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Abstract
Wherever people work together, there is a potential for conflict. This is particularly true in organizations where the needs and focus of the different stakeholders often are often in opposition. Conflict can negatively impact an organization’s performance and effectiveness. Negotiation is a process used to help conflicting parties reach a mutually acceptable agreement. There are two primary factors that can affect the effectiveness of negotiations: The skill of the negotiator in conflict management skills and various situational variables. To be successful in negotiations, good preparation is essential. There are a number of tactics that a negotiator can use to help become better prepared for the negotiating table including information gathering about the strengths, weaknesses, and assumptions of the opponent. In addition, it is important for the negotiator to be mentally prepared for the negotiating table through an understanding of his/her own strengths, weaknesses, and assumptions as well.

Overview
In many ways, globalization has revolutionized the way that many organizations do business today. The practice of offshoring enables organizations to relocate part of their operations to another country with lower costs or to outsource functions or activities to other companies with lower rates both around the country and around the world. Typically, this work was previously performed by domestic employees. However, these practices are often necessary to combat another result of globalization: The increased competition from other organizations at home that are able to charge less because of outsourced work or around the world that are able to compete in the global marketplace. Although organizations now potentially have a greater, global marketplace in which to market their products or services, this marketplace is also populated by more competitors than ever before.

Stakeholder Interest & Conflict
Most organizations have multiple stakeholders – persons or groups that can affect or be affected by a decision or action. These may include the organization’s employees, suppliers, distributors, and stockholders. Often the interests of the different stakeholders are in conflict. For example, most stockholders will be primarily concerned with earning a high return on their investment. In the abstract, keeping labor prices down or raising the sales price of widgets in the marketplace are equally able to do this. Workers, of course, have a different view of the situation. They want an income that not only represents a living wage but a fair one as well. Therefore, keeping down the organization’s costs by keeping down employee wages (particularly vis-a-vis comparable wages within the industry) is likely to harm rather than help the organization’s bottom line in the long run as workers leave for organizations with better compensation packages. Another group with a stake in organizational operations is management. This group is often more likely to take the long view of organizational effectiveness realizing that holding down wages will lead to worker unrest and dissatisfaction and have a negative impact on the viability of the organization. However, they typically also realize the need to stay competitive in the global marketplace with its increased competition and potentially cheaper labor rates.

The needs and focus of the different constituencies within the organization often lead to conflict – the situation where one or more parties believes that its interests are negatively affected by
### Keywords

- Communication
- Conflict Management
- Conflict
- Negotiation
- Persuasion
- Stakeholder
- Win-Lose Orientation
- Win-Win Orientation

another party. For example, conflict can arise between labor and management over a wage increase. One of the goals of management is to keep costs down, and wages are one of the costs of doing business. Employees, on the other hand, are more concerned about their own costs and taking care of their families, so they seek higher wages in order to do this effectively. There are two ways that such a situation can be viewed. In the win-lose orientation, one or both of the parties in the conflict look at the situation as a fixed pool of resources that can be divided among the parties. In this view of conflict, the more one side receives, the less the other side receives. So, for example, labor might balk at the implementation of a new research and development department because they view it as increasing the number of employees that needs to be paid from a limited source of funds for wages. Management, similarly, might view this as a win-lose situation because the more that they have to pay the current workers, the less money they will have available to support the proposed research function that theoretically can develop new products that will gain more income for the company with which they will be able to give workers higher compensation in the long term.

However, in many conflict situations, it is not necessary for there to be a winner and a loser. In the win-win orientation, one or more of the parties to the conflict believe that it is possible to arrive at a mutually beneficial solution for all parties involved. Continuing with the example of a conflict over wages, a win-win orientation might mean that both sides are cognizant of the fact that having a nominal cost of living raise in the short term so that more monies can be devoted to research and development efforts may mean an overall higher wage in the long term after the success of the research and development efforts.

### Resolving Organizational Conflict

One of the ways that conflict between groups within an organization is often resolved is through negotiation. This is an interactive process between two or more conflicting parties in which the parties attempt reach a mutually-acceptable agreement about an issue or issues of mutual interest. In negotiation, the conflict is redefined in terms of interdependence of the parties. For example, in the illustration above, although the employees could push for the highest raise possible, if that action would cause the organization to go out of business, neither side would win. Similarly, if the organization refused to listen to the employees’ arguments for a raise and only paid minimum wage, they might soon lose not only the current employees but the possibility of hiring new employees at that rate. The employees, similarly, would lose the security of their current job and have to look for new work. Again, both sides would lose because both sides are dependent on each other. Because of this fact, negotiation between the two parties in the wage dispute discussed above would have as one of its goals to move both parties from a win-lose orientation to a win-win orientation. So, the employees might settle for a cost-of-living increase for the next year with a promise of a greater increase after the new research and development effort increases the organization’s cash flow or some other agreement in which both sides win.

### Approaches to Effective Negotiation

It is generally agreed that competition, accommodation, or other win-lose strategies are not typically effective in negotiations. Although some theorists posit that collaboration is the best negotiating approach, others believe that other win-win orientations can also be effective. One must be careful of adopting a collaborative approach until mutual trust can be established between the parties. In addition, collaboration requires the sharing of information between the parties in the conflict. However, complete transparency in negotiations can be ill-advised. Information is power, and if one side in the negotiation has too much power, the situation can quickly become win-lose rather than win-win. Most skilled negotiations tend to share information slowly, particularly at the beginning of the negotiation. This allows trust to be built. In addition, although a win-win approach is typically preferable, if it becomes apparent that such an approach will not work, it may be necessary to switch to a win-lose approach.

As shown in Figure 1, negotiation is a process in which the goal is to move the position of the parties involved to a point where a mutually acceptable agreement can be reached. This area of potential agreement is called the bargaining zone. In negotiation, each party begins by describing its initial offer for each point on the agenda. This may be what each believes to be the best that it can achieve out of the negotiation or it may be a best-of-all-possible-worlds scenario. For example, representatives of the employees may start with asking for a cost of living increase (i.e., a best achievable approach) or a 25 percent increase (i.e., an ideal-world approach) and representatives of management may start with refusing to give any raise (i.e., an ideal-world approach). However, this initial offer is typically recognized by all involved to be only a starting point for discussions and that both sides will make concessions (i.e., move closer to the bargaining zone). The target point for each party is what it believes to be a realistic expectation for the outcome of the negotiation. The resistance point is the point beyond which each party is
will be giving away too much to the other party (i.e., the situation becomes too win-lose).

**Figure 1: Bargaining Zone Model of Negotiations**

Part of this means to engage in active listening – an approach to improved communication in which the receiver of the message attempts to better understand the message being transmitted, formulates a response based on this understanding, and responds in a way that clarifies the message. Information gathering also involves asking the other party for details about its position in order to better understand what they desire. This process can often be helped by using a team of negotiators rather than a single individual. In this way, more information can be gathered and additional insights applied to help achieve an optimal solution for all parties involved.

**Necessary Negotiator Skills**

A good negotiator needs not only to be a good listener, but a good communicator as well. Part of this means working to make sure that the emotional or interpersonal conflict is kept to a minimum and that the situation is viewed as objectively as possible. Good negotiators are also persuasive, excelling in the art of convincing the other party to take a particular course of action or hold a particular point of view by using argument, reasoning, or entreaty. In other words, a good negotiator is not only able to clearly articulate the position of his/her side so that the other party can understand it, s/he is also able to get the other party to accept the goals of his/her side.

Particularly in win-win situations, however, negotiation is not just about getting one’s way, but also about making concessions in order to reach the optimal solution for all parties involved. When both sides are willing to make concessions, they are able to move closer to the bargaining zone where they can potentially reach an agreement. Concessions also signal to the other party that one is negotiating in good faith and is truly trying to reach a mutually agreeable solution to the conflict. However, concessions also show the other party what one considers to be of importance in the negotiating situation. As stated before, it is often unwise to give away too much information at least until mutual trust has been established. Therefore, most negotiators offer just enough concessions to keep the lines of communication open without giving away too much. Otherwise, concessions might be perceived as a sign of weakness by the other party and encourage them to employ power and resistance in the negotiation rather than to work toward a mutually acceptable solution.

**Situational Factors Affecting the Success of Negotiations**

In addition to the skills of the negotiator, the success of negotiations can be affected by various situational factors. One of these is the location of the negotiation. People often try to keep the negotiations in their own environment so that they can keep to their normal routines, not have to cope with travel-related stress, or depend on others for the various resources they might need during the negotiation. For this reason, many negotiations are held in a neutral environment. Although 21st century telecommunications technologies mean that negotiations can potentially be held at a distance so that both parties can be on home ground, most negotiators find that in-person negotiations are preferable. This in true in part because it is more easy to read body language
and other nonverbal communication in a face-to-face situation and it also allows for additional sidebar discussions outside the negotiating room. In addition, the physical layout of the negotiating room can influence the outcome of the process. For example, people who sit on opposite sides of the table in negotiations are more likely to take a win-lose orientation than those who are interspersed around the table or all facing a whiteboard that symbolizes their common problem.

Another factor that can affect the negotiation process is time, including the length of the process and what the associated deadlines are. The longer the process, the more invested the parties will be in resolving the situation. However, this can also mean that the parties are more likely to make unwarranted concessions just to ensure that the negotiation will not fail. Similarly, deadlines may help negotiations stay on track so that a timely agreement is reached. On the other hand, deadlines may also make the parties more willing to make unwarranted concessions, not allow sufficient time for a collaborative approach to succeed, or not give the parties sufficient time to gather the information they need for successful negotiations.

Finally, negotiations do not occur in a vacuum: They are closely watched by various stakeholders and even the general public. When negotiations are closely watched, the negotiators tend to be more competitive and less willing to make concessions. In addition, when they are being watched, negotiators are often more concerned about saving face than they are about reaching an optimal solution.

**Applications**

As discussed above, preparation is one of the keys to successful negotiations. This, however, means not only information gathering, but mental preparation as well. It is frequently observed in the literature that one of the pitfalls in negotiations is overconfidence that one’s perceptions of the situation are truly reality. Research has found that negotiator’s predictions of their behavior at the negotiating table are frequently incorrect. This is partially due to a tendency to take an optimistic view of the future and to hope for the best. In addition, people often do not fully understand the impact of their motivations and emotions on their behavior, including the desire to reach an agreement even at the cost of giving away more than they should. These factors lead to a situation of overconfidence that is not warranted by the actual negotiating situation.

To better predict one’s behavior in a negotiation, it is important to recognize that the assumptions and predictions about what will happen will not necessarily be shown to be true in the actual situation and to develop ways to cope with the unexpected. Negotiations can be very emotionally charged situations. Although one might assume that s/he is going to remain calm under pressure, this will not necessarily happen in actuality. To help one cope with the possibility of reacting in an emotional way during a negotiating situation, it is important – in advance – to determine coping mechanisms that can be employed. For example, when negotiating on what is an emotionally charged issue, it could be helpful to visualize how one would react in such a situation and what tactics could be taken to defuse the situation or keep it from escalating. In addition, one should have a best alternative to a negotiated agreement (BATNA) in mind before negotiations. This is an alternative action that will be taken if a mutually satisfactory negotiated agreement cannot be reached (e.g., if the employees in the earlier example cannot reach a satisfactory agreement, they are willing to strike). Having a BATNA enables the negotiator to have a back-up position to keep from making too many concessions in order to reach an agreement.

To help keep from being overconfident in a negotiation situation, there are several things that one can do. First, it is important to collect as much information about the other party including their strengths, weaknesses, and motivations. Information is power, and the more one knows about one’s opponent, their strengths and weaknesses, their motivations, and the parameters within which they must work, the better one will be able to negotiate. Second, it is important to consider that one’s own assumptions may not be accurate and that the opposite might occur. In such a situation, it is helpful to have previously thought through the ramifications of potentially unexpected actions on the part of one’s opponent and how one will handle them. Third, it can be helpful to work with a colleague or other trusted person who can play devil’s advocate. This person can help the negotiator think through his/her own assumptions and motivations and be better prepared for the actual negotiation.

**Terms & Concepts**

**Body Language:** The communication of thoughts or feelings through physical expression such as posture, gesture, facial expression, or other movements. Body language may reinforce or contradict the verbal message being given by the person.

**Communication:** The transmission and receipt of data and information over a linked set of hardware and software at multiple locations.

**Conflict:** A situation in which one party believes that its interests are negatively affected by another party.

**Conflict Management:** The process of altering the severity and form of conflict in order to maximize its benefits and minimize its negative consequences. Between parties, conflict can be resolved through collaboration, accommodation, competition, compromise, or avoidance. Conflict management can also refer to interventions performed by an objective outside party in the attempt to de-escalate conflict between two or more parties.

**Globalization:** Globalization is the process of businesses or technologies spreading across the world. This creates an interconnected, global marketplace operating outside the constraints of time zone or national boundary. Although globalization means an expanded marketplace, products are typically adapted to fit the specific needs of each locality or culture to which they are marketed.
Negotiation: An interactive process between two or more conflicting parties in which the parties attempt to reach a mutually-acceptable agreement about an issue or issues of mutual interest.

Nonverbal Communication: Communication that does not use words (i.e., is not written or spoken). Nonverbal communication includes gestures, facial expression, tone of voice, body language, posture, dress, and spatial distance from the other person.

Persuasion: The process of convincing someone to take a particular course of action or hold a particular point of view by argument, reasoning, or entreaty.

Stakeholder: In the context of conflict management, a stakeholder is a person or group that can affect or be affected by a decision or action. In conflict, the parties to the conflict are the stakeholders and can win or lose depending on the outcome of the conflict. In a general business context, a stakeholder is someone who affects or can be affected by the decisions and actions of the organization.

Win-Lose Orientation: The belief in a conflict situation that there is a fixed pool of resources that are to be divided among all parties so that the more one side receives, the less the other side receives.

Win-Win Orientation: The belief that it is possible to arrive at a mutually agreeable solution for all parties in a conflict situation.

Bibliography


Suggested Reading


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**Essay by Ruth A. Wienclaw, Ph.D.**

Ruth A. Wienclaw holds a Doctorate in industrial/organizational psychology with a specialization in organization development from the University of Memphis. She is the owner of a small business that works with organizations in both the public and private sectors, consulting on matters of strategic planning, training, and human/systems integration.
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