You can't always get what you want: Strategic issues in Negotiation

Claude Alavoine

http://www.ipag.fr/fr/accueil/la-recherche/publications-WP.html

IPAG Business School
184, Boulevard Saint-Germain
75006 Paris
France
Abstract

Negotiation is a process based on strategic choices. Each participant must fix carefully its objectives and decide what are the most appropriate ways and means in order to attain those. While in practice negotiation is always a mix of cooperation and competition, these two elements correspond to different approaches of the relationship and also different and quite incompatible orientations in term of strategy. The techniques, tactics and arguments employed by the negotiators in both cases will have different related effects and in the end will produce different and initially undefined outcomes. The choice of a strategy can be influenced by many factors, from the negotiator's power to the level of trust, the stakes or the concern for the other party's outcome.

Drawing on concepts from several disciplines, our intention in this paper is to clarify, in a specific negotiation, the aspects and elements of the relationship between the determinants of a strategic choice and its effects on the capacity to reach an agreement which fulfil the participants' expectations and objectives. This should allow uncovering new hypotheses for experimental research.

Keywords: Negotiation; Strategy; Objectives; Stakes; Power

1. Introduction

Negotiation is a specific form of communication in which the parties enter into deliberately with expectations about each other, but also with different aims and goals and a mutual dependency towards a decision due to be taken at the end of the confrontation.

* Corresponding author. Tel.: +33 493 133 900; fax:+33 493 133 046
E-mail address: c.alavoine@ipag.fr
One of the key aspects is the presence of both conflicting and cooperative elements. Participants must accommodate their conflicting interests by reducing the divergence or increasing the convergence of their objectives. The driving force of this specific situation is a common need for agreement because of an expected gain, leading the participants to a certain level of interdependency.

Each party in the relationship must cooperate to reach his or her objective and each party can block the other one from attaining his or her goal (Putnam, 1990). This interdependence sets up a mixed-motive relationship in which both parties cooperate by competing for divergent ends (Putnam, 1992). They must preserve their own interests but at the same time must consider their counterpart interests in order to find a mutually acceptable settlement. During the process participants can become adversaries or partners due to the quality of the relation, the nature of the conflicting issues, the kind of information exchanged but also because of behaviors, attitudes and perceptions.

According to Sebenius (2001), one of the common mistakes made by negotiators is to neglect the other side's problem or even, when they see the other side's concerns, to dismiss them.

The interdependence between these two poles creates several dilemmas for the negotiator in his decision making process. The levels of honesty, trust and therefore cooperation are influenced not only by the uncertainty of the situation but also by the objectives, interests or stakes, forcing negotiators to decisions regarding their best possible strategy in order to succeed. This willingness to find a solution despite the divergence regarding the decision implies that negotiators must fix carefully their objectives with certain flexibility.

2. Literature Review

2.1. Distributive versus Integrative dimensions and the negotiator's dilemmas

Distributive refers to the division and distribution of a specific "pie" considered as the outcome of the negotiation process, for which each participant is fighting over the largest part. It is a win-lose situation or a zero sum game where everything earned by one of the parties is lost by the other. Everybody wants to maximize his share of the resources which are somehow limited or fixed. Negotiation is understood as a competition where opposition is quasi-permanent and each participant seen as an opponent or enemy in a conflicting context.

Walton and McKersie (1965) call this type of negotiation "distributive bargaining" and they define it as a "construct referring to the complex system of activities instrumental to the attainment of one party's goals when they are in basic conflict with those of the other party".

On the opposite side is the integrative dimension, in which negotiators are not only concerned with their own objectives but are also interested in the other party's interests and aspirations.

Also called "cooperative" or "collaborative", this kind of negotiation sees both parties trying to maximize the joint outcome, assuming that the size of the "pie" can be increased if the participants collaborate. The situation here is a win-win type or a positive (non zero) sum game. The negotiators seek solutions which can benefit either party, or at least when the gains of one party do not represent an equal loss or sacrifice by the other.

Integrative bargaining, as named by Walton and McKersie (1965) refers to "the system of activities which is instrumental to the attainment of objectives which are not in fundamental conflict with those of the other party and which therefore can be integrated to some degree". More than a pure conflict resolution, it supposes a "problem solving approach" where the participants consider negotiation as a process to find a solution to a common problem which is beneficial and acceptable for both sides. They look for a jointly optimal outcome.
Understanding the process through this dichotomy seems unreal as, in practice, negotiation is always a mix of cooperation and competition. As shown by Lax and Sebenius (1986), any negotiation includes both "value creating" (integrative) and "value claiming" (distributive) features.

Nevertheless, according to Allred (2000), many of the moves used in order to claim value are competitive and exclude the cooperative moves that could create value to both participants.

The interdependence between these two poles creates a dilemma for the negotiator in his decision making process. For Walton and McKersie (1992) dilemmas arise because the tactical requirements of one sub process (i.e. distributive bargaining) are opposite to those of the other sub process (i.e. integrative bargaining); managing the dilemma between these two sub processes present a central challenge to negotiators. These dilemmas consist in fixing the objectives, deciding on the level of cooperation, honesty and trust but also on the ways and means and toughness (Zartman, 2005). Allred prescriptive advice (2000) on how to manage the tension between creating and claiming value demonstrates the difference between "best practices" and "strategic practices". While strategic practices, like "sharing information" can lead to dilemmas, best practices like "listening" contribute to maintaining a relationship and creating value.

2.2. Interests, stakes and asymmetry of power

Interests are considered by Lax and Sebenius (1986) as the element that can measure negotiation. According to them, it is the raw material of negotiations and can take many forms including tangible but also intangible elements. Although negotiators focus on their interests and must take into consideration the other party's interests they have a very narrow conception of it.

Lax and Sebenius make a clear distinction between intrinsic and instrumental interests leading to three misunderstood aspects of negotiation: interests in the process, the relationships and in principles. Intrinsic interests are independent of any subsequent deals while instrumental interests are influential on following deals or outcomes. The first ones are objective and can be mostly quantified on a short term basis while the other ones are more long-term oriented and can be totally subjective. Both can be present in the three aspects mentioned before: even if negotiators evaluate agreements by measuring the value obtained from the outcome, the way the negotiation process was carried might have an importance as well. The relationship brings intrinsic interests because of the trust established between the parties but sometimes they may find no instrumental interest in keeping the relationship. Finally, negotiators can share or develop common values or norms that can provide immediate or future effects.

Leroux (1992) talks about instrumental or fundamental stakes; the visible, material, tangible part (instrumental) made up mostly of economical aspects is sometimes less important than the invisible one (fundamental) which refers to notions like self esteem, status or reputation.

As Dupont (1996) shows, there is a clear link between interests and stakes. Every negotiation implies expectations, objectives, interests, consequences (positive or negative), risks, probabilities (chances). The stake of the negotiation is the impact of the outcome on the interests, tangible or intangible ones.

Therefore the power position is never totally balanced. Not only do the participants count on resources that they possess which are of interest to their opponent, but also they have different expectations regarding the interests provided by these resources. Because all the sources of power are unequally distributed and can have immediate or lasting effects, the negotiators are confronted to a balance of power that reveals mainly during the process, placing the interaction as the most difficult phase to manage.

A first approach regarding power in negotiations may consider resources that permit a party to punish or reward another one for its behaviour. For Zartman (1991) power can come also from elements that determine the vulnerability of the other party to such punishments or rewards.

Lewicki & al (2001) assume that power in negotiation must not be considered as absolute and coercive even if it is mostly a capacity to influence or the ability to bring about outcomes that are desired. They
prefer to separate the power revealed in negotiations from the influence processes used in interpersonal relations.

In that sense they join the relational definition of power given by Deutsch (1973) that emphasises the specificities of each situation. The power of an actor in a given situation (contingency approach) can be evaluated as the "degree that he can satisfy the purposes that he is attempting to fulfil". Therefore power depends also on the relationship rather than purely on the resources of each participant. The characteristics of the situation as well as the characteristics of the participants determine the balance or the asymmetry of power.

According to Deutsch (1973), some elements of power derive from the situation or the context instead of being only attributes of each actor. As he suggests there is a clear distinction between the environmental power, the relationship power and the personal power.

Boulding (1999), considering that power is the ability to get what we want, divides it in three major categories from the point of view of its consequences: destructive power, productive power and integrative power. The last one has a destructive and productive aspect depending on the relationship and its origin.

The power of commitment was originally exposed by Shelling (1960) who identifies power with the ability to commit to a position from which your counterpart cannot be expected to withdraw. A commitment functions by restricting the bargaining range in favour of the one who is committing.

Dupont (1996) classifies the sources of power in two categories: the ones linked to the situation (over which the negotiator might have different levels of control) considered as "objectives" factors and those in connection with the negotiator himself like skills or credibility.

Fischer and Ury (1981) introduced the concept of "best alternative to a negotiated agreement" (BATNA) in order to explain that the strength of a negotiator depends on the number and value of alternatives at his disposal. A negotiator should always conclude an agreement which provides more value than the best possible alternative otherwise there is no point in accepting it. But his power relies also on the number and value of his counterpart available options.

To Bacharach and Lawler (1981), the level or degree of dependency has an obvious effect on the asymmetry of power in the sense that the more dependent an actor is relative to opponent, the weaker is the negotiation strength. But this dependency has to be considered on two different aspects; the existence and potential of alternatives but also the importance of interests, stakes, objectives or expectations. Not only do the participants count on resources that they possess which are of interest to their opponent, but also they have different expectations regarding the interests provided by these resources.

2.3. Strategy models

As an answer to the numerous questions that arise when fixing a strategy before negotiating, Pruitt (1981) identifies in a "strategic choice model" three main possible strategies: unilateral concessions, competitive and cooperative behavior. This will be leading to a "dual concern model" (1983), displaying options depending on two basic variables: the interest and concern about your own income or about the other party's outcome, in other words, a "mixed-motive" model of strategies.

Table 1. Adapted from Pruitt (1983)
For Pruitt (1983), the problem solving approach which is the only integrative strategy implies a high level of concern for the other party's outcome but also a certain level of trust that will lead to cooperation during the process.

For Cathelineau (1991), the two most important criteria in order to fix a strategy are the level of trust and strength (balance of power). In combining these two dimensions with three levels (favorable, indecisive, and unfavorable), Cathelineau presents six strategic choices: "Coercive", "opportunistic", "defensive" (all distributive) and "Balanced cooperation", "problem solving", "relationship oriented" (all integrative).

Table 2. Adapted from Cathelineau (1991)

| Level of Trust | Balance of Power |
|----------------|------------------|
|                | favorable | indecisive | unfavorable |
| Low            | Coercive   | Opportunistic (short term) | Defensive |
| High           | Relation (long term) | Cooperation | Problem solving |

As an example, an unfavorable position in terms of power combined with a lack of trust in the other party would force a negotiator to be more defensive while a favorable balance of power with no trust would lead to the use of a coercive strategy.

While any "generic" strategy or orientation must be planned in advance depending also on many other criteria like the object, context, alternatives or even preferences and expectations, it will only reveal its effect during the interaction and require a capacity to improvise, adapt, according to circumstances. As explained by Dupont (1996), strategies are not always "pure" or generic strategies but can be mixed depending on the evolution of the negotiation process.

3. Methodology and experimentation

Using a simulation derived from Brett ("Cartoon", 2001) placing three groups of negotiators (two groups of sellers and a group of buyer) in a situation with both integrative and distributive potential and many possible variations in the balance of power, our purpose was to explore the conditions in which the participants fix their objectives and strategies.

The object of the negotiation is to buy and sell TV programs with several different points to negotiate: number of episodes, prices, terms of payment (possibilities of installments), showing times and frequency and also the possibility to include a "bonus" program. The buyers (a TV station) are dealing with two groups of sellers (TV series production companies) with a possibility to mix different series. Each group is provided with instructions and elements enabling them to negotiate: number of episodes needed or in stock, budgets, production costs, financial bonuses or penalties (in case of installments). The buyers meet
the groups of sellers one at a time during sessions that are recommended to be short ones (15' to 20'). The two groups of sellers are not in contact during the whole negotiation. The complete experiment takes approximately three hours.

The situation at the beginning of the simulation seems to profit the group of buyers due to the competition between the sellers but one of the key aspects of the experimentation is that the need for episodes from the buyers cannot be totally satisfied by only one seller. Therefore the TV station must sign a deal with both groups, bringing consequently several difficult issues like the selection of the first partner (and first deal with consequences on the last negotiation with the remaining group) and how to split the quantity needed in between the two groups of buyers. During the first interviews, if the exchange of information on the mutual needs and possibilities is sincere and legitimate, a problem solving approach can be implemented while misinformation and deception are leading all groups to a confrontation of power with coercive, defensive or contending strategies. Therefore, one of the most important aspects is the interdependency of all the participants combined with the opportunity to realize important outcomes for all the groups. Depending on how they fix their objectives and proceed, the situation can become integrative or distributive.

While this approach can be considered as inductive and exploratory, observing phenomena in order to reveal new paths and hypothesis for research, the experimentation was based on logical and rational aspects of participants' decisions and subsequently can be considered as a test of the strategic models previously described. In particular, the position in terms of power and the level of concern for the other party outcome are two factors obviously fixing the intentions of the participants and their choices in terms of tactics. But on a different level, the influence on the strategic choices of both the objectives (fixed by the negotiators) and the expectations (ambitions) in terms of outcomes is difficult to predict. The remaining question of what is leading negotiators to choose between competition or cooperation at the beginning of the relationship and the way they establish their strategy on this two dimensions is a complex one. By manipulating the balance of power in the simulation and giving large margins of maneuver to the groups, this experimentation can reveal the impact of objectives and expectations on the outcomes.

Nevertheless, one of the limits is definitely the lack of tangible and instrumental stakes, like in any simulation, although participants display usually a willingness to participate based on fundamental stakes like reputation, self-esteem or even the pleasure of discovering their competency or ability in such a situation.

If we compare the previous strategic models with the experimentation, we find that when a group has a limited trust over the other participants (lack of information on priorities) together with a favorable balance of power (or perceived like that) and a limited concern for the opponent outcome they chose coercive or contending strategies. But the question is about their levels of expectations and objectives.

The interesting aspect is that when they fix reasonable objectives (compared to the potential that can be realized), they have a tendency to force their counterparts to accept their proposals even if these objectives can easily be fulfilled by their opponents. While a problem solving approach could bring more for both, the tendency is to use the power perceived in order to protect interests even with average objectives. When the balance of power changes, not only the outcome are reduced in comparison to the objectives but trust is difficult to establish due to the previous strategies used.

Table 3.

| Level of Trust | Balance of Power | Concern for the other party's outcome | Objectives | Strategy       |
|----------------|------------------|---------------------------------------|------------|----------------|
| Low            | favorable        | Low                                   | Average    | Coercive/Contending |
| Low            | Indecisive       | Low                                   | High       | Opportunistic/Contending |
| Low            | Indecisive       | High                                  | High       | Defensive       |
When the balance of power is indecisive and the level of trust low, which is the situation of the sellers in the first sessions of the experiment, the tendency is to consider any opportunities especially those who could change or confirm the position in terms of power. Therefore, the objectives remain flexible while the expectations can still be high. The strategy used in that case is mostly opportunistic and contending or even defensive depending on the interest over the other party outcome. In the case of high concern for the other party outcome, the problem solving approach provides the participants with the best results but in this situation, the level of trust and the sometimes high level of objectives and expectations forced the participants to be defensive. This had an impact on the exchange and nature of information, leading consequently to a deficit of trust.

In the experiment, low objectives (i.e. lower than the average compared to the potential) did not happen, neither a situation of low interest for one's own outcome due to the context and the object of the negotiation.

4. Conclusion

As explained by Dupont and Faure (1991), the action of a negotiator is organized around an objective. The possible confusion between the outcome which can never be predicted and the expectations or the objectives can lead to the use of a wrong strategy. Basically, as there are two poles in negotiation, competition and cooperation, the strategies can be divided into two categories: accommodation strategies and confrontation ones. The problem is that it is impossible to use them simultaneously. The one used as a starting point in the relationship will determine the nature or possibilities of an agreement depending on the balance of power, the level of trust, the willingness to realize an integrative outcome and the initial objectives. How negotiators fix their objectives is not always logical. After all, negotiation is an opportunistic interaction and sometimes it is easier to adapt to the situation than to prepare the most elaborated strategy. But all this, mixed with stakes that are intangible has a strong impact on the evaluation of the agreement. As the song says "You can't always get what you want" but it also says that if you try sometimes, "you might find that you get what you need".

References

Allred K. G., (2000), "Distinguishing best and strategic practices: A framework for managing the dilemma between creating and claiming value", *Negotiation Journal*, vol. 16, n°. 4, pp. 387-397.

Axelrod Robert, (1997), *The complexity of cooperation, agent-based models of competition and collaboration*, Princeton University Press.

Bacharach Samuel B., Lawler Edward J., (1981), *Bargaining: Power, Tactics and Outcomes*, San Francisco, Jossey-Bass.

Boulding Kenneth, (1999), "The nature of power", in Lewicki Roy J., Saunders David M., Minton John W., 2001, *Essentials of negotiation*, Mc Graw Hill, 3rd edition.

Brett Jeanne M., (2001), *Negotiating Globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries*, Jossey-Bass.

Cathelineau M., (1991), *Négocier gagnant*, Interéditions.

Deutsch Morton, (1973), *The resolution of conflicts*, New Haven, CT: Yale University Press.

Dupont Christophe, (1996), "A model of the negotiation process with different strategies", in Ghauri Pervez, Usunier Jean Claude (Eds), *International Business Negotiations*, Pergamon / Elsevier Science, pp. 39-67.

Dupont Christophe, Faure Guy-Olivier, (1991), "The negotiation process", in Kremenyyuk Victor A. (ed.), *International Negotiation: Analysis, Approaches, Issues*, Jossey Bass Publishers, San Francisco, pp. 40-57.

Fischer Roger, Ury William L., (1981), *Getting to yes: Negotiating Agreement without Giving In*, Penguin.

Fisher R., (1999), "Negotiating power: Getting and using influence", in Breslin William J., Rubin Jeffrey Z., *Negotiation Theory and Practice*, The Program on Negotiation at Harvard Law School, Cambridge, Mass., 5th edition. pp.127-140.
Kim Peter H., Pinkley Robin L., Fragale Alison R., (2005), "Power dynamics in negotiation", Academy of Management Review, Vol.30, n°4, pp. 779-822.
Lax David A., Sebenius James K., (1986), The manager as negotiator, New York: Free Press.
Lax David A., Sebenius James K., (1999), "The power of alternatives or the limits to negotiation", in Lewicki Roy J., Saunders David M., Minton John W., Negotiation: readings, exercises and cases, Mc Graw Hill, 3rd edition.
Lewicki Roy J., Saunders David M., Minton John W., (2001), Essentials of negotiation, Mc Graw Hill, 2nd edition.
Leroux Maxime, (1992), Les dimensions cachées de la négociation, Paris, Insep Editions.
Nelson D., Wheeler M., (2004), "Rocks and hard places: managing two tensions in negotiation", Negotiation Journal, vol. 20, n° 1, pp.113-128.
Pruitt Dean G., (1981), Bargaining Behavior, Academic Press, New York.
Pruitt Dean G., (1983), "Strategic choice in negotiation", American Behavioral Scientist, Vol. 27, n°2, Nov./ Dec., pp. 167-194.
Pruitt Dean G., Lewis Steven A., (1975), "Development of integrative solutions in bilateral negotiation", Journal of Personality and Social Psychology, Vol. 31, n°4, pp. 621-633.
Pruitt Dean G., Rubin Jeffrey Z., (1999), "Strategic choice", in Lewicki Roy J., Saunders David M., Minton John W., Negotiation: readings, exercises and cases, Mc Graw Hill, third edition.
Putnam L. L., (1990), "Reframing integrative and distributive bargaining: A process perspective", in R. J. Lewicki, B. H. Sheppard, M.H. Bazerman (eds.), Research on negotiation in organizations, JAI series annual, Greenwich CT: JAI.
Putnam L. L., Roloff M. E., (1992), Communication and Negotiation, Sage Publications, Newbury Park. CA.
Schelling Thomas, (1960), The strategy of conflict, Cambridge, Mass.: Harvard University Press.
Sebenius J. K., (2001), "Six habits of merely effective negotiators", Harvard Business Review, vol. 79, n° 4, April, pp. 87-95.
Wall J. A., Roberts Callister R., (1995), "Conflict and its management", Journal of management, vol. 21, n° 3, pp. 515-558.
Walton R. E., McKersie R. B., (1965), A behavioral theory of labor negotiations: An analysis of a social interaction system. New York: Mc Graw Hill.
Walton R. E., McKersie R. B., (1992), "A retrospective on the behavioral theory of labor negotiations", Journal of Organizational Behavior, vol. 13, pp. 277-285.
Zartman I. W., (1991), "The structure of negotiation", in V. A. Kremenyuk (ed.), International Negotiation: Analysis, Approaches, Issues, Jossey Bass Publishers, San Francisco, , pp. 65-77.
Zartman W. I., (2005),"Resolving the toughness dilemma", in G-O. Faure, La négociation: Regards sur sa diversité, Première biennale internationale de la négociation, Paris: Editions Publibook, pp. 45-59.