

Negotiation

MBA / AVIMA 2020, Wildau Institute of Technology

Greg Bond

What is negotiation?

Principled negotiation:

- Separate the people from the problem

- Focus on interests not positions

- Create options for mutual gain

- Use objective standards

- Know your BATNA

Core concerns

The zone of possible agreement

Persuasion

Distributive and integrative negotiation

Negotiation and conflict styles

Empathy

7. Distributive and Integrative Negotiation

Case: Machine Parts and Multi



The Case

Machine Parts and Multi

Machine Parts = medium-sized company

Multi = multinational

Cross-border deal, in which Machine Parts delivers parts to Multi on the basis of regular purchase orders and a framework contract

For negotiations so far, a middleman in Machine Parts' country has been used

The Case

Multi invites Machine Parts to a meeting in Multi's country, at which decisionmakers should attend

Machine Parts asks the middleman for information, who says he is no longer to be used

The negotiation will be about contract terms

Machine Parts asks Multi for more information, but is told only to send decisionmakers

The Case

The People and the Problem:

how do Machine Parts managers feel and
what should they do about these feelings?

Separate the People from the Problem

What can that mean for
Machine Parts in this case?

Separate the People from the Problem

What if Machine Parts decides not to go the meeting?

(It will cost them several thousand euro to attend)

The Case

Info: Machine Parts

Multi business is 15% of turnover

Parts worth 200K are in store for Machine Parts

Machine Parts MD (67) will attend with a younger colleague (37), who may soon take over the business, and an interpreter

The market is good, but profit margins are low

The Case

Info: Multi

20,000 suppliers worldwide

Economic crisis hitting business hard

About 500 suppliers invited to meetings, all 30 minutes only

Multi will request a 7% discount and 120 instead of 90 days terms of payment, asking suppliers to sign on the spot to these terms for six months

Material Interests and Process Interests?

What is the difference?

Give examples



Material Interests

The Substantive Outcome We Want

Material Positions and Interests Machine Parts

Positions: we do not know as they have not been able to prepare

Interests Machine Parts: stable business, profit, reliable partners; specific interests vis-à-vis Multi: retaining a large customer medium-term, selling already produced Multi stock; also keeping own suppliers happy

Material Positions and Interests Multi

Positions Multi: 7% discount and 120 days terms of payment (to be agreed immediately); reduce number of suppliers

Interests Multi: save money and stay competitive, simplify supplier business; specific interests vis-à-vis Machine Parts: that they contribute to cost-saving; quality and reliable suppliers



Process Interests

How we want to communicate to get there

Process Interests Machine Parts

Direct communication with a trusted partner (the middleman)

Information about the meeting so as to be able to prepare (asking the middleman, sending e-mail)

The ability to understand and be understood (interpreter)

Being able to make a decision on the spot (taking the MD)

Giving the younger generation responsibility (taking the colleague)

Process Positions and Interests Multi (1)

Dictating terms of process, having meetings in home country, showing all suppliers in one place that they are competing with each other for business

= showing power and putting pressure on suppliers

Demand that decision-makers attend the meeting and asking them to sign on the spot

= direct and quick decision from the suppliers

Many suppliers in one hotel at same time

= standardized deals, effective process, and cheap process₁₈

Process Positions and Interests Multi (2)

Getting rid of middleman

= taking control and saving money

Not supplying more information in advance

= putting pressure on suppliers

Material and Process

Positions and Interests

Interlinking

Example Brexit

Parallel or sequential negotiations on

the separation agreement

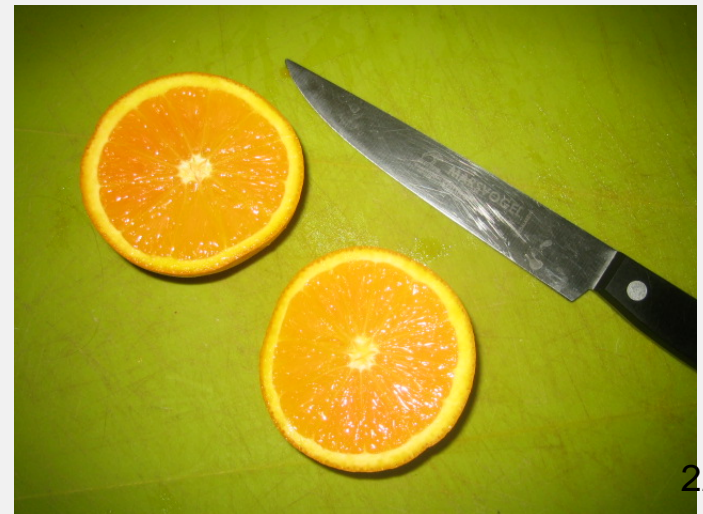
terms of a new trade deal

How Can Machine Parts Prepare?

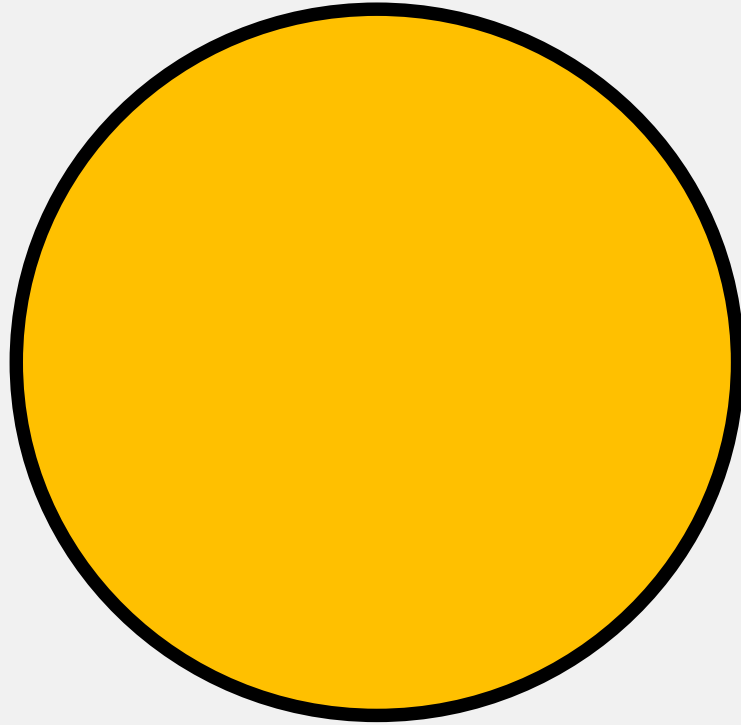
By looking at their own
business interests

Should they be looking for win-win agreement?
Can negotiation theory help them?
Let's take a look at some theory ...

Distributive and Integrative Negotiation

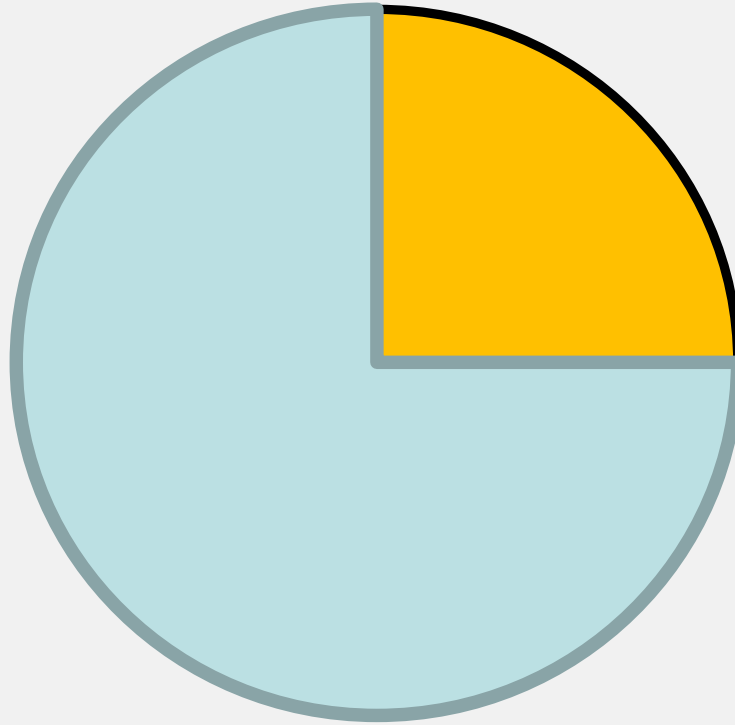


Distributive and Integrative Negotiation



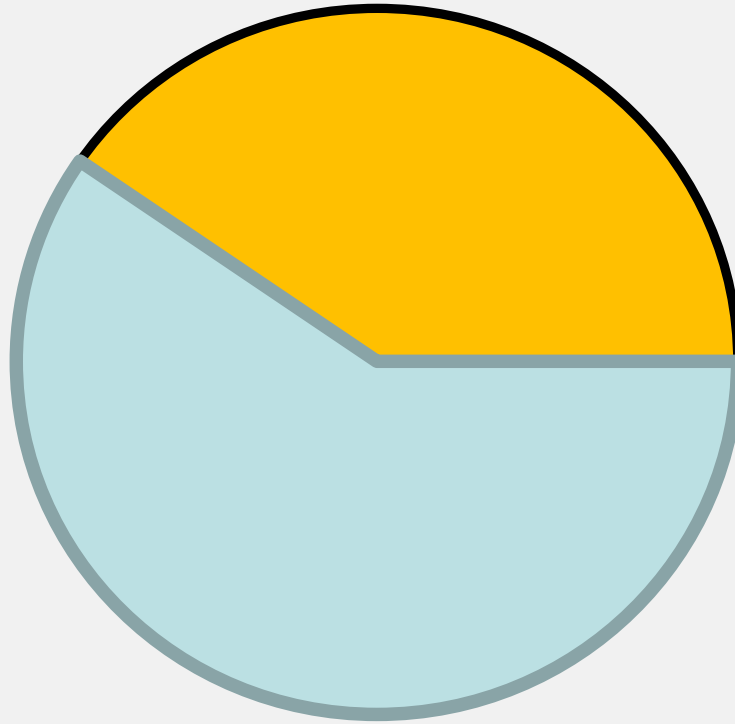
the pie

Distributive and Integrative ***Negotiation***



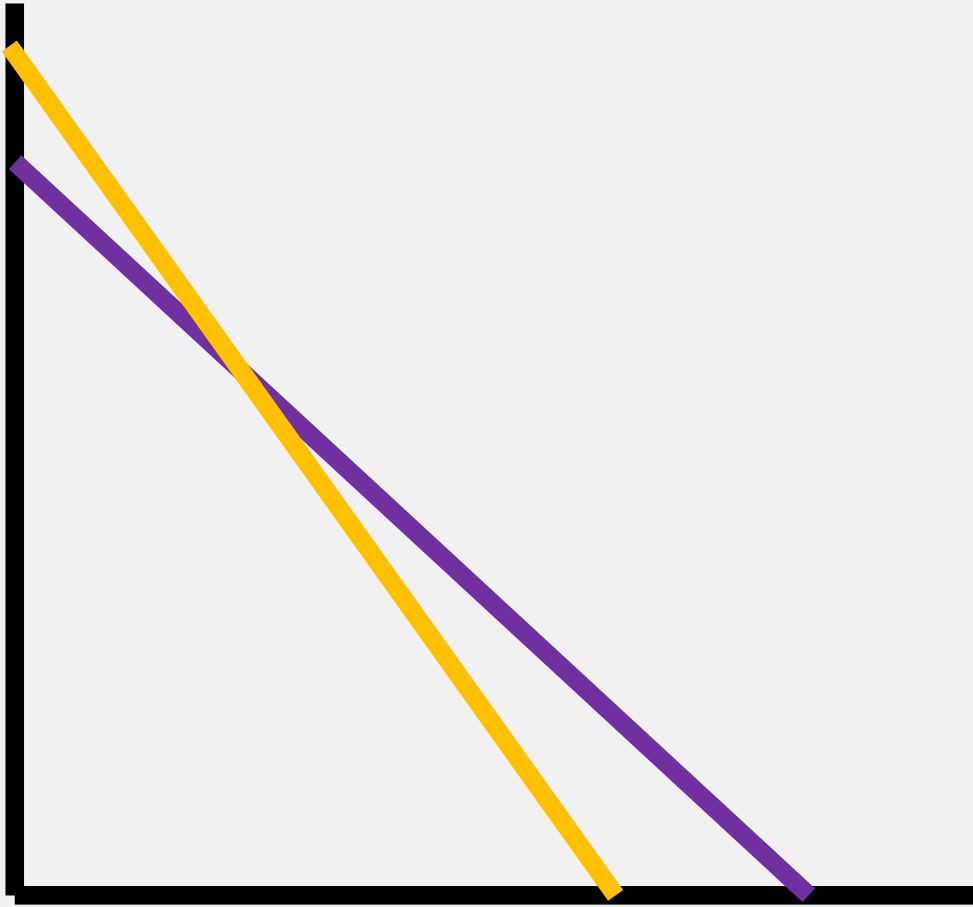
the pie

Distributive and Integrative ***Negotiation***



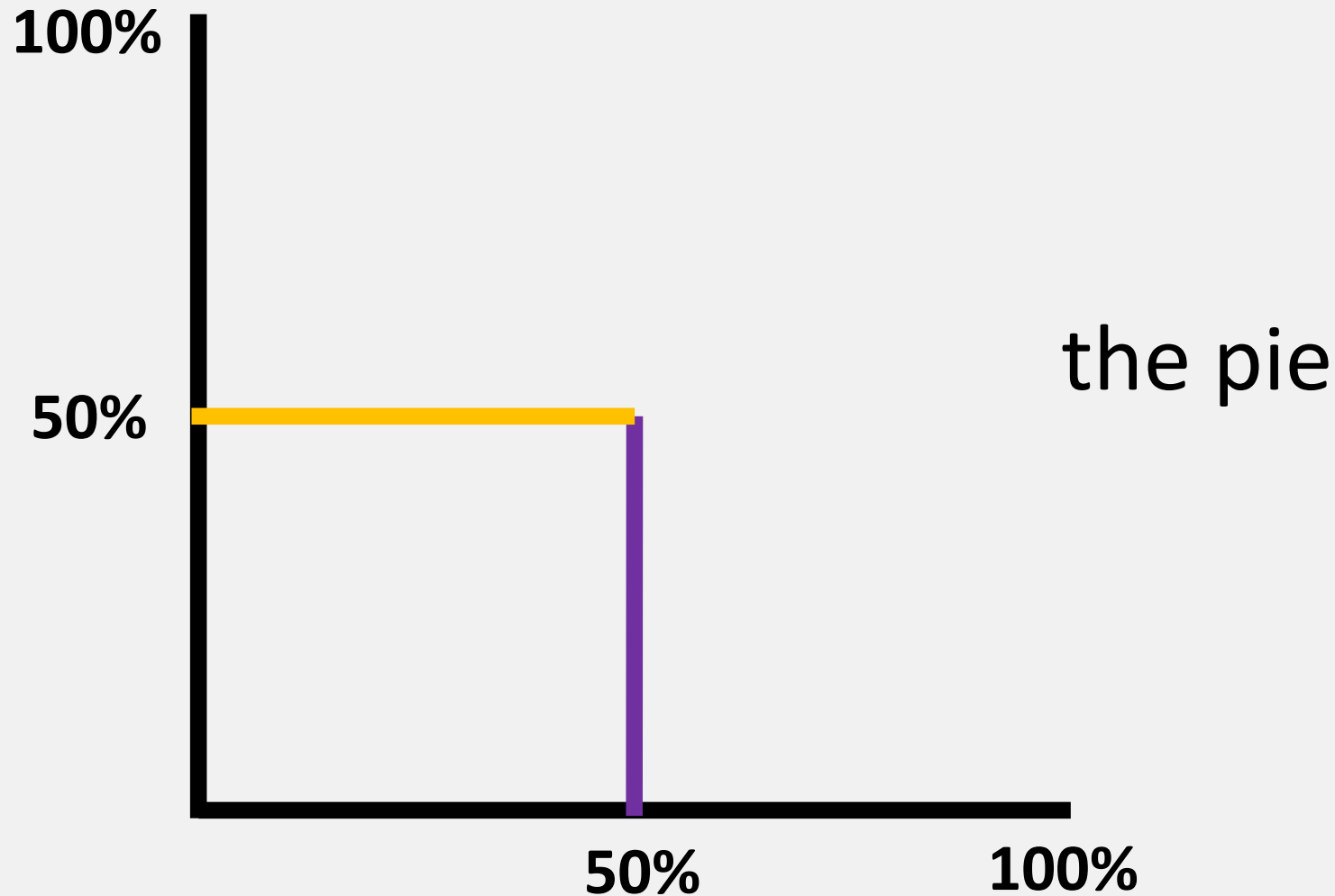
the pie

Distributive and Integrative ***Negotiation***

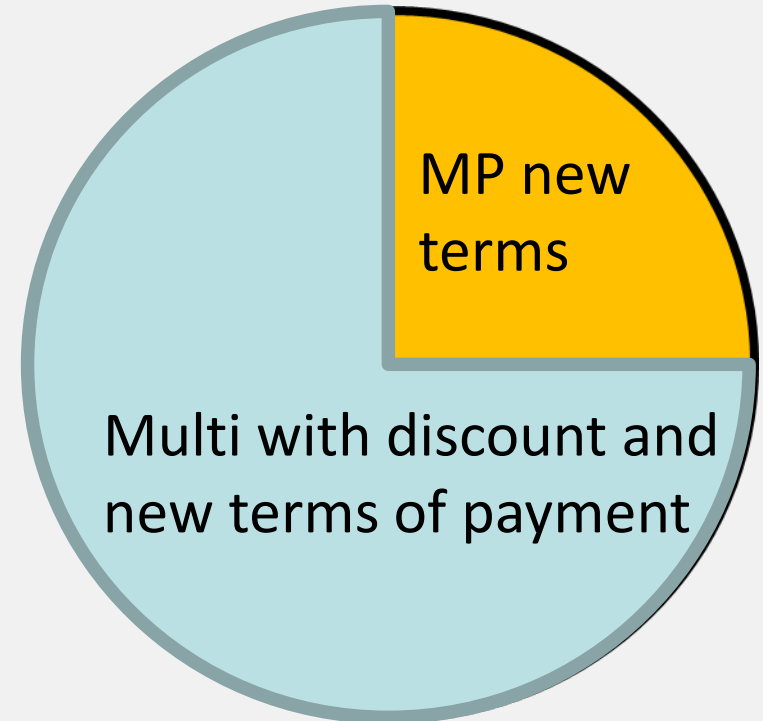
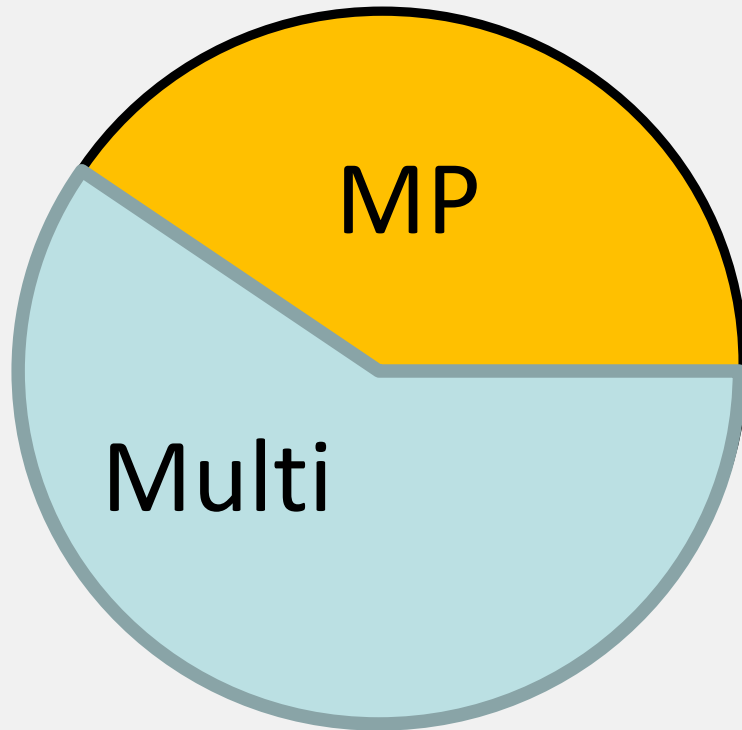


the pie

Distributive and Integrative *Negotiation*



Distributive and Integrative ***Negotiation***



Distributive and Integrative Negotiation

all negotiation creates and distributes value

how?

integratively or distributively?

win-win or win-lose?

based on what mindsets?

and what strategies?

Distributive and Integrative Negotiation

The tactics of distributive negotiation 1

Focus on positions not interests

Stay tough on the relationship

Make substantial demands

Claim there are no other options

Do not disclose information

Distributive and Integrative Negotiation

The tactics of distributive negotiation 2

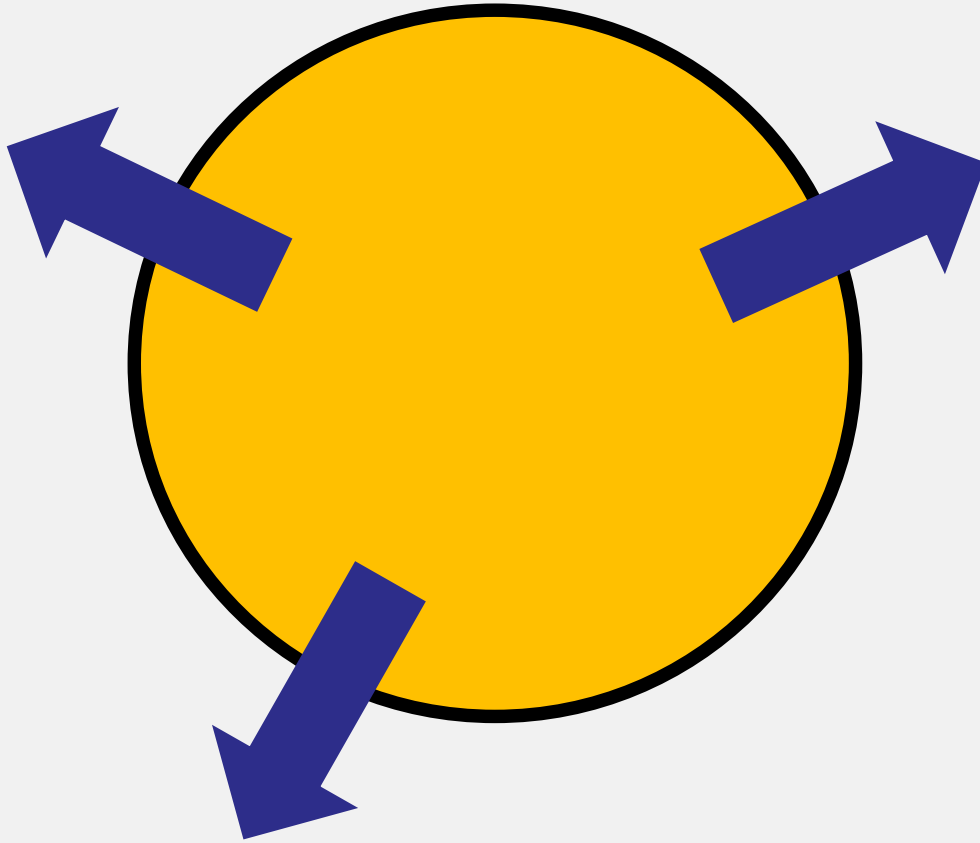
Do not ask questions to show understanding

Ask questions that challenge the other side's position

Look for and name the weaknesses of the other side

Play a bargaining game – give only when you take

Distributive and *Integrative* Negotiation



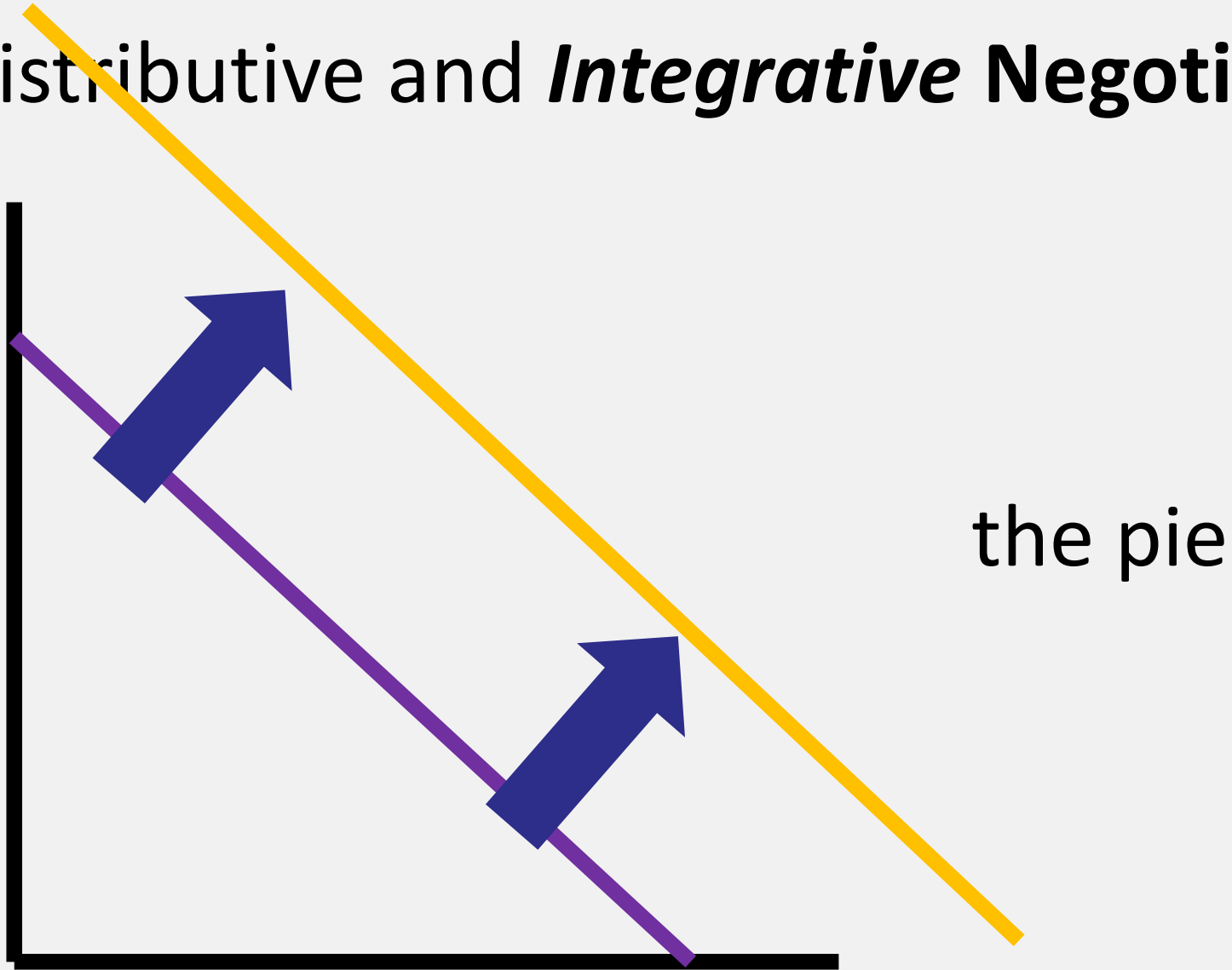
the pie

Distributive and **Integrative Negotiation**

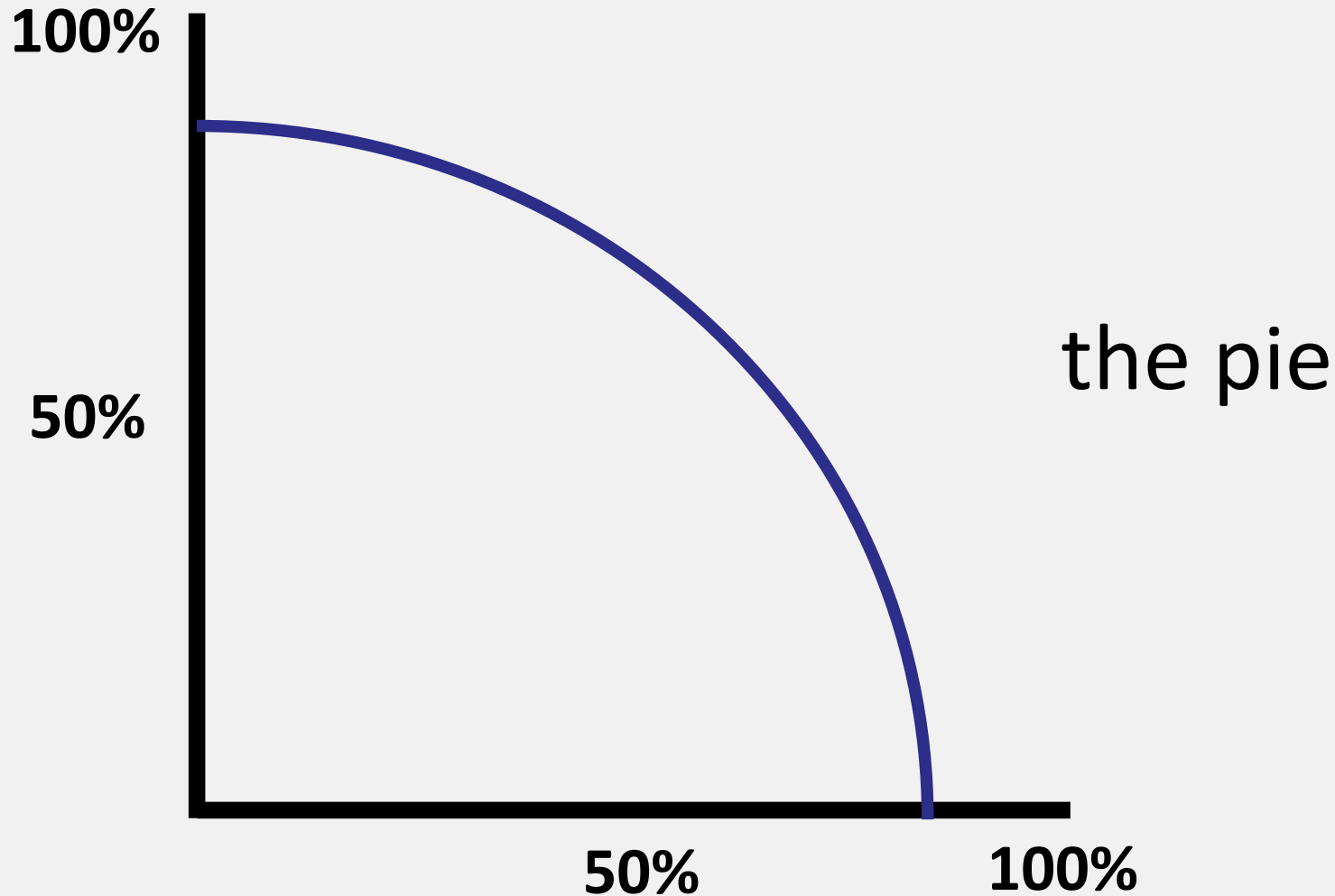
the pie is not fixed

by looking at all sides' interests
value can be created for all before
distributing it

Distributive and *Integrative* Negotiation



Distributive and *Integrative* Negotiation



Distributive and *Integrative* Negotiation

The tactics of integrative negotiation 1

Build relationships and express appreciation

Explain and ask for understanding

Understand before deciding

Ask for help in solving the issue together

Look for common interests

Distributive and *Integrative* Negotiation

The tactics of integrative negotiation 2

Work with empathy

Be transparent with information

Show interest in the other side's needs

Show interest in the other side's feelings

Explore creative options to create value

Decide together

How can Machine Parts guess that Multi
will negotiate distributively?

What then happened at the negotiation?

Oh, and there was a second negotiation

here is the story ...

Did Multi get what they wanted?

Did they get what they need?

What does this case show us?

YOUR CASE

Integrative or distributive – to what degree?

who is playing how?

How does that affect your strategy?

Is Multi playing dirty tricks?

What can you do about dirty tricks?

(Dirty) Tricks

Ultimatums

Lack of transparency

Psychological pressure

Using the setting for pressure

Good cop, bad cop

Threatening to walk out

Take it or leave it

Tantrums

Reopening closed issues

Hard bargaining

Dealing with (Dirty) Tricks

Many times people

- Ignore and go on because it is uncomfortable
- Fight back with tricks

Principled negotiators

- Recognize the trick
- Name it – separating the people from the problem – or at least name it for themselves
- Possibly negotiate the process

Change the process 44

Dealing with (Dirty) Tricks

there is always the

walk-away

if you can

What could Machine Parts have done do to talk about and change process?

When they were invited to Multi

When they were presented with the ultimatum

When they were given only five minutes to decide

When they were invited back to Multi

When they were faced with a young man with no authority

Integrative and Distributive Negotiation Process

Win-win or integrative negotiation
can relate to process as well as substance

In this case, there was a win-lose process
a distributive process

Why did Machine Parts accept it?

Dealing with (Dirty) Tricks

there is always the

walk-away

if you can

Machine Parts could not (yet) walk away

What have we done today?

Distributive negotiation

Integrative negotiation

Know your interests

Material and process interests

The pie

Tricks and dealing with them

The walk-away alternative