Negotiation and Conflict Resolution

Session 2

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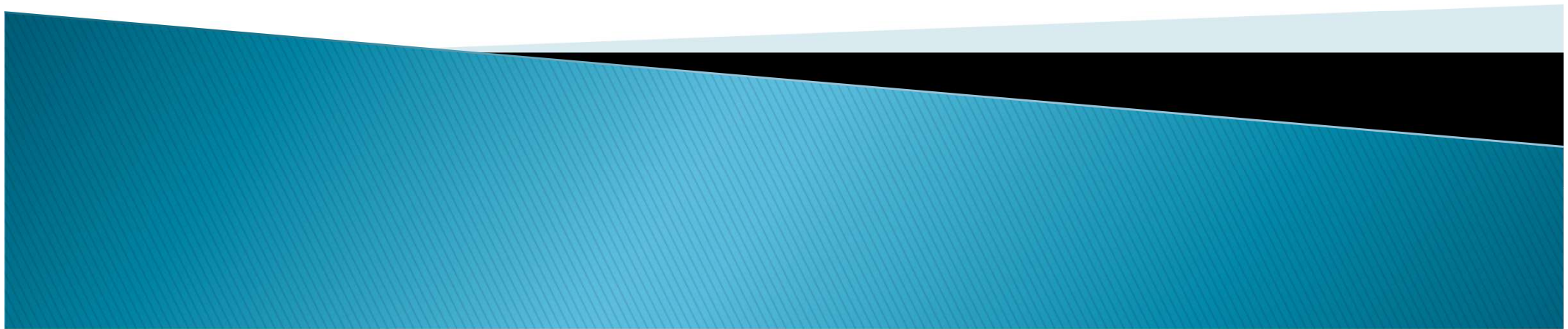


Outline

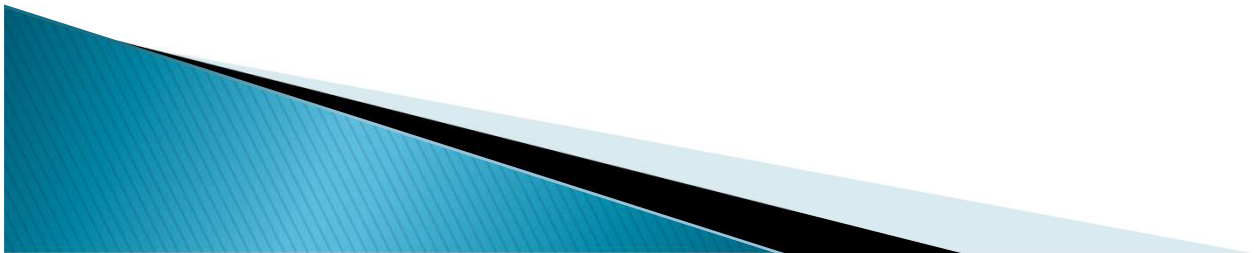
- Day1: onsite
  - Intro to Conflict
  - Distributive Negotiation
- Day 2: online/recorded
  - Integrative Negotiation
  - Cognitive Biases
- Day 3: online
  - Conflict Resolution Styles
  - Conflict Resolution Structures
- Day 4: online
  - Communication in negotiation
  - Case studies

Conflict Defined

"A disagreement through which the parties involved perceive a threat to their needs, interests or concerns"

Understanding Conflict

- Substantive Issues (the actual issues)
  - Money, physical resources, time
- Procedural Issues (Doing it right!)
  - Needs for specific types of behaviour
- Psychological Issues (Feelings, prejudice etc)
  - How you feel – the relationship



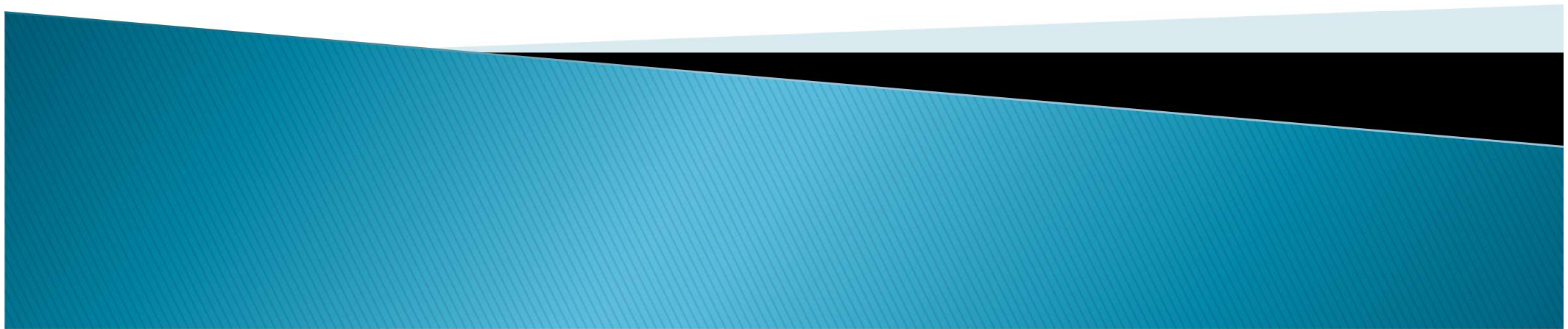
Costs of conflict

- Individual stress
- Lower productivity
- Lower group cohesion
- Time wasting
- Poor decisions

Benefits of conflict

- Conflicts identify problems that need to be solved
- Conflicts can bring about positive change
- Promotes creativity and innovation
- Develops interpersonal skills
- Shows commitment
- Allows feelings to be heard
- Provides different views & opportunity to learn about differences
- Can give a positive charge
- Increased group cohesion: when resolved effectively, team members develop mutual respect & faith in ability to work together
- Improved self-knowledge: pushes you to examine your own goals in detail

Distributive Negotiation



The distributive situation

- Goals of one party are in fundamental, direct conflict to another party
- Resources are fixed and limited
- Maximising one's own share of resources is the goal for both parties

The Buyer's View

Tom's initial offer (public)

Tom's target point (private)

Tom's alternative house (private)

Tom's resistance point (private)

€230k €233k €234k €235k €240k €242k €245,000 €250,000

Eva's resistance point (inferred)

Eva's alternative buyer (private)

Eva's target point (inferred)

Eva's asking price (public)

ZONE OF POTENTIAL AGREEMENT

How these factors influence the process

- The higher their estimate of your cost of delay, the stronger their resistance point will be
- The higher their estimate of their cost of delay, the weaker their resistance point will be
- The less they value an issue, the lower their resistance point will be
- The more they believe that you value an issue, the lower their resistance point may be
  - You put more pressure on to lower it BUT
  - They may take advantage of your need

4 Tactical Tasks

1. Assess the other party's points and costs
2. Manage the other party's impressions of your points and costs
3. Modify the other party's perceptions of his own points
4. Manipulate the actual costs of delay or termination

1. Assess the Other Party's Points

- Indirectly (inferential)
  - What information were they likely to use to set points?
    - e.g. willingness to strike inferred from large strike fund or hard bargaining
  - Can use variety of sources
  - But same information can mean different things to different people

- Directly
  - Opponent reveals the information
  - May be in need of quick settlement
  - May need other party to understand their position e.g. a wage settlement that would put company out of business
  - Can be difficult to get direct info, leading to
    - espionage, provocation.

2. Manage the Other Party's Impressions

- Control the information sent to the other party about your points
- Screening activities
  - Say and do as little as possible
  - Calculated incompetence: don't give negotiator all info
  - Limit authority to decide
  - 'Snow job' tactic: present lots of extra unimportant issues

- Direct action to alter impressions
  - Selective presentation: reveal only necessary facts
  - Displaying emotional reaction
  - Time given to an issue conveys importance
  - Casual acceptance of other party's argument conveys disinterest
  - Fabrication or lies?

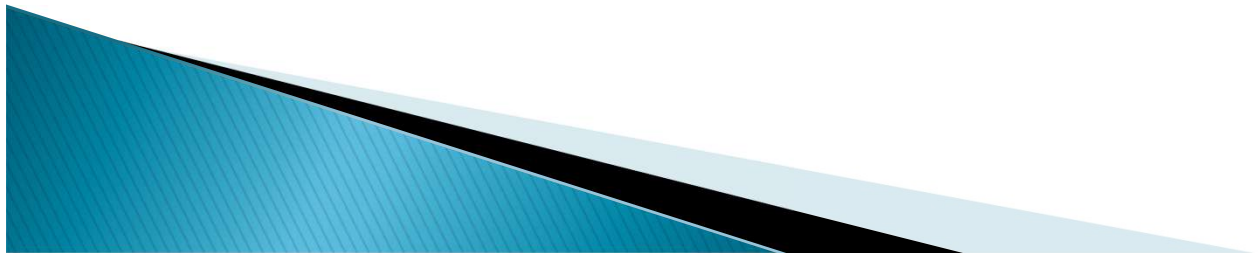
3. Modify the Other Party's Perceptions

- In order to
  - Make outcomes appear less attractive
  - Make the cost of obtaining goals appear higher
  - Make demands and positions appear more or less attractive to the other party – whichever suits your needs
- Can be done by
  - Interpreting the outcome for them
  - Concealment

4. Manipulate the Actual Costs of Delay or Termination

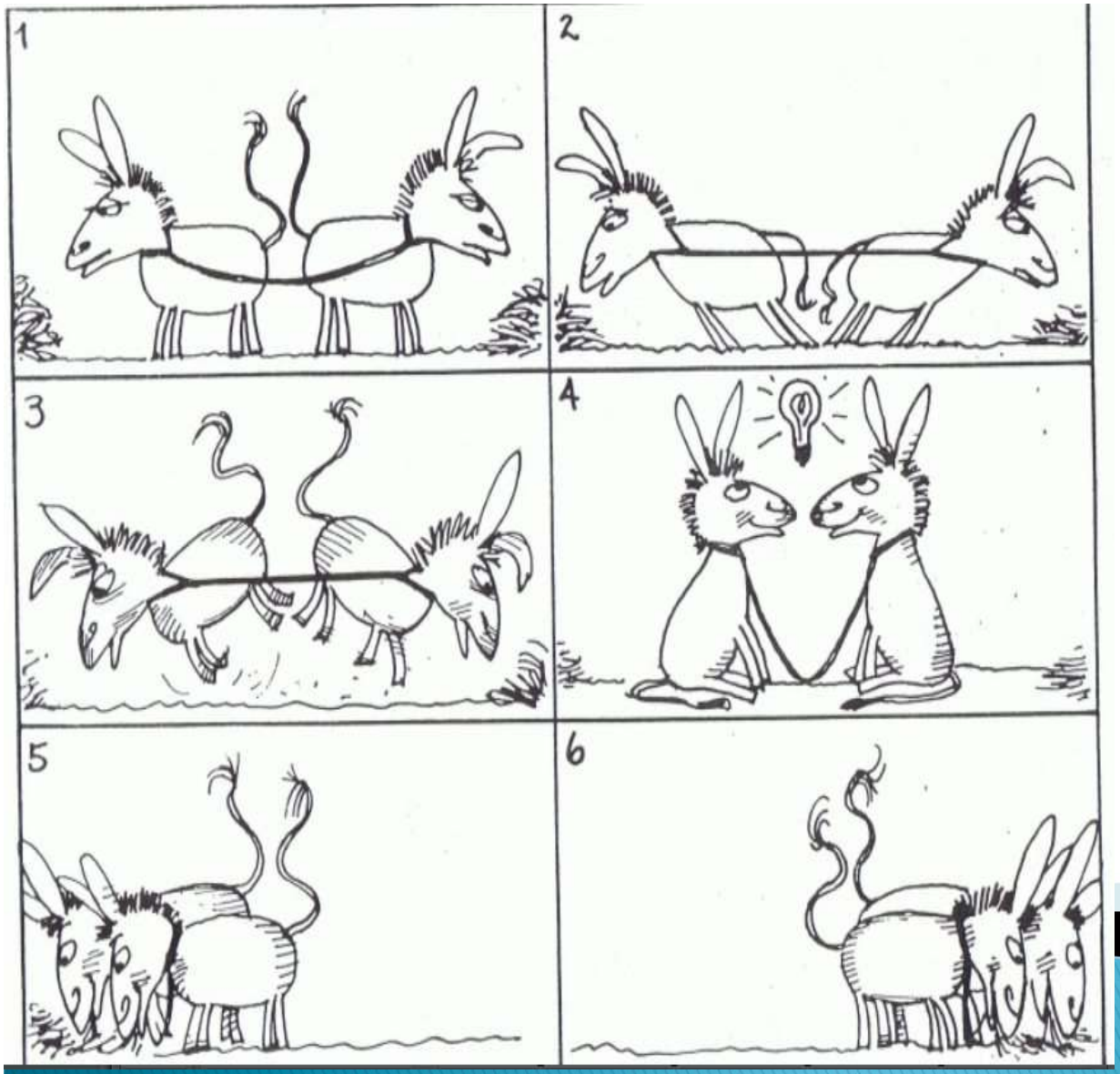
- Plan disruptive action
  - Public picketing, boycotting increase cost of not settling
- Form an alliance with outsiders
  - Involve (or threaten to involve) other parties who can influence the outcome in your favour
  - e.g. Joe Duffy!
- Schedule manipulation
  - Using timing to advantage

Hardball Tactics



Typical Hardball Tactics

- Good Cop/Bad Cop:
- Lowball/Highball:
- Bogey (playing up an issue of little importance)
- The Nibble (asking for a number of small concessions to)
- Chicken
- Intimidation
- Aggressive Behavior
- Snow Job (overwhelm the other party with information)



Integrative Negotiation

Integrative Negotiation

- Overview
- Key Steps

  (1) Identify and define the problem

  (2) Understand the problem

  (3) Generate alternative solutions
  - Generate options to the problem as given
  - Generate options by redefining the problem

  (4) Evaluate and select alternatives
- Factors that facilitate successful integrative negotiation
- Why it is difficult to achieve

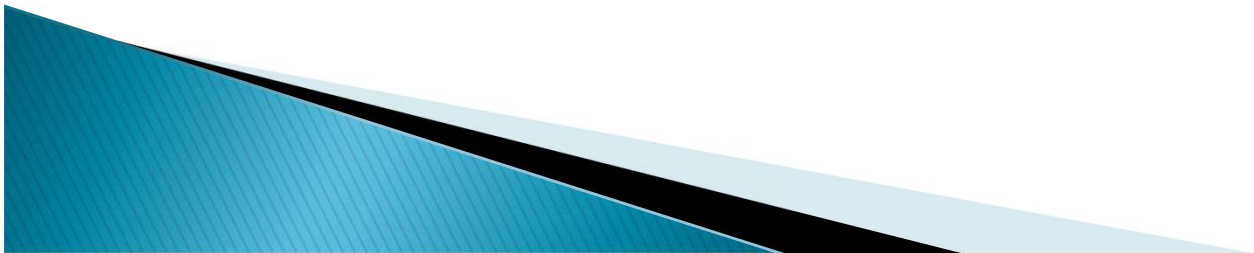
(Main reference: Lewicki, Barry & Saunders, 2020)

What Makes Integrative Negotiation Different?

- Focus on commonalties rather than differences
- Address needs and interests, not positions
- Commit to meeting the needs of all involved parties
- Exchange information and ideas
- Invent options for mutual gain
- Use objective criteria to set standards

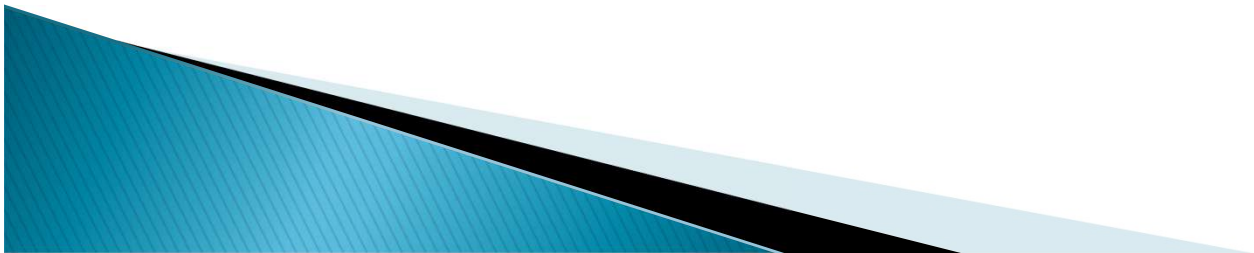
Overview of the Integrative Negotiation Process

- Create a free flow of information
  - Must be willing to reveal true objectives & listen
- Attempt to understand the other negotiator's real needs and objectives
  - Need to be skilled enough
- Emphasise the commonalties between the parties and minimise the differences
  - Need to frame common goal
- Search for solutions that meet the goals and objectives of both sides
  - Firm about interests but **flexible** in how they are met



4 Key Steps in the Integrative Negotiation Process

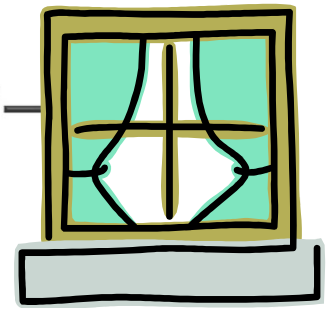
- Identify and define the problem
- Understand the problem fully
  - identify interests and needs on both sides
- Generate alternative solutions
- Evaluate and select alternatives



(1)Identify and Define the Problem

- Define the problem in a way that is mutually acceptable to both sides
- State the problem with an eye toward practicality *and* comprehensiveness
- State the problem as a goal and identify the obstacles in attaining this goal
- Depersonalise the problem
- Separate the problem definition from the search for solutions
  - Delay search for solutions until fully defined

(2) Understand the Problem Fully– Identify Interests and Needs



- Interests: the underlying concerns, needs, desires, or fears that motivate a negotiator
  - Substantive interests relate to key issues in the negotiation
  - Process interests are related to the way the dispute is settled – voice can be important
  - Relationship interests indicate that one or both parties value their relationship
  - Interests in principle: doing what is fair, right, acceptable, ethical may be shared by the parties

Observations on Interests

- There is almost always more than one type
- Parties can have different types of interests at stake
- Interests often stem from deeply rooted human needs or values
- Can change
- Numerous ways to surface interests
- Surfacing interests is not always easy or to one's best advantage: sometimes they are too subjective

(3) Generate Alternative Solutions

- Invent options by redefining the problem set:
  - Expand or modify the pie
  - Logroll
  - Use nonspecific compensation
  - Find a bridge solution

- Generate options to the problem as a given:
  - Brainstorming
  - Surveys

Scenario: Mobile Phone Billing Account Contract

Parties

- **Customer**: Medium-sized company negotiating a 2-year mobile billing account for 20 employee lines
- **Provider**: Mobile network operator

Initial Conflict

- **Customer priority**: Low monthly cost per line
- **Provider priority**: Long contract length and upselling premium features

Logrolling (Trading Off Different Priorities)

- Each side values different issues **unequally.**
- **Customer cares most about:**
  - Monthly price per line
  - Flexibility to drop lines if staff changes
- **Provider cares most about:**
  - Contract length
  - Guaranteed minimum number of lines

Trade-off (logroll):

- Customer agrees to a **24-month contract** (low cost to customer)
- Provider agrees to **reduce the monthly price per line**
- **Example Agreement:**
  "If we commit to 24 months, can you bring the price down to €47 per line?"
- Each side concedes on a **lower-priority issue** to gain on a **higher-priority issue.**

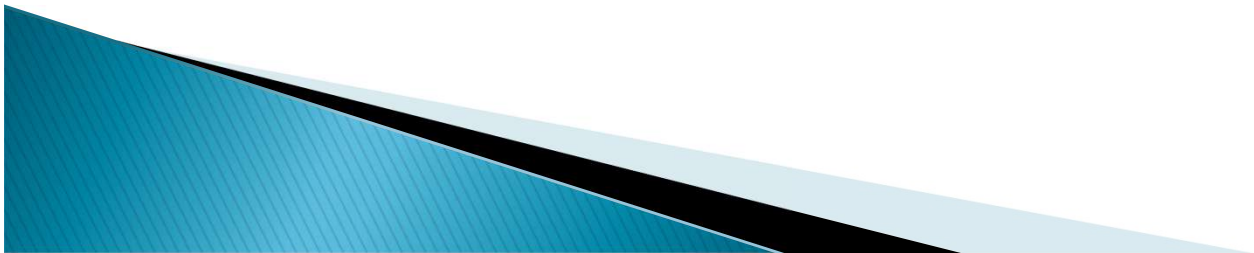
Negotiation Concept	What It Means (Briefly)	Mobile Phone Billing Contract Example
Logrolling	Trading concessions on issues each side values differently	The **customer agrees to a 24-month contract** (low priority for them) in exchange for the **provider lowering the monthly price per line** (high priority for the customer, lower priority for the provider).
Expanding the Pie	Adding issues to create more total value	Instead of negotiating only on price, the parties add **pooled data** and **international roaming**, increasing overall value without increasing conflict.
Non-Specific Compensation	Offsetting dissatisfaction without a direct trade	When the provider cannot reduce price further, they offer **priority support, and free device upgrades**, compensating the customer without changing the price.
Bridging	Creating a new solution that satisfies both sides' core interests	They agree to a **24-month contract with the option to cancel up to four lines after 12 months without penalty**, satisfying the provider's need for stability and the customer's need for flexibility.

(4) Evaluate and Select Alternatives

- Narrow the range of solution options
- Evaluate solutions on:
  - Quality: how good they are
  - Objective standards: precedents, industry standards
  - Acceptability: to those who have to implement
- Agree to evaluation criteria in advance
- Be willing to justify personal preferences
- Be alert to the influence of intangibles in selecting options e.g. gaining recognition
- Use subgroups to evaluate complex options

Evaluate and Select Alternatives (cont..)

- Take time to “cool off”
- Explore different ways to logroll
  - Explore differences in expectations and risk/time preferences
- Keep decisions tentative and conditional until a final proposal is complete
- Minimize formality, record keeping until final agreements are closed

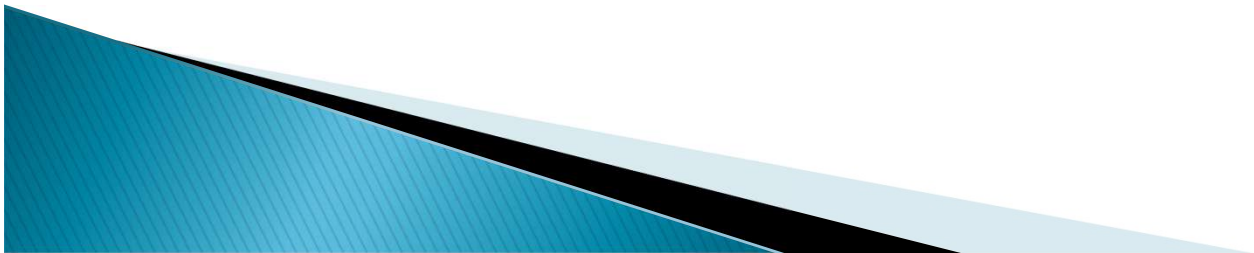


Factors That Facilitate Successful Integrative Negotiation

- Some common objective or goal
- Faith in one's own problem-solving ability
- A belief in the validity of one's own position and the other's perspective (but not empathy)
- The motivation and commitment to work together

Factors That Facilitate Successful Integrative Negotiation

- Trust
  - Mistrust will inhibit it
- Clear and accurate communication
  - Must be willing to share information
  - Other party must understand
  - Use multiple communication channels
- An understanding of the dynamics of integrative negotiation
  - Sometimes training is needed



Why is integrative negotiation difficult to achieve?

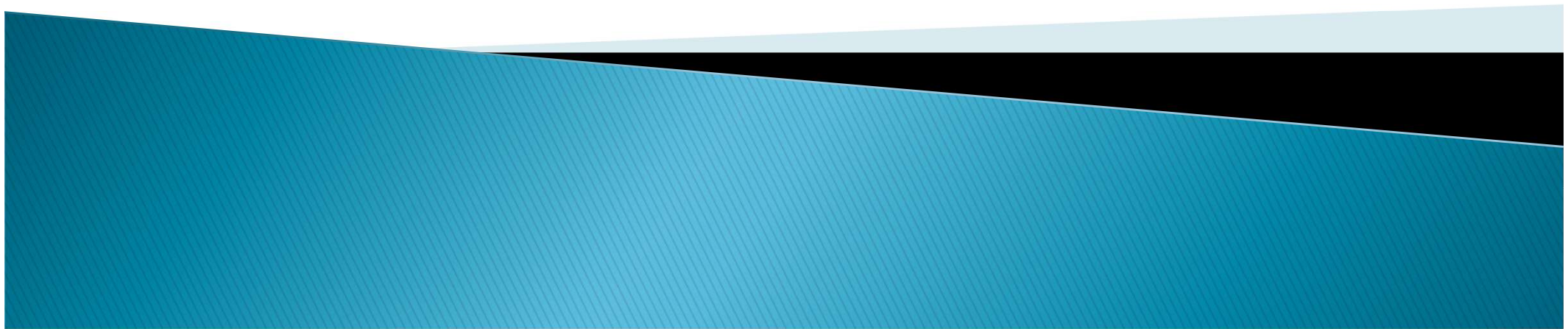
Why Integrative Negotiation Is Difficult to Achieve

- The history of the relationship between the parties
  - If contentious in past, it is difficult not to look at negotiations as win-lose
- The belief that an issue can only be resolved distributively
  - Negotiators are biased to avoid behaviors necessary for integrative negotiation

Why Integrative Negotiation Is Difficult to Achieve

- The mixed-motive nature of most negotiating situations
  - Purely integrative or purely distributive situations are rare
  - The conflict over the distributive issues tends to drive out cooperation, trust needed for finding integrative solutions
- Short time perspectives

Perception and Negotiation



- Negotiators approach each situation guided by their perceptions of past situations, current attitudes and behaviour

- Cognition is the process through which negotiators use information to make decisions about tactics and strategy

Individual Factors

- Perception
  - Perceptual Distortion
  - Framing
- Cognitive Biases

Perceptual Distortion

- Stereotyping
- Halo effects
- Selective Perception
- Projection

the world map of stereotypes and ignorance

Stereotyping

- Assigning attributes to another person solely on the basis of the others membership of a particular social or demographic category
- e.g.
  - This person is old
  - Old people are conservative
  - This person will be conservative
- Highly resistant to change
- More likely to stereotype when
  - under pressure (time or cognitive)
  - conflicts involve values or direct competition for resources

Halo Effects

- Generalise about a variety of attributes based on the knowledge of one attribute
  - e.g. A smiling person is more honest than a scowling person
- Can be positive or negative
- Leads to selective perception
- Happen in negotiation due to pressure to form rapid impressions

Selective Perception

- Focusing on information that supports prior belief and filtering out information that does not conform
- Perpetuates stereotyping & halo effects

Projection

- Where people assign to others the characteristics or feelings that they process themselves

- Negotiators can presume that others will respond in the same manner they would

Perceptual Distortions

- Making generalisations from small amounts of information
- Can occur due to pressure to form rapid impressions of other party
- Can influence many aspects of the negotiation
- Can be very persistent when formed
- Help to make sense of complex amounts of information – at a cost
- Lead to perceptual errors without even realising it
- Can lead to a competitive, defensive stance where not required
- Most acute with longstanding hostile relationships

Framing

- “The subjective mechanism through which people evaluate and make sense out of situations, leading them to pursue or avoid subsequent actions” (Bateson, 1972)

- Explains how 2 or more people can see the same situation in different ways

Types of frames

- **Substantive**- a specific concern about the key issue
- **Outcome**- predisposition to achieving a specific result
- **Aspiration** – predisposed to satisfying broader set of interests
- **Process** – how the parties will go about resolving the dispute
- **Identity** – how the parties define "who they are"
- **Characterisation** – how the parties define the other parties
- **Loss-gain** – how the parties define the risk or reward associated with particular outcomes

How frames work in negotiation

- Negotiators can use more than one frame
- Mismatches in frames between parties are sources of conflict
  - Different frames, same frame different content
- Parties negotiate differently depending on the frame
  - E.g. Identity frame will resist threat to their identity
- Specific frames are more likely with certain types of issues
  - E.g. Outcome frame in salary discussion
- Particular types of frames may lead to particular types of agreements:
  - E.g. aspiration frames more likely to lead to integrative agreement
- Parties are likely to assume a particular frame because of various factors e.g. values, personality, power

Reframing

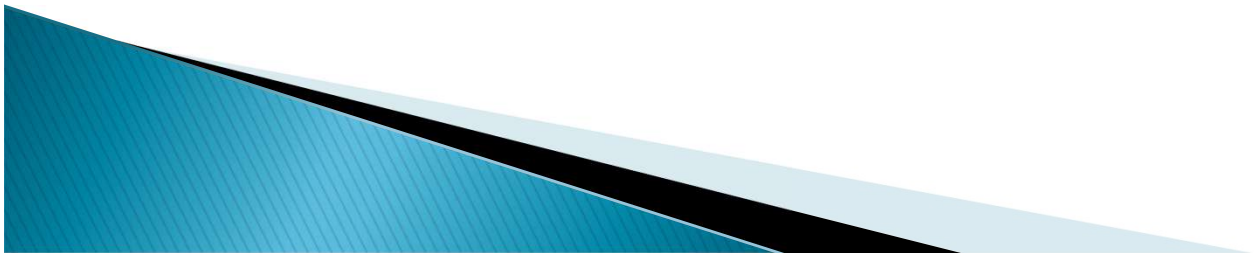
- Can occur due to
  - Arguments attacking feasibility of solutions
  - The way parties make a case to others
  - Management and interaction of multiple issues on the agenda
- Can occur many times as parties challenge each other
- Can be done intentionally
- Negotiators change their strategies as they come to understand a frame has shifted (Olekalns et al, 2005)

Cognitive Biases

- Relates to the tendency of negotiators to make systematic errors when they process information

Cognitive Biases

1. Irrational escalation of commitment
2. Mythical fixed-pie beliefs
3. Anchoring and adjustment
4. Issue framing and risk
5. Availability of information
6. The winner's curse
7. Overconfidence
8. The law of small numbers
9. Self-serving biases
10. Endowment effect
11. Ignoring others cognitions
12. Reactive devaluation



Cognitive Biases

- **Irrational escalation of commitment**: Maintaining commitment to course of action even though it is irrational
  - Negotiators ignore disconfirming evidence
  - Exacerbated by desire to 'save face'
  - Prevent by using advisor to give reality check
- **Mythical fixed-pie beliefs**: assumption that there is no possibility for integrative settlements
  - More likely when focusing on personal interests
  - More likely in individualistic cultures
  - Prevent by procedures for inventing options and holding negotiator accountable
- **Anchoring and adjustment**: the effect of the standard (the anchor) against which subsequent adjustments are made
  - Anchor can be faulty
  - Parties tend to treat it as valid benchmark
  - Prevent through thorough preparation and use of devil's advocate

Cognitive Biases

- **Issue framing and risk**: the way a negotiation is framed can make negotiators more or less risk averse or risk seeking
  - People are more risk averse when problem is framed as a potential gain
  - Prevent through bias awareness, analysis, reality checks
- **Availability of information**: can be affected by the availability of information or how easy it is to recall
  - Information clearly presented will be believed more readily than confusing information, regardless of accuracy
  - Prevent through awareness of information collection preferences/key signals and plan properly
- **The winner's curse**: tendency to settle quickly on an item and then feel discomfort about a negotiation win that comes too easily (Bazerman and Samuelson, 1983)
  - Prevent through prior investigation of appropriate settlement values

Cognitive Biases

- **Overconfidence**: tendency of negotiators to believe that their ability to be correct or accurate is greater than is actually true
  - Can solidify extent to which incorrect position is taken
  - Can lead to underestimating validity of other's position
  - Prevent through awareness of confidence effects

- **The law of small numbers**: tendency of negotiators to make generalisations based on limited experiences
  - Leads to self-fulfilling prophecy in negotiation
  - Prevent by educating negotiators beyond their own personal experiences

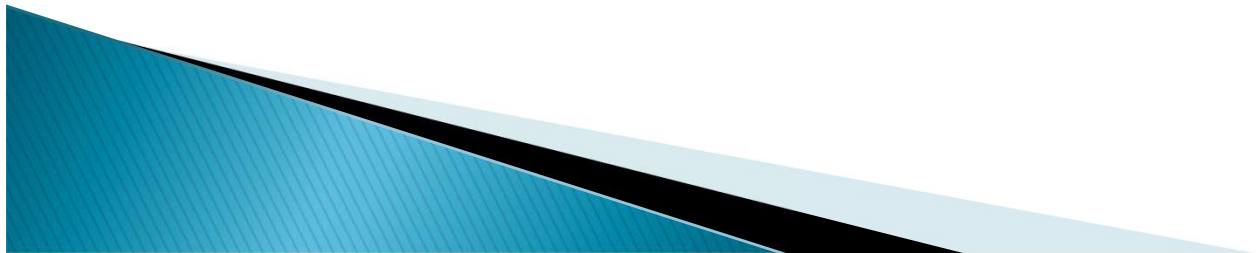
- **Self-serving biases**: tendency to interpret or use information in a self-serving way
  - Leads to faulty judgements regarding tactics or outcome probabilities
  - Prevent through use of objective advisor

Cognitive Biases

- **Endowment effect**:
  - tendency to overvalue something you own or believe you possess e.g. mug experiment
  - Can lead to inflated estimations of value that interfere with reaching a good deal
  - Prevent by getting independent valuations/viewpoints

- **Ignoring others cognitions**:
  - negotiators don't ask about others perceptions which can lead to operating with incomplete info
  - Helps to make the process more cognitively manageable
  - Prevent through explicit focus on identifying other's interests etc

- **Reactive devaluation**:
  - devaluing the other party's concessions simply because the other party made them (Stillenger et al, 1990)
  - Leads to minimising the magnitude of a concession
  - Prevent by maintaining an objective view or using 3rd party to mediate

Exercise

Cognitive Bias in action