

The Negotiation Process

Which approach would you take?

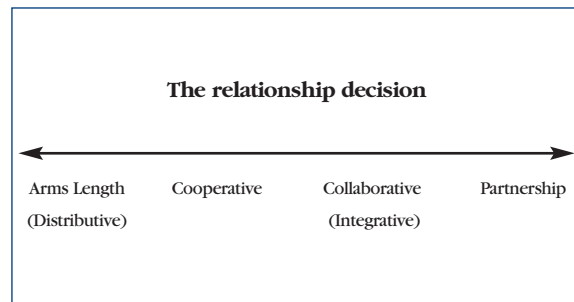
1. Business Negotiation, A Practical workbook, Paul T Steele and Tom Beaser
2. Essentials of negotiation 3rd edition, Roy J. Lewicki, David M. Saunders, Bruce Barry, John W. Minton

The more you can learn about a supplier's or potential supplier's situation, motivation, Best Alternative To Negotiated Agreement (BATNA), walk away costing and so on, the greater chance you stand to obtain a favourable outcome. The less the other party knows about you the less chance they have of obtaining a favourable agreement.

To achieve a preferred outcome there are generally two types of negotiation that are deployed: "Collaborative and Distributive"

- Collaborative, commonly known as integrative negotiations are those typically referred to as win/win negotiations, where all sides are looking for a solution that maximises a joint gain and allow all parties involved to walk away feeling like they have won something.
- Distributive negotiations are typically described as win/lose, zero sum, pure conflict and competitive negotiations; one party gets what they want while the other has to give something up. Generally applied in single issue negotiations.

The adoption of either approach may well drive your relationship with potential suppliers and is illustrated in the diagram below, the relationship decision.¹



Integrative Negotiations

This strategy focuses on developing mutually beneficial agreements based on the interest of the negotiating parties; so as buyers and sellers gather round the negotiation table with their very different objectives how is this achievable?

For integrative negotiations to be successful all parties involved must:

- Focus on commonalities as opposed to differences
- Attempt to address needs and interests rather than positions
- Commit to meeting the needs of all involved parties
- Exchange information and ideas
- Invent options for mutual gain
- Use objective criteria for standards of performance²

A framework needs to exist between negotiating parties that will allow the free flow of information, it may actually require the adoption of a different mindset for this type of negotiation approach to become common practice as such things as individual goals may need to be changed to collective goals for everyone.

Distributive Negotiations

So, why do people adopt a distributive negotiation type approach?

- There are situations that are distributive in nature, one off purchases for example
- They are often easier to conduct and less time consuming
- They allow to introduce key concepts, tactics and strategies
- They can be automated, a mechanised approach can be used

Two party single issue bargaining, hagglng over price is a typical example

Central to this type of negotiation is the belief that there is a limited, controlled amount of key resources to be distributed a 'fixed pie' situation. Both parties may want to be the winner; both parties may want more than half of what is on offer. The objectives are mutually exclusive and may lead to conflict.

The examples in Figure 2 & 3 are evident of this.

Buying a vintage car

Assumption: There is only one issue (price) and it is the same as the parties' objectives

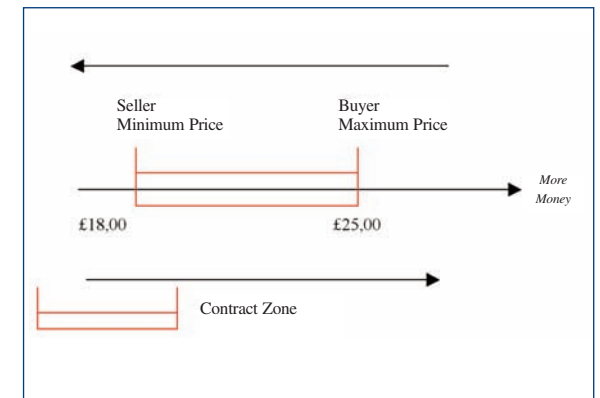
The contract zone

Buyers maximum price £25,000

Seller's minimum price £18,000

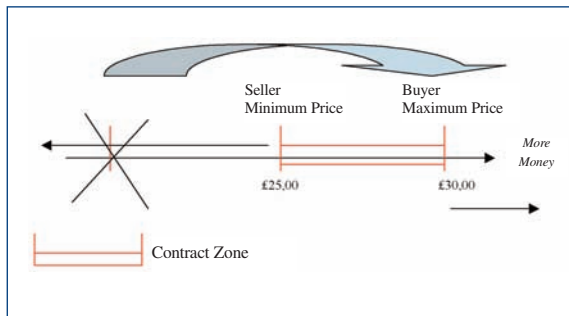
The range of possibilities between the £18,000 and the £25,000 is the contract zone

Figure 2 Single issue negotiations positive contract zone



Because the buyer is willing to pay more than the seller is willing to accept, in this example there is a *positive contract zone*

Figure 3 Single issue negotiations, negative contract zone
In this case the seller's minimum price is £30,000



Due to the change in the seller's minimum price now being £30,000 a negative contract zone has occurred and in this case no agreement can be reached.

Integrative vs. Distributive Negotiations³

Characteristic	Integrative Negotiations	Distributive Negotiations
Outcome	Win/Win	Win/lose
Motivation	Joint Gain	Individual gain
Interests	Congruent	Opposed
Relationship	Long term	Short term
Issues	Multiple Issues	Single issue

An analogy is always useful to try and explain a point, so here is one which you may not be familiar with. However, it does demonstrate the difference between integrative and distributive negotiations very well.

Two sisters were fighting over the last orange in the fruit bowl. They went back and forth, each girl insisting that she should get it and both refusing to give up. They were about to agree on cutting the orange in half when their aunt walked in and realised what was going on. She turned to the girls and asked them each why they wanted the orange. As it turned out, one wanted to eat the orange, and the other wanted the peel for an art project she was working on. Once they realised this they were able to 'split' the orange in such a way that both got exactly what they wanted. The girls were engaged in distributive negotiations (though it probably felt like bickering to them), while their aunt was suggesting an integrative approach.

In summary we have examined many of the differentials between the integrative and distributive approach to negotiations. What hasn't been examined is the strategies to combat these two approaches, however, as you may have guessed, partnership negotiations should always be integrative to enable you to maximise both parties' abilities to advance their collective mission, in the interest of all parties concerned.

3 . <http://www.lapiana.org>