kind of viewed the Turks as a second-class military. The Germans and the Russians didn’t really hit it off too well. And we [Americans] were viewed with kind of different levels of trust or skepticism by everybody else.”¹ The task force leader, a Russian major, realized that the task force had to find a way to work together. So he separated the task into four subtasks and then assigned a multicultural team of one Russian, one U.S., one Turk, and one German officer to each subtask. Each day four Russians, four Americans, four Turks, and four Germans would leave their respective camps to go to a central meeting place, split up to work in their assigned subgroups, and then at the end of the day regroup and drive back to camp. Inevitably the talk in the car on the way home was about how things had gone that day. And surprisingly,

everyone began to recognize the value of the Turks, whose experience in post-earthquake relief was more relevant to the task than any of the other officers' experience. The small teams still had to negotiate with each other to coordinate the execution of their different subtasks, but the multicultural structure of the small teams transformed that negotiation from being one army's way versus another to a cooperative effort that respected expertise.

Planning and negotiation strategies, especially those based on integrative negotiations, are extremely relevant to capturing the value of teamwork in multiparty, multicultural negotiations. Chapter Seven focuses on using negotiation strategies in multicultural teams.

Social Dilemmas

This next example illustrates one of several types of problems (called commons problems in economics) that psychologists call *social dilemmas*. In these interdependent situations, incentives lead individuals to take from the common pool of resources, but the more that individuals take, the more rapidly the resource disappears. The common interest is to cooperate to maintain the resource. But of course the dilemma makes cooperation a negotiation challenge.

In May, 2003, 250 Canadian crab fishers from New Brunswick went on a rampage to protest the federal government's policy transferring their crab quotas to lobstermen and an indigenous group. They burned four fishing boats and a processing plant and threatened to boycott the two-month crab-fishing season altogether, putting \$80 million in crab exports in jeopardy.

This violent response to the reassignment of 23 percent of the crab fishers' annual quotas needs to be understood in the context of what the crab fishers had negotiated to manage the resource on their own. They had succeeded not just in maintaining but in replenishing the stock of crabs by self-regulating fishing and investing more than \$1.5 million of their own money in research. The government's action in opening up crab fishing to other groups broke the negotiated bond within the community.²

This type of social dilemma is ubiquitous. All over the world, resources are threatened and require negotiations to transform takers into sharers. In Chapter Eight we'll look at a variety of types of social dilemmas and ways to use negotiation skills to generate cooperation in these innately competitive situations.

Net Value Outcomes—What Negotiators Are Trying to Accomplish

In all the different negotiation venues described in the previous section, negotiators are trying to reach a net value outcome: an agreement that is better than their alternative of no agreement. No agreement would have meant the seller in the Muslim market in Xian made no profit, I would not have a pumpkin for every child, the German buyer would likely have refused the shipment of rattling bicycles, the joint venture manager would have had no data, the military team would have failed in its mission, and the crab fishers would not have replenished their stock of crabs, just to have their quotas cut.

Looking at negotiations from the perspective of net value outcomes has four important implications. First, identifying the no-agreement alternative helps negotiators clarify what they need in order to reach an agreement. Second, identifying the other party's no-agreement alternative helps negotiators identify how much they can ask for at the negotiation table. Third, *thinking net* helps negotiators avoid satisficing—that is, accepting an outcome just a tiny bit better than the alternative. *Thinking net* helps negotiators stay motivated to find an outcome that is much better than their alternative. Fourth, *thinking net* helps negotiators recognize that they need to develop a strategy, if they are going to achieve a high net value outcome.

How can negotiators develop strategies that are capable of generating a high net value outcome for all parties? The next section introduces the fundamental building blocks of negotiation strategy. A subsequent section describes a very useful negotiating planning

document that can help you assemble the blocks. The final section introduces the main strategic choices that negotiators need to make.

In the following sections, I'll be using many useful terms and concepts related to negotiation. If most of them are new to you, be easy on yourself about learning them all at once. There will be lots of repetition of terms to help you get comfortable with them. Once you are, you will find you can use them to build a negotiation strategy. In later chapters you may occasionally want to refer back to these sections, or you may find all the reminders you need in the glossary at the back of this book.

The Building Blocks of Negotiation Strategy

There are five fundamental building blocks of negotiation strategy: parties, issues, positions, power, and targets.

Parties

The first block in building a negotiation strategy is identifying the *parties* to the negotiation. Although it seems obvious that the parties must be the people sitting at the negotiation table, in fact, in some negotiations, decision makers are not at the table. A manager on a team representing a U.S. company describes negotiating a lease agreement with representatives of a Saudi Arabian company as follows: "The negotiation on the Saudi side was carried out by 'messengers.' These were often British-educated, rather high-level managers, with significant Western-culture experience who nevertheless were not making any decisions themselves but going to their respective bosses. Prior to a negotiation meeting the Saudi side always wanted a list of questions and points that we wanted to cover, and they would get back to us, preapproving some questions [presumably those for which approval came from the principals] and indicating others were not approved. We were pretty sure the information provided to the Saudi 'bosses' was being filtered by the messengers, and we couldn't always tell the spin they would put on information."³

In other situations the party at the negotiating table may not represent the powerful interests of those not at the table. The French branch of an international consulting firm learned this when it negotiated a contract to audit the efficiency of several ministries of a North African nation. Contract negotiations went fine, but in starting the audit the French consultants were stymied by the lack of cooperation of the ministries being audited, who had not been at the table, and who feared they would lose jobs and power as a result of the audit.

Identifying parties turns out to be a task of identifying whose *interests* are involved in the negotiation. (“*Interests*” is a negotiation term that I use throughout the book. It refers to the concerns, needs, fears, underlying desires, or people affected by the negotiation). Even though parties whose interests are important to the implementation of the negotiated agreement may not be at the table, it’s important to recognize who these parties are and to understand their interests.

Issues

The second step in building a negotiation strategy is identifying what *issues* are to be negotiated. This, too, is not a trivial step. Negotiators should know what issues are important to their side of the table, but when negotiations are complex with many elements, it often takes a negotiating team to represent all the issues that need to be negotiated. Managers who are interviewed about their experiences negotiating in teams most often state that the reason for having a team is to handle the variety and complexity of the issues to be negotiated.

Negotiators may not always know all the issues that are important to the other party. This requires informational meetings with the other party, but some parties may be reluctant to share even this level of information, concerned that identifying issues that are important to them may make them vulnerable. We will talk in detail later about strategy to get information sharing going. It may be necessary to put a list of issues on the table and ask the other party, “What are we missing?”

Try to avoid negotiating over single issues. You always need multiple issues in order to negotiate integratively. In the pumpkin negotiation at the beginning of the chapter, Mme. Petit and I essentially transformed a single-issue price into multiple issues: seeds and rinds. If there appears to be only a single issue in negotiation, either transform it to multiple issues or identify other issues that can be negotiated. For example, in buying a house there is always price, but there is also closing date. If you can be flexible on closing date, the seller may be flexible on price.

Positions, Interests, and Priorities

Positions are what negotiators say they want. Your *position* is what you ask for in a negotiation. Before you can determine your positions, you need to know the issues to be negotiated.

An interest is *why* negotiators want what they want. *Interests* are the needs or concerns that underlie positions. Sometimes one or the other party has not thought hard about its interests; in this case you should ask them a few questions to get this process started. The key to uncovering interests is asking *why* and *why not*. That worked for me with Mme. Petit. However, such direct questioning might not work everywhere in the world. In some places the approach needs to be indirect: put an offer on the table, ask for a counteroffer, and infer the other party's interests from the way the counteroffer differs.

In their seminal book *Getting to Yes*, Roger Fisher and William Ury (current editions with Bruce Patton) urge negotiators to get behind positions to interests, for it is in the arena of interests that integrative agreements are found.⁴ This is excellent advice, because focusing on interests will give you a more flexible goal than will positions. By my focusing on my interests (pumpkins to carve) and Mme. Petit's focusing on hers (seeds to replant), we were able to make her position (do not sell all the pumpkins) and my position (buy all the pumpkins) moot.

Furthermore, since not all your interests are of equal importance, one of your first analysis steps is to rank-order the issues on

the basis of your interests. In a multi-issue negotiation, it's unrealistic to expect to get your position on every issue. Be prepared to trade off less important issues to get your interests met on issues that are more important to you.

BATNA: Alternatives as Your Source of Power

The acronym BATNA was coined by Fisher and Ury to represent your main source of *power* in negotiation. BATNA stands for Best Alternative To a Negotiated Agreement. It is what you are going to do if you do not reach an agreement. Your BATNA is your best option outside the current negotiation. If you are negotiating a deal, it is an alternative buyer or seller. If you are negotiating with a supplier over a poor-quality shipment, it is the next dispute resolution step in your contract—maybe mediation, arbitration, or going to court. If you are facing the failure of a multicultural team to reach agreement, your BATNA may be a decision (that no one on the team will like) made by higher level management. If you cannot reach a cooperative agreement about resource conservation, your BATNA is a shared loss of opportunity and the likelihood of government regulation.

Your BATNA is your source of power because the better your BATNA, the more you can demand from the other party in the negotiation. My BATNA in the souk was to buy the incense burner in another shop. I'd seen several as we walked through the market. The shopkeeper knew this and must have known I had seen them elsewhere. His understanding of my BATNA is probably why he came after me when I started to walk out. My BATNA in negotiating with Mme. Petit, in contrast, was terrible. I had no other source of pumpkins! When your BATNA is poor and your negotiation has hit a temporary impasse, as mine did with Mme. Petit, you become highly motivated to create value!

BATNAs are important to markets. They are how active markets keep prices down. Maintaining BATNAs is also how antitrust regulation maintains competition.

BATNA is not the only source of power in negotiations globally. As we shall discuss in the next chapter, on culture and negotiation, status also confers power to a party. But for now let's stay with this important BATNA construct.

Fisher and Ury chose the phrase "best alternative" because in most situations there are many alternatives, and negotiating strategy depends on knowing which alternative is the best. For example, if your company wants to acquire a new technology, you might buy another company that owns patent rights to that technology, or you might license that technology, or you might develop your own competing technology. The anticipated costs and gains will be different, depending on which option you choose. Analyzing these costs and gains is an essential step in business strategy that precedes negotiation. Once the analysis is done, negotiations can proceed with the party that holds the lowest-cost, highest-gain choice. But this choice is not static. When negotiations with the low-cost, high-gain choice are not going well, negotiators may threaten or actually break off negotiations and start anew with the second-best option. How do negotiators know when to turn to the second-best option? This requires the introduction of another negotiation concept: reservation price (also called "walk away" or "bottom line"). We'll address reservation price in the next section, but before we do, we need to understand one more very tricky aspect of BATNA. This has to do with independence.

So far, we've mostly been discussing BATNA as it applies in a deal-making setting in which both parties are free to break off negotiations and turn to an alternative buyer or seller. Their BATNAs are *independent* in the sense that neither party can negatively affect the other party's BATNA. But there are venues in which parties are not free to turn to their *best* alternative, which would be to just walk away from the negotiation. If you are the defendant in a dispute you cannot just walk away, unless the other party withdraws. If you negotiate to an impasse, your BATNA is what the other party does next, for example, file a lawsuit or demonstrate outside your house. It is in this respect that BATNAs in dispute resolution are *linked*. When disputants cannot reach an agreement, disputant A may drag

disputant B to disputant A's BATNA. Perhaps the most common example of this is when parties withhold payment for a poor-quality shipment. This could have happened in the rattling bicycle dispute. If parties to a dispute do not agree, each has to consider his or her BATNA as being the worst thing the *other* party can do, be it ship the rattling bicycles or withhold payment. Once my students understood that in dispute resolution BATNAs are linked, they came up with a new acronym: WATNA, or worst alternative to a negotiated agreement.

BATNAs are also linked in multicultural team decision making and in social dilemmas. In team decision making, if the team cannot reach agreement, top management usually steps in and makes the decision, and the team loses control. In social dilemmas, if people cannot reach agreement to self-regulate their use of resources, all suffer from the loss of the resource, and may also suffer from the costs of imposed government regulation.

Regardless of whether BATNAs are independent, as in most deal making, or linked, as in most other negotiation venues, BATNAs serve the important function of providing a standard for determining when negotiators should call an impasse.

BATNA and Reservation Price. A reservation price, walk away, or bottom line is the most that you are willing to give or the least that you are willing to get and still reach a negotiated agreement. To determine your reservation price (the term used in the rest of this book) you must know your BATNA, or WATNA as the case may be. Your reservation price is a just-noticeable difference from your BATNA or WATNA. I like to think of reservation price as being inside the negotiation and BATNA or WATNA as being outside the negotiation. Knowing your reservation price gives you discipline in negotiations. You know that until you have an offer that meets or exceeds your reservation price, you do not have an agreement that you can accept.

Setting a reservation price can be challenging. People seldom go into negotiations either with an absolute assessment of the cost and value of the BATNA or with certainty that the BATNA will

be available at that cost. Negotiators need to consider both of these aspects of the BATNA: how sure they are of its value, and how sure they are of being able to negotiate a deal at the estimated cost. The greater the uncertainty about the BATNA, the more you should discount its value when you use it as a standard for setting a reservation price.

Here is some advice for setting BATNAs and reservation prices:

- *Understand how the deal you are planning to negotiate fits into the larger strategic picture.* What is the goal of this negotiation (for example, to enter new markets, or to gain access to new technology)? How else might that goal be met other than reaching an agreement in this negotiation?
- *Know your BATNA.* You always have a BATNA, even if it is simply staying with your current course of action.
- *If your BATNA is poor, try to improve it.* Generate a better alternative.
- *Use your BATNA to set a reservation price.* Do not change your reservation price unless you receive new, credible information that changes your BATNA. Credible information about your BATNA is not likely to come from the other party. After all, it is in that party's interest for you to think your BATNA is poor.

Targets, BATNAs, and Opening Offers

Your target in negotiation is what you think is reasonably possible to get in a negotiation. It should be optimistic, but not ridiculous! Having a target will keep you negotiating (as you should!) even after you know that you can agree because you've already received an offer that is better than your reservation price. Having targets helps negotiators increase their net gains. Setting targets is another challenge, but BATNAs can serve as a guide.

In principle you set your target as a just-noticeable difference from the other party's BATNA. But in practice it is even harder to

evaluate the other party's BATNA than your own. This is because you usually lack information about the other party's BATNA, and because it is difficult to get deep enough into the other party's mind to know exactly how the other party rates his or her BATNA.

A fallback in setting a target is to find out about precedents. When buying a house you know to find out what other houses in the neighborhood sold for. You know also to find out about the particular house you are interested in: how long it has been on the market and why the sellers are selling. The value of precedents is no less in business negotiations. When you have a dispute with a supplier, you ask your lawyer how much disputes like yours normally settle for (and how long it will take), and then you evaluate this particular supplier. Is the supplier engaged in other disputes? Are you an important customer? Is reputation at stake? All this information will help you set an optimistic but realistic target.

Here is some advice for setting targets:

- Know your industry and market. What are the characteristics of recent deals like the one you will be negotiating? Get as much information about them as possible. Is there reason to think the market has changed since the most recent deal?
- Determine the other party's BATNA. The other party is not going to agree to a deal that is worse than its BATNA.
- Be optimistic and realistic.
- Don't lose sight of your target as soon as you get an offer better than your BATNA. Keep working toward the target.

Here is some advice for using targets when making an opening offer:

- When your information about the other party's BATNA is good, there is likely to be significant benefit in opening first. The opening offer can act as an anchor.⁵ When you open first, the other party has to figure out how to get you off your position, not vice versa.

- When your information about the other party's BATNA is poor (and there had better be a very good reason why you have little or no reliable information about their BATNA!), there is likely to be some benefit in waiting for the other party to open. If you really do not know the market you are operating in (why are you there with so little knowledge?), the other party may surprise you by the generosity of their opening offer.
- The other party's opening will anchor you if you are not careful. Don't assume you can just reject their offer as inadequate, and don't expect the other party to unilaterally improve their offer. Smart negotiators do not negotiate with themselves! Instead, give the other party an excuse to move, reject their offer as inadequate, and make a counteroffer.

Combining Fundamentals: The Negotiation Planning Document

The Negotiation Planning Document (shown in simple form in Exhibit 1.1 and included in MS-Word format on the CD-ROM that accompanies this book) is a useful tool for building a coherent negotiation strategy. It provides a row for every issue and a column for you and each "other" party (in this case one). You may want to add additional columns for the parties who may not be at the table but who have interests in the negotiation. The boxes defined by the intersection of row and column are further subdivided into three parts. The top part is for entering the position on the issue, the bottom is for entering the priority (shaded) and the interest(s) underlying that position. Beneath the issues are rows for entering BATNAs, reservation prices, and targets (for both you and other parties). You know the other party's target to be their perception of your BATNA.

The Negotiation Planning Document is extraordinarily useful. Completing it means that you have to identify your issues, positions,

Exhibit 1.1. Negotiation Planning Document.

Issue	Self		Other	
	Priority	Interests	Priority	Interests
Example	Position		Position	
	Priority	Interests	Priority	Interests
Issue 1				
Issue 2				
Issue 3				
Issue 4				
Issue 5				
Issue 6				
Issue 7				
BATNA				
Reservation Price				
Target				

interests, priorities, BATNA, reservation price, and target. When you are representing your company in a complex negotiation, you may have to engage in internal negotiations to get agreement on the entries in the planning document. The planning document also may act as a stimulus to generate helpful information from people in your organization who are not on the negotiating team but who have knowledge relevant to the negotiation. One leader of a negotiation team told me, “In just about every internal negotiation planning we bring three or four members of the business together, and they have to hash out their different opinions with each other before they give us some direction.”⁶

As a second useful point, trying to complete the planning document for the other party in the negotiation clearly identifies what you know and what you don’t know about their positions, interests, and so on. Further filling in the other party’s column should be the first thing you do once the negotiation begins. Doing so also has the very nice effect of directing early negotiations to the discussion of issues, interests, and priorities.

A third useful point is that the planning document keeps all the pertinent information on one page in front of negotiators. (I do not advocate long, detailed, multipage planning documents that you have to leaf through to find information that should be at your fingertips and will be with a one-page form!)

Fourth, the one-page planning document also is very useful for maintaining discipline on a negotiating team. Another negotiating-team leader told me, “Whenever my team would lose focus, we’d go back to the planning document [and] ask the question, Have we learned anything to cause us to make a change in the planning document? If the answer was yes, we’d work through how that change affected all other elements of our plan. If the answer was no, [then] the planning document helped us to stay focused.”⁷

Fifth and finally, the planning document is very useful for constructing settlement offers, because it helps negotiators keep all the issues linked. There will be more about this in Chapter Three.

Strategic Choices in Negotiation

Strategic choices refers to how negotiators implement their negotiation strategies: how they act and react at the negotiation table. Don't overlook the word *react*. Negotiation is social interaction. What transpires at the negotiation table is a function of negotiators' plans, their enactment of those plans (negotiation behavior), and their response to the other's negotiation behavior.

Negotiators have two fundamental areas of strategic choice about how they will act at the table; one area relates to what we call *confrontation*, the other to what we call *social motivation*. The choices negotiators make in these areas depend on their personalities, their cultures, and characteristics of the negotiation situation and the other party. Depending on the combination of factors, some choices are more likely than others to facilitate negotiating a high net value outcome. Let's start with confrontation.

Confrontation

Negotiations vary in the degree to which parties whose interests are at stake are directly involved in the negotiation. The shorthand term for this is *confrontation*. Confrontation ranges along a continuum from direct, face-to-face negotiation between two or more principals to electronically mediated negotiation between agents to indirect confrontation via the media or a third party in which meaning must be inferred.

Parties all over the world engage in direct, face-to-face deal-making negotiations, from the night markets in China to cross-border mergers and acquisitions to small and large sales of products and services. As in the Saudi example involving messengers, principals are not always at the table. In addition, more and more frequently, face-to-face meetings are supplemented or supplanted by electronically mediated communication via e-mail, chat, telephone, or teleconference.

One leader of a negotiating team told me about negotiating a contract to buy via conference calls and chat.⁸ The potential supplier was not far away geographically, so the two parties could have met face-to-face, except that the buyer's team was internationally dispersed. The product was to be used at several international sites, and those sites' needs had to be met. During negotiations the whole buyer team was linked not just by an open conference call with the sellers but also by a closed chat room. The team leader named one team member as lead negotiator and made him responsible for both monitoring the team chat and negotiating across the table. The team leader was quite certain that this electronically enhanced process had given his team a strategic advantage.

Even when negotiations are face-to-face, there is often a lot going on away from the table. Take the June 2006 Arcelor-Mittal negotiations that resulted in a steel giant with a 10 percent world market share. When Lakshmi Mittal first made an unsolicited bid for Arcelor on January 27, 2006, he was rebuffed publicly in a news conference by Arcelor's chief executive, Guy Dollé. Dollé made much of Arcelor's European cultural values, saying, "That means a lot in terms of employee relations with their employer, and sustainable development." The subtext was that Mittal's firm was not a suitable buyer for a European company, that it did not share European values but instead had enriched itself at the expense of its workers. Dollé was negotiating indirectly via the press and public opinion.⁹

There has been a lot of speculation about how confrontational a negotiating party should be¹⁰ but not much formal research. Are face-to-face negotiations more likely to result in net value outcomes superior to those carried out via electronic media? We do know that it is more difficult to build trusting relationships negotiating via e-mail rather than face-to-face.¹¹ *Trust* is the willingness to put yourself at risk in the hands of another party. When negotiators trust one another, they share more information about their priorities and interests. When negotiators share more information about their priorities and interests they negotiate higher net value outcomes.

It is pretty clear that e-mail can exacerbate problems of information sharing, because of the trust problem, but e-mail may also facilitate negotiations when the medium fits with the culture. In one study we did with Hong Kong Chinese and U.S. undergraduate management students, the Hong Kong Chinese e-mail negotiators achieved higher net value outcomes than did the Hong Kong face-to-face, U.S. e-mail, and U.S. face-to-face negotiators! The e-mail medium apparently released the Chinese students' inhibitions to open aggressively and facilitated their proclivity to bundle all the issues together and make multi-issue offers.¹²

Does negotiating in public and in the press risk relationships and deals? There were several possible tactical reasons behind the Arcelor chief executive's decision to speak as he did to the press. His aim may have been to generate support for Arcelor's rebuff of Mittal. Or it may have been to offend Lakshmi Mittal personally and so discourage the takeover attempt. Or it may have been to provoke Mittal into improving the offer. If the CEO's aim was to generate support, it worked only for a short time. Mittal's opening offered such a premium over the current stock price (a strategy designed to discourage other bidders) that shareholders were interested even if current management of Arcelor was not. If the CEO's aim was to offend and discourage, it simply did not work. "Mittal in a February interview described himself as being 'really sad listening to the outburst and emotions of various people.' But he declined to trade barbs. Instead he sought to cast himself as an entrepreneur tearing down protectionist barriers so that other emerging-market companies would be spared the trouble." But an aim to make Mittal improve the offer clearly succeeded: Mittal paid €40.37 per share, nearly double what Arcelor was trading for in January when the first offer was made.¹³

Decide prior to negotiation how confrontational you will be. As we will explore in subsequent chapters, your decision will be informed by the venues of the negotiation (deal making, dispute resolution, or other) and by your knowledge of the culture of the other party.

Social Motivation and the Choice Between Distributive or Integrative Negotiation Strategy

A negotiation *strategy* is a set of behaviors that serve a specific negotiation goal. *Social motives* affect negotiation outcomes by affecting negotiators' strategies. *Social motivation* describes people's goals in contexts of social interaction.¹⁴ Four social motives are relevant in negotiations: individualism, cooperation, competition, and altruism. Socially *individualistic* negotiators seek to maximize their own outcomes; socially *cooperative* negotiators seek to maximize their own and the other party's outcomes; *competitive* negotiators seek to maximize their own outcomes at the expense of the other party's outcomes (that is, maximize the difference between their own and others' outcomes); and *altruistic* negotiators seek to maximize others' outcomes.

The most widely used measure of social motives asks a person to make nine choices related to allocating resources (See "Personal Choices in Decision Making" and "Norms for Managers' Social Motives by Culture" on the CD-ROM.) Depending on the pattern of choices, it then characterizes the person as individualistic, cooperative, competitive, or with no dominant social motive. After using this measure with thousands of managers around the world, I can report three definitive findings about social motives and negotiations:

1. The managerial world I've studied is dominated by cooperatively motivated negotiators (53 percent) compared with individualistically motivated negotiators (37 percent). There are relatively few competitively motivated negotiators (3 percent). About 7 percent have no dominant social motive. These tend to be people from Latin American cultures and China, where decision making depends on context. They do not like the social motives measure.
2. In terms of negotiating high net value integrative agreements, negotiators who are cooperative and negotiators who are indi-

vidualists are about equally successful, but negotiators who are competitive are significantly less successful.¹⁵

3. Cooperators and individualists use different negotiation strategies to reach their high net value outcomes.¹⁶

As noted earlier, there are basically two types of negotiation strategy: distributive strategy (behaviors that serve to divide resources) and integrative strategy (behaviors that serve to maximize and also divide resources). Behaviors that support distributive strategy focus on seeking to influence: persuading the other party to make concessions, substantiating positions (argument), making threats, and committing to positions. Behaviors that support integrative strategy focus on seeking and using information: generating information about parties' priorities and interests and proposing outcomes that capitalize on differences. Research generally confirms the theoretical distinction between integrative and distributive strategy with the caveats that some behaviors may serve both integrative and distributive functions depending on how they are employed, and that negotiators may use both integrative and distributive strategies in the same negotiation.

When negotiators on both sides of the table share the same social motives, we can predict negotiation strategy with some certainty. Two cooperative negotiators use integrative strategy more and distributive strategy less than two individualistic negotiators; and two individualistic negotiators use distributive strategy more and integrative strategy less than two cooperative negotiators.

These findings suggest how to start negotiations regardless of what the other party's social motive is: signal willingness to cooperate. You may have to do this several times if the other party is an individualist and wants to engage in bargaining over positions rather than interests. You may have to engage in some distributive bargaining yourself. However, keep going back to integrative bargaining. Negotiators tend to reciprocate each others' strategic behaviors. If you persist, you should be able to get the other to engage in integrative bargaining.

Finished with the Basics

In this opening chapter, we've reviewed the basics of negotiation, focusing on the differences between distributive versus integrative deal making, understanding BATNAs, and what it means to negotiate a high net value deal. We've also gotten a taste of the additional complexities involved in negotiating across cultural or national borders. In Chapter Two, we cover the basics of how culture impinges on negotiation, seeing even more ways in which successful global negotiation requires understanding cultural contexts.

<http://www.pbookshop.com>