Part 1—*Essentials of Negotiations*

Chapter 1

Negotiation: *The Mind and The Heart*

OVERVIEW

*This chapter can either be assigned before students arrive on the first day of class or after the first class meeting. As a general teaching principle, I never assign reading in advance; instead, the reading always follows the exercise. The chapter lends itself well to small discussion groups. For example, during the first day or week of class, students can work in small groups for 10-15 minutes with the objectives of: (1) identifying the key challenges that managers face when they negotiate; and/or (2) identifying factors in the new economy that make negotiation more relevant. I usually like to give very current examples of how negotiation is a core management competency (e.g., examples of interdependence, competition, in­for­mation age, and globalization). I suggest presenting the six “myths” of negotiation and the key reasons why people are ineffective. It can be very helpful to discuss the key learning objectives as they apply to the course or session. If students are keeping a journal as part of their class, they can be asked to develop their own learning objectives.*

Lecture Outline

# Negotiation: Definition and scope

## Negotiation is an interpersonal decision-making process necessary whenever we cannot achieve our objectives single-handedly.

## Scope of negotiation ranges from one-on-one exchanges to highly complex multiparty, multicompany, and multinational relationships.

## In the business world, people negotiate at multiple levels, contexts, and time frames. Thus, effective negotiation is not just about money—it is equally about relationships and trust.

# negotiation as a core management competency

## Five key reasons why effective negotiation skills are increasingly important for executives, leaders, and managers in the business world:

### Dynamic nature of business

### Interdependence

### Economic forces

### Information technology

### Globalization

# most people are ineffective negotiators

## Research shows that people do not negotiate well.

## Less than 4% of managers reach win-win outcomes, 20% reach lose-lose outcomes.

## Even on issues for which people are in perfect agreement, they fail to realize it 50% of the time.

# negotiation traps

## Leaving money on the table (“lose-lose” negotiation)

## Settling for too little (“the winner’s curse”)

## Walking away from the table (i.e., negotiators reject terms offered by the counterparty that are demonstrably better than any other option available to them)

## Settling for terms that are worse than your best alternative (the “agreement bias”)

# whypeople are ineffective negotiators

## Egocentrism: the tendency for people to view their experiences in a way that is flattering or fulfilling for themselves

## Confirmation bias: the tendency of people to see what they want to see when appraising their own performance

## Satisficing: the tendency to settle for something less than people otherwise could have

## Self-reinforcing incompetence: the person’s lack of skill deprives them of not only the ability to produce correct responses but also of the expertise necessary to surmise that they are not producing them

# debunking negotiation myths

## *Myth 1:* Negotiations are fixed-sum (i.e., whatever is good for one person must <ITAL>*ipso facto*</ITAL> be bad for the counterparty).

## *Myth 2:* You need to be either tough or soft.

## *Myth 3:* Good negotiators are born.

## *Myth 4:* Life experience is a great teacher.

## *Myth 5:* Good negotiators take risks.

## *Myth 6:* Good negotiators rely on intuition.

# Learning objectives

## Improve your ability to negotiate successfully

## General strategy for successful negotiation

## Enlightened model of negotiation (fraternal twin model)

# the mind and The heart

## Deliberate, rational, thoughtful strategies for negotiation (mind)

## Relationships and trust in negotiation (heart)

Key Terms

**confirmation bias** The tendency of people to seek confirmation for their beliefs that may lead them to overlook or discount relevant information that contradicts or challenges their beliefs

**egocentrism** The tendency of people to view their experiences in a way that is flattering or fulfilling for themselves

**negotiation** An interpersonal decision-making process, necessary whenever we cannot achieve our objectives single-handedly

**optimizing** Setting high aspirations and attempting to achieve as much as possible

**satisficing** A decision-making approach that involves settling for something less than they could otherwise have, or the acceptance of mediocrity

Suggested Exercises and other materials

1. WEBSITE: **www.negotiationexercises.com**
**DRRC/KTAG Website of Negotiation, Teamwork, and Decision-Making Exercises**

This website is a collaboration between the Kellogg School of Management’s Dispute Resolution Research Center (DRRC) and the Kellogg Team and Group Center (KTAG). It contains negotiation, teamwork, and decision-making exercises. The website is ideal for instructors who are build­ing or modifying term-long courses in negotiation, team and group behavior, and decision-making. This online catalogue of exercises is viewable at www.negotiationexercises.com

1. EXERCISE: **Blue Buggy**
2. *by Gaylen D. Paulson*

This is a two-party, deal-making exercise with a negative bargaining zone. Nevertheless, 15%-20% of negotiators reach agreement illustrating irrationality and agreement biases. Another 15%-20% generate creative agreements that illustrate the limitations of the frames and assumptions negotiators bring to the table. **Pre­pa­ra­tion**:10 min. **Negotiation**: 15 min. Available from the DRRC at the Kellogg School of Management, Northwestern University, 2001 Sheridan Road, Evanston, IL 60208; www.negotiationexercises.com.

1. EXERCISE: **College Town Apartments**
2. *by Leigh Thompson*
3. This is a qualitative dispute resolution exercise between two college roommates. The dispute concerns the timely payment of rent. The exercise has a large variety and range of mutually acceptable outcomes. It involves perceptual differences regarding one’s own behavior as well as the counterparty’s. Because the two parties live together and share common interests, relational, emotional, and social issues also factor into the dispute. **Preparation**:45 min. **Negotiation**: 60 min. Available from the DRRC at the Kellogg School of Management, Northwestern University, 2001 Sheridan Road, Evanston, IL 60208; www.negotiationexercises.com.