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BUSINESS SCHOOL  
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# Negotiation

**Professor Gavin Kennedy BA, MSc, PhD, FCInstM**

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# Negotiation

The Negotiation Programme is written by Professor Gavin Kennedy BA MSc PhD FCIInstM, Managing Director of Negotiate Ltd and a Professor at Edinburgh Business School, Heriot-Watt University, Edinburgh, Scotland.

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His books on Negotiating include: *Managing Negotiations* (co-author), 1980 (3rd edition, 1987), Business Books Ltd; *Everything is Negotiable*, 1983 (3rd edition, 1997), Arrow Books; *Negotiate Anywhere*, 1985, Arrow Books; *Superdeal: How to Negotiate Anything*, 1986, Hutchinson; *The Economist Pocket Negotiator*, 1988, (2nd edition, 1997), Profile and the Economist Publications; *Kennedy's Simulations for Negotiation Training*, 1993 (2nd edition, 1996), Gower; *Kennedy on Negotiation*, 1997, Gower and *The New Negotiating Edge*, 1998, Nicholas Brealey.

His books have been translated into Dutch, German, Swedish, Spanish, Chinese, Japanese and Portuguese. He is a co-author of the *Negotiating Skills Portfolio*, 1986, Scotwork, and *The Art of Negotiation*, a Longmans Training film, 1983, which is also available in the interactive format. He is also author of the video packages: *Everything is Negotiable*, 1987 and *Do We Have a Deal?*, 1992, both from Gower.

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For Gavin Alexander

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# Preface

Hardly a word was changed in the many reprintings of the 1991 edition, but for a year or more I have been conscious of the need to update various pieces of the material and to expand the text into some important areas of negotiation work that have been produced over recent years.

Hence, I have taken the opportunity of this new edition to make some changes to the original text and to add some new materials to the original Module 8 (Alternative Approaches to Negotiation). This module has now been expanded into three new modules: Rational Bargaining?, Streetwise manipulation?, and Personality and Power in Negotiation?

I have also taken this opportunity to review other parts of the original text where some students have indicated by their attempted answers that some clarification of certain concepts would be useful. Overall, the MBA examinations results have been most encouraging, with a few lapses when students have clearly not understood the question or where they have ignored what they were asked.

For instance, a question that asks the student to identify the main objective of a negotiator in a case study question prompts answers from a minority of students who contrive to identify several objectives, rather than one, presumably in the hope that one of the objectives will qualify as an answer! Or, a case study question is sometimes answered by five pages of text, all this for a maximum of only eight marks, with the same students' essay questions then squeezed for time and barely containing enough material to fill a page, thus putting at risk a chance of gaining a maximum of 20 marks. Clearly, these students exhibit poor examination technique, not to mention failing to grasp the precepts of marginal analysis in the Economics text!

Another common error is for a student to rote learn pages of this text and to hope that, by reproducing them as answers, whatever the question is about, they will gain a pass. This is easily spotted by an examiner and in practice it does not attract marks. The text is not suitable for rote learning, nor is this behaviour a short cut to a pass.

However, the overwhelming majority of students who have taken the MBA examinations have avoided these errors and have written good to excellent answers and have thoroughly deserved the pass marks they have been awarded. Those students who discuss their own negotiating experiences, or their interpretations of negotiating experiences reported in the media, always do better in their examinations. The examiners are looking for evidence of a student's understanding of the concepts from the text combined with evidence of their correct application to the real world. Current and personal examples, if they are relevant, of negotiation activities are a good source for this type of evidence.

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# Acknowledgements

No work of this type could be attempted, let alone completed, by a single person and I am happy to acknowledge the contributions of several people to the development of the Four Phase/Two Styles approach to negotiation outlined in this text. In particular, John Benson, was instrumental in the discovery and development of the original 8-Step approach in the early 1970s and has continued over the years to anchor our approach in the real world of negotiation practice. Among his then colleagues at Scottish & Newcastle Breweries (S & N), Gordon Stevens (now at Bass Inns), the late Ken Stuart and Ian Kilgour contributed in guinea pig roles in testing and revising the 8-Step approach as it applied both to the training of negotiators and to their own practice in commercial and industrial relations. Peter Curran, formerly of S & N, made significant contributions to the presentation of the Preparation phase.

Colin Rose, of Rose & Barton, Victoria, Australia, introduced me to the Red and Blue styles model of negotiating behaviour, which is now integrated into our own workshops with his permission. This simple device has been a great success with managers wrestling with the contradictory competitive and co-operative styles of negotiation and neatly completes the Four Phase approach.

The material used in this text has come from many sources, some through consultancy work with clients and some through the thousands of men and women who have attended the workshops over the years. Contact with, and influence by, the people who conduct negotiations is the key to understanding what negotiation is about and to improving performance, and I am no less convinced now than I was in 1972, from my experiences at Shell-Haven, that this constant and regular contact with real-world negotiators has been of fundamental benefit in developing the concepts presented in this text. Their contribution is gratefully acknowledged and, I hope, repaid with interest in the relevance they have brought to my work.

Lastly, a word of thanks to the Edinburgh Business School at Heriot-Watt University, which over the years has provided stimulus for my work on negotiation. Professor Keith Lumsden generously extended my contact with negotiators through his own extensive work in Scandinavia and the United States. His invitation to write this text for the Heriot-Watt University MBA open learning programme was much appreciated, as are the patient efforts of Charles Ritchie to sort out the wheat from the chaff in the manuscript.

Gavin Kennedy  
Edinburgh

# Introduction

In the case of negotiation education and training in the UK there is a direct link between the approach adopted in this text and some autobiographical data about how the author became interested in the subject.

In 1969, shortly after graduating in economics and while teaching young managers on the part-time Diploma in Management Studies programme in a polytechnic near London, I was invited to visit the Shell-Haven Refinery on the Thames Estuary for a briefing on Shell's innovative attempts to secure a productivity deal with several unions representing the skilled maintenance workforce. These were the years of the then Labour government's (ultimately futile) laws that allowed pay rises only for productivity improvements. Managements across the UK at the time were accumulating experience on how to improve on the minimum standards set by the government's productivity criteria, and unions were similarly learning how to maximise their opportunities for pay increases.

The Shell-Haven negotiations had only just restarted after a lapse of many months because of a procedural dispute between the management and the unions: briefly, the management had insisted on establishing the extent of the productivity gains likely to be achieved before committing Shell to a specific increase in pay, while the unions insisted on knowing what pay increase was likely to be offered before committing themselves to detailed measures to improve productivity. A typical deadlock ensued, until a typical formula was found to meet both sides' reservations about 'buying a pig in a poke'.

The briefing was conducted by the refinery's Maintenance Superintendent and, over the excellent lunch Shell provided, I must have shown my relative ignorance of the way economic decisions were made in the real world as opposed to how they are made in theory, for he invited me to leave my classroom as often as I liked and observe the way real people fought over the price of labour and the quantity of output in real negotiations.

Two years later the productivity negotiations were concluded, with the management achieving some, but by no means all, of the productivity changes they wanted (the unions adamantly refused to abolish craft distinctions and become refinery mechanics) and with the unions achieving the largest pay increase in Shell's history at, for them, the high price of the abolition of paid overtime working. Both sides were happy with the deal, which to my mind is the best definition of a good deal. Over the two years I had sat through hours of meetings, and not just with the management. The union negotiators agreed to talk to me about their views on what was happening and, as mutual trust developed (they realised that I was only an academic and not a management 'spy'), they revealed more of their perceptions of what they felt they deserved and what they thought they were likely to achieve. Likewise, on the management side, I attended meetings, some while they prepared their next moves and some while they discussed what had gone right or wrong in previous sessions with the unions. I was also able to attend the negotiating sessions, where the negotiators were working for real, where their 'best laid schemes' were

severely tested and where the outcome of a session had a direct effect on the men the unions represented and/or on the costs the management were concerned about.

Shortly before the successful conclusion of the Shell-Haven productivity negotiations, in 1972, I had begun teaching economics to undergraduates at Brunel University in West London. Brunel had recently established a management programme, and I volunteered with a colleague, Peter Seglow from the Sociology Department, to present a seminar on 'Workplace Negotiations'. The first seminar was run in May 1972 and was attended by 18 managers from a wide cross-section of business activity. Over five days the participants listened to academics from economics and sociology, interspersed with role-playing sessions negotiating cases that drew upon the relatively limited experience of Seglow and myself of real-world industrial relations.

The participants of those early seminars appeared to consider that what we were offering was of some use to them, if only because they sent many of their colleagues to subsequent seminars. This did not prevent me from being unhappy about how we were teaching negotiation to practical people, whose needs were different from those of academic students. The student establishes his competence by how well he applies his intelligence to his chosen theoretical discipline (including his ability to refute discredited theories and to solve theoretical problems); the manager establishes his competence by how well he applies his intelligence to solving practical problems. Blatantly mixing the two approaches in our seminar left me uneasy that we were not doing enough for our participants.

We had no model of how to run a negotiation workshop because there were no well-established negotiating skills courses running in the UK in 1972 – I know, because we drew a blank when we searched for them (though we did become aware, in 1973, of the work in behavioural studies of Neil Rackham and John Carlisle of the Huthwaite Research Group in Sheffield, and later, in 1974, of seminars run by Dr Gottschalk at the London Business School, which were heavily influenced by a psychological approach to the problems of negotiation). This raised the interesting question: if nobody teaches negotiating skills in the UK and yet everybody negotiates, and had been doing so for millenia without the advantage of training in what they were doing, what justification (apart from enhancing the university's income) was there in running a negotiation workshop?

The situation, as ever, was different in the United States. There, a veritable industry of private consultants (among them Messrs Chester Karrass, Henry Calero, Herb Cohen and Gerard Nierenberg) were successfully marketing various negotiation improvement courses for managers. Negotiation had also begun to attract academic attention following the publication of Richard Walton and Robert McKersie's *A Behavioural Theory of Labour Negotiations* (1965), McGraw-Hill and Thomas Schelling's earlier work, *The Strategy of Conflict* (1960), Harvard University Press. Both books, from different perspectives, have since become classics in the field. But nothing like this level of activity was happening in the UK, though there was a potential demand for it. Some academic work had been done on the issues raised by current negotiations, mainly labour disputes and international conflicts, but these studies seldom strayed beyond tackling policy questions, such as why unions opposed redundancies

or what had happened in a steel strike, and rarely, if ever, asked questions about the mechanics of negotiation, such as why a negotiator would play this tactic as against another, or how negotiators signalled their willingness to move.

My doubts throughout 1972–3 centred on the question: how can we develop from scratch a workshop to educate and train managers to improve their negotiating skills? This led to other questions: should I follow my Shell-Haven experience and devote time and resources to the academic study of real labour negotiations in the UK, as Walton and McKersie had done in the USA, or should I follow Schelling and take up the academic study of conflict? Meanwhile, should we confine the content of our quarterly seminar on negotiation to a purely practical or a purely theoretical approach?

But a purely practical approach to training is limited to anecdote and the memory of similar circumstances. Collections of anecdotes that relate how others dealt with similar or analogous problems could be offered as a training tool but would not be enough if that were all that was offered. A purely anecdotal approach to practical problems is limited in three ways: the manager might forget the appropriate anecdote to guide him in his current circumstances; he might apply an inappropriate anecdote to his problem; he might never have covered the appropriate anecdote in his training and be at a loss as to what to do. What the Shell electricians did to protect the unskilled components of their work might, or might not, help a manager negotiating a price reduction with an established supplier, but even if there were analogies at one level there were bound to be profound differences at another. An inability to take the profound differences into account, as seen by the busy manager, compromises the credibility of the anecdote.

Alternatively, a purely theoretical approach in the seminars would suffer immediately from a fall off in the size of the constituency of potential clients. Practical people usually recoil from too heavy a dose of abstract reasoning. ‘Assume that your opponent is rational...’, says the theorist, and risks being interrupted by the manager with: ‘How does that help me with the militant leader of an unofficial strike over alleged insults to his religion?’. Plainly it cannot help him without a great deal of additional work, inclusive of patience on both sides, for which time is often not available to busy managers.

Theoretical analysis, however, can clarify a complex situation and provide effective guidance for practical action. There is, of course, no case for believing that theory is of no use to practical people: the theory of geometry helped people improve on round mud huts by enabling them to design and build structures from different regular and stable shapes. But to make any theory useful we must be selective. Theorists too can learn from practical examples by analysing data on the patterns and unique relationships of real world negotiations and using them to improve their crude models of reality. In negotiating skills education and training, those theoretical models that have practical relevance can help negotiators to clarify, and improve their understanding of, the patterns and relationships of their practical experience. An education and training programme, therefore, built round a selective blend of theory and practice has an important role in helping negotiators to improve their performance.



From this background, while presenting a series of negotiation skills training workshops to managers at Scottish & Newcastle Breweries in Edinburgh in 1973–4, I took advantage of the opportunity to work with a number of professional negotiators to develop, literally from scratch, an entirely original approach to negotiation training. Initially, I kept the workshops to the same format we had developed at Brunel, but gradually I introduced a significant difference. In addition to talks on aspects of negotiation, supported by anecdotal material from business and industrial relations and video evaluations of participants negotiating cases from the real world, I introduced a model of negotiating based on the concept that all negotiations had a common process. The model divided the negotiating process into the distinct steps of **Preparation, Argument, Signalling, Proposing, Packaging, Bargaining, Closing** and **Agreeing**. Originally I called it the ‘8-Step approach’, but, through the accident (!) of having to compress the eight steps for a 30-minute training video, it became, and has remained, the ‘Four Phases of Negotiation’ (**Prepare, Debate, Propose, Bargain**). In addition, I set out, by experiment, observation, practice and the contributions of the managers who attended the workshop, to discover the appropriate behaviours negotiators could use to improve their effectiveness, and these materials were introduced throughout the series. By 1976, the 8-Step approach model dominated the entire contents of the workshops for the brewery managers and proved to be a successful device for integrating theoretical ideas about interactive behaviour (from social psychology, sociology, anthropology and economics) with information (and some advice) on how negotiators behave in practice. In 1980, the 8-Step model entered the public domain in a book I co-authored, *Managing Negotiations* (Hutchinson Business Books, 3rd edition, 1988), followed in 1983 with an exposition of the Four Phases version in the video, *The Art of Negotiation* (Longman Training), an interactive version of which appeared in 1988.

With the 8-Step/Four Phase approach and selections from relevant academic work on negotiation, the blend between theory and practice was achieved, and in the intervening years this approach, in various guises (and a few disguises!) has become the dominant teaching method on negotiation skills courses in the UK. Teaching courses on negotiation are now included in the MBA degrees in many of the major business schools in the USA and Europe. Myriads of short courses for managers now include negotiating skills in their offerings, and books and tapes by the shelf-full have been published since 1980. Where once the notion of a course on negotiation was not taken seriously by senior academics (the reason that I left the polytechnic in 1971), it is now almost a sign of academic integrity to have a negotiating course included in the syllabus. In the USA, negotiation programmes (and their presenters) have achieved considerable eminence. For example, the Harvard University Negotiation Project is a pace-setting management programme, diffusing its graduates and its teaching methods to colleges across the USA (alas there is no equivalent programme yet in Europe). In short, the activity of negotiation is no longer a neglected phenomenon, which everybody experiences but few ask questions about. It is a subject worthy of study in its own right, with worthwhile benefits to theorists and practitioners alike.

In preparing my contribution to the Edinburgh Business School MBA programme, my mind’s eye sees you, the reader, as someone who has achieved

competence in some specialism, and who, with ambitions to increase your managerial responsibilities, now wants, or needs, to acquire education in general management and administration. In order to do so, you need assistance in selecting from the numerous concepts and techniques of analysis. This modular text on Negotiation will help you in much the same way that I was helped by the practical men and women on both sides of the negotiating table at Shell-Haven in 1970–2 and in Edinburgh in 1973–4. They showed me what was relevant in what I knew as an academic and what I needed to know to become competent as a practical negotiator.

The style of the text is very much as a conversation between myself as the author and yourself as the reader. It is like the language of a consultant discussing a series of issues and problems with his client, though of necessity, in our unique circumstances, I shall be forced to interpolate what I think you would be asking me if we were in live contact, and if my statements do not answer your questions or my questions do not have interesting answers for you, I can only hope that this occurs on a minority of occasions.

Each Module is structured in the traditional Greek manner into three parts: the **Prologue**, introduces the theme of the module and sets the scene for the argument that follows, usually in the form of a short scenario of a negotiating problem, and often with an exercise for you to complete; the **Dialogue**, presents the argument and the imagined discourse through which we work our way together, by way of concept and example drawn from the variety of possible negotiating positions and dealing with the potential difficulties associated with each individual position as they arise; the **Epilogue** draws together the threads of the argument and summarises the whole.

Self-assessment questions are included to test your understanding of the concepts in the module, and my answers allow you to assess your own responses. All of the exercises and self-assessment questions are supported by my suggestions as to what constitutes appropriate answers. You need not agree with my suggestions and you are perfectly entitled to prefer your own. What you are expected to do, however, is to refrain from cheating, either by dodging the exercises and my suggestions altogether or by reading my answers before you attempt your own. Neither cheating strategy will help you improve your own negotiating performance. You will learn more by working your way systematically through the problems and by comparing your answers with mine, and, whatever conclusion you come to, by understanding why we agree or differ. The exercises are part of the learning process and not just a way of filling up space!

## What is Negotiation?

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### Prologue

#### 1.1 Introduction

George, Vice-President (Sales) at Phoenix Enterprises, looked forward to finishing at 5 p.m. and catching the 7 p.m. plane to Bordeaux where he was to join Lucy, his wife, and their three children on their annual holiday. Three days earlier, on Friday, Lucy had gone on ahead with the children to the villa they had rented for three weeks, while George stayed behind to complete a special assignment given to him on Thursday afternoon by Dan O'Reilly, his boss and Chief Executive Officer. Dan had told George to check over their contract with Pascoe Projects, a client company, regarding their proposed joint venture to build a business park on the edge of town. The contract documents were in a total mess, and Dan wanted to have them sorted out and analysed for Tuesday, when he was due to meet Pascoe's Managing Director and see if he could negotiate amendments to their contract. There was no way that George could check over a contract of this complexity before he went on holiday. There were just too many files and background papers, plus several sets of changed drawings and altered specifications. George apologised to the children for the unscheduled interruption to their holiday and promised a skeptical, and somewhat angry, Lucy that he would work all over the weekend to sort out the problem and would join her on Monday evening at the latest.

George was by no means happy that Dan had done this to him and considered it an unsatisfactory situation that work should intrude on his holiday. It was not as if the problem had arisen from one of his own accounts. It properly should have been handled by Fred, Vice-President (Contracts), who was off sick, and who, to cap it all, had been promoted a year ago to Con-

tracts Manager on the strength of winning the Pascoe account. Because Pascoe Projects was an important account, George knew that Dan's negotiations could not be postponed until Fred returned from sick leave and he accepted that somebody had to step in and clear up the mess. His pride in being chosen (once again) to trouble-shoot somebody else's difficult problem was tempered with his dismay that it would add to his domestic stress (there had been other occasions when he had been compelled to let his family down for work-related reasons). He knew he had no convincing answer to Lucy's charges that he 'paid more attention to Dan than to his family', and he fully expected that his holiday might be ruined by recriminations arising from Dan's thoughtlessness.

Now imagine yourself in George's position on Thursday afternoon when the boss calls on you to work over the first weekend of your annual leave. How do you feel about that? As annoyed as George? Well, we don't know what George said or did when he heard Dan's instructions; we only know that he worked through the weekend. If you had been faced with a similar instruction from your boss, how might you have reacted? What could you do to make yourself happier in this type of situation both at work and domestically?

### Exercise 1A

Write down your answers on a separate sheet of paper, numbering them 1 to 10.

**My suggestions follow, in no particular order of priority. George could:**

1. Tell Dan that his holiday was contractually sacrosanct and refuse the assignment.  
*Question:* What would this have done to his career prospects?
2. Suggest to Dan that somebody else should undertake the assignment and use good arguments to support his suggestion (perhaps appealing to Dan's sense of fair play?).  
*Question:* What happens if he fails to persuade Dan to change his mind?
3. Suggest that Dan assign somebody else along with George, with whom George would work until Friday evening, and thereafter the other person would complete the task over the weekend by himself. (Perhaps he could offer to work through Thursday night?)  
*Question:* What happens if there is nobody else qualified to undertake the work after George leaves?
4. Tell Dan that he did not want to break his holiday in this way but that he was prepared to toss a coin with him to decide whether he should continue with his holiday plans or start work on the problem.  
*Question:* What happens if Dan has an aversion to a gamble and anyway sees no reason why he should put himself at a 50 per cent risk of doing without George's services?
5. Offer to do the work provided that Dan paid his airfare to Bordeaux on Monday and extended his holiday by a week in compensation.  
*Question:* What happens if there is no pressure on Dan to negotiate with George?

6. Ask to see the company President to adjudicate on whether Dan's assignment was a reasonable request just before his holiday.  
*Question:* What influence can George bring to bear on the company President before he makes his decision?
7. Threaten to resign and sue the company for constructive dismissal.  
*Question:* How credible is the threat and would Dan give in to it? How expensive is litigation and would he win?
8. Tell Dan he will consider it and let him know when he returns from holiday.  
*Question:* What happens when a decision cannot be postponed?
9. Instruct one of his own subordinates to undertake the assignment.  
*Question:* What happens if the junior refuses the instruction?
10. Undertake the assignment.  
*Question:* What does giving in cost him in a ruined holiday?

This module is about some of the options people can consider when their interests are in conflict with another's and how we might approach discussing these options.

## Dialogue

### 1.2 Alternative Methods of Making Decisions

People make decisions all the time and they use a variety of methods, mostly without thinking about the differences between the methods, to reach and implement their decisions. We can illustrate the variety of methods available to people by considering the suggestions you came up with for George in the Prologue. Almost certainly you included some, if not all, of the ten in my list (and perhaps a few others?). Each of my ten suggestions is based on a different method of reaching a decision, and we can name each type of decision method as follows:

#### 1.2.1 Say 'No'

That is what Americans call making a 'career decision.' To reject outright a proposal usually means having to live with the consequences, unless the proposer backs off. If a man puts a gun to your head and says: 'Sign the contract or I will blow your brains out' you would surely have to have a serious objection to the terms of the contract if you persisted in refusing and he was serious about his threat. Saying 'no' and meaning it is appropriate when you cannot endure the offer but you can endure the consequences.

#### 1.2.2 Persuasion

All selling skills are based on persuasion. If you have ever attended a sales training course you will recognise the role of persuasion in the advice to sellers to 'sell the sizzle, not the steak'. This approach can persuade someone to say 'yes' because their imagination is more likely to be fired by the image of a sizzle than the unadorned image of a steak. The advice to sell benefits, not features, is another example of the talented use of persuasion skills. Persuasion is usually the first method we choose

when we want something. When persuasion works it is a fine method, but when it does not work it often leads to tension and conflict: ‘I tried to be reasonable and explained why Dan should choose somebody else, but he was not interested in my views, only in his own, which shows I was right to call him a rotten swine of a boss and he proved this by sacking me.’

### 1.2.3 Problem-Solve

This is not as universally applicable a method as its proponents claim (in fact, no single decision method is a panacea for all conflict situations). Problem-solving methods require a high degree of trust between the decision-makers, who also have to agree that they share the problem. If either of these conditions is absent, problem-solving breaks down when individuals ‘hold back’ just in case their candour is ambushed by your denial that you share their problem.

### 1.2.4 Chance

This is not as silly as it sounds. Some large decisions are made by the toss of a coin. For example, in a choice between two otherwise identical projects for which there are funds for only one, tossing a coin might save a lot of acrimonious argument or indecisive dithering. If you are indifferent between two events (going to the football match or watching television) you have a 50 per cent chance of enjoying either event if you decide between them by tossing a coin. Kerry Packer, the Australian businessman, chose between his lower price and David Frost’s higher price for the Australian television rights to Frost’s interview with ex-President Nixon by tossing a coin. The interesting feature of Packer’s decision is that he allowed Frost to call ‘heads or tails’ over the telephone line separating Frost in California from Packer in New South Wales, and he announced that Frost had won the toss! Whether Packer actually tossed a coin or not is an interesting speculation; if he did toss the coin and Frost’s call won, this makes Packer a very honest man; if he tossed and Frost’s call lost, or if he did not toss a coin at all, this makes Packer a very generous man.

### 1.2.5 Negotiate

This is a widely used option where conditions for it exist. These conditions normally include the mutual dependence of each decision-maker on the other. If the boss needs your consent for you to do something he wants and to which you cannot unilaterally say ‘no,’ nor can he make you do it, it may be possible to negotiate something that meets both your own and your boss’s concerns. This usually involves you getting something, tangible or intangible, in return for your consent. But if you have nothing to trade – he does not need anything you have, including your consent, nor does he have anything in his gift that would persuade you to consent – then negotiation is unlikely to be appropriate.

### 1.2.6 Arbitrate

When decision-makers cannot find a basis for agreeing, and provided they can at least agree on who is to be the arbitrator and that his decisions will be accepted, they

can choose arbitration. The building and construction industry uses formal arbitration procedures to settle the many disputes that arise over increases in costs and variations in specifications after the contract price has been agreed. It is also used in commercial disputes between countries (for example, through the International Chambers of Commerce system, known as INCO terms) and has a role in several industrial relations systems (for example, in the Federal Arbitration Award system used in Australia). Though widely used, arbitration is also abused, particularly when the parties reject the arbiter's award, or when one of them demands arbitration merely as a device to improve the other party's last offer by letting the arbiter split the difference. This abuse has been overcome by the Pendulum Arbitration system which requires the arbiter to choose one or other of the party's claims, rather than award some compromise between them. The problem for George is how to appeal over Dan's head without compromising his own relationship with the company. Dan's boss might take a dim view of managers who do not work 'above and beyond' the call of duty and he might take just as dim a view of Dan for failing to manage his own people; the former inhibits George from going over his boss's head and the latter inhibits Dan from letting him. George also has the risk that the arbiter's decision would be the same as Dan's.

### 1.2.7 Coercion

Threats lie on a continuum from a gentle reminder that you have an option through to a declared intention to use violent intimidation to get your own way. Various degrees of coercion are common in many conflict situations, for example: a union reminding the employer that its members voted unanimously for tougher action in support of their demand (adding: 'Only our authority is holding them back, so give us something to put to them to defuse the crisis'); or a banker warning that any repetition of issuing cheques without proper overdraft facilities will result in their bouncing; or a government warning a neighbouring country that unless it acts to stop terrorists getting onto flights it will ban all flights from that country. Of course, using coercion to achieve desirable decisions risks retaliation ('We will not be pushed around or blackmailed').

### 1.2.8 Postpone

This is a relatively common practice. Countless organisations attempt to resolve internal disputes and isolate the traumas of disagreement by forming 'working parties' or 'subcommittees', which effectively postpone the decision long enough to secure agreement, or long enough for the parties to forget how passionately they felt about it when it was first raised. But where time is of the essence – the shipment has to leave by 4 p.m. to catch the last flight to Oman – postponement may not be an option. Indeed, in some situations, an attempt to postpone a decision could be interpreted as a form of coercion, or simply as an underhand refusal to agree.

### 1.2.9 Instruct

This is the appropriate choice when the person instructed is obliged and certain to carry out the instruction. Managers do not normally expect subordinates to question

their instructions when their instructions are within the terms of their relationship. Telling the chauffeur to drive to a downtown restaurant at lunchtime ought not to provoke a conflict if that is what the chauffeur is paid to do and lunchtime is within his working hours. (It might provoke conflict if we are instructing him to drive into downtown Kabul!) The efficacy of instruction rests entirely on the probability of the instruction being obeyed. If it is unlikely to be obeyed – we need their consent – we must switch to another method. For example, instructing children to go to bed is not always successful and parents often resort to other methods – persuasion, negotiation or coercion – to overcome a challenge to their authority.

### 1.2.10 Give In

This is what we do when we accept an instruction. Giving in is not as weak an option as it sometimes seems (or as it is presented by people who perceive themselves to be ‘tough guys’). I regularly give in when the odds are overwhelming (the man with the gun means business) or the costs of doing otherwise are excessive (to argue will take up more time than I have to spare on resisting doing what I am told). Every time you buy an item at the seller’s asking price, you are giving in, and it makes sense to do so if you cannot abide the alternative of doing without the item. Supermarkets do not normally negotiate on the prices of their groceries, and if they were to do so it would extend by hours the arduous chore of weekly shopping, with people waiting in checkout queues while those ahead of them completed their haggling over the prices of their trolley loads of shopping. Faced with this consequence most people who shop regularly would give in, and find a competing store that arranged its pricing system to minimise the time they had to spend waiting to go home.



**Exercise 1B**

Now go back to your own list of the options you decided were open to George. How would you classify each of your suggestions according to those in Table 1.1?

**Table 1.1 Ten alternative decision methods**

Number	Method	Corresponding number in your list
1	Say 'No'	
2	Persuasion	
3	Problem solve	
4	Chance	
5	Negotiate	
6	Arbitrate	
7	Coercion	
8	Postpone	
9	Instruct	
10	Give in	
Others not listed above		

For each entry you made, decide what type of decision it is and note its number alongside the corresponding entry in the table.

Your list almost certainly will have been written in a different order to mine (which does not matter because the order is irrelevant) and you may also have duplicated one or two of your suggestions by giving different examples of the same decision method. This too does not matter too much as long as you can identify the method. The importance of this exercise is for you to recognise that there are at least ten methods of making decisions potentially available to you in conflict situations.

Each of them emphasises a different approach, each has strengths and weaknesses, and each has different consequences. In your daily interactions you switch between these alternatives to suit the circumstances as you see them. As an adult you have considerable experience of choosing between these methods and of recognising which method is being used by somebody else on you. Not that you and the people you deal with always get it right! For example, you might attempt to instruct somebody and in consequence have your ears assaulted with the noise of their outrage at your insult, or you could arrive at the meeting willing to listen to reason but react angrily at their unnecessary attempts to coerce you into submission.

Observation shows that people are adept at choosing different approaches to conflict but it also shows that their choices are not always appropriate to the circumstances. They are not confined to using one form of decision-making in particular circumstances when switching to another might move things forward. A

sales sequence could begin with persuasion (selling benefits, not features, and answering the buyer's objections). The sales pitch could confine itself to persuasion if persuasion were sufficient to win the order. It could as easily move into negotiation when buyer and seller discuss the terms under which the buyer's decision, in principle, to buy is matched to the seller's willingness to sell. It could also slip into a gentle form of coercion, as when a seller warns a buyer, even though he does not need steel for the moment, that unless he places an order immediately for the special steel he requires he will miss the current production run at the rolling mill and he will have to wait another three months before his order can be placed (and for good measure, he will face a price increase as well). Those skilled in persuasion are not immune to slipping into some degrees of coercion. For example, many an attempt by credit control to collect money from debtors begins with gentle persuasion and ends in ungentle litigation.

Hence some situations involve switching in and out of several alternative methods sequentially in a short space of time. This is important to negotiators because it helps if they can recognise which method is being used at a particular moment. For just as each method is appropriate in some circumstances and not in others, so some methods are not appropriate when they operate against each other. For example, if you rely stubbornly on persuasion to win over a meeting to your point of view, and your opponent switches into credible threats to intimidate the meeting into compliance with his wishes, you might find the meeting slipping away from its inclination to support you. Alternatively, you could decide to give in to a specific request from the other negotiator, only to find that this act of goodwill did not lead to a solution. Instead of reciprocating your offer to give in with some movement on his part, he might take your giving in as a sign of your weakness and promptly demand more! From similar mismatches of decision methods more than one negotiation has collapsed.

### 1.3 What is Negotiation?

Negotiation is only one of the ten forms of decision-making listed in Table 1.1. As with all the alternatives it is neither superior nor inferior to any other of the others. Negotiation, like its alternatives, is appropriate in some circumstances but not in others. What are those circumstances?

First, a few paraphrases of the thoughts of Adam Smith, author of *The Wealth of Nations* (1776). Smith remarked that nobody had ever seen two dogs negotiate over a bone. Dogs, and other animals, fight for the resources of food, mates and territory, and having gained them, usually have to fight to hold on to what they get. If you have ever seen seagulls swooping over each other to get at some bread tossed onto the water by a small child, you will have noted how they chase the lucky one to get the bread first, apparently in the hope that, by forcing him to twist and turn to avoid collision, he will drop the morsel and give them a chance to snatch it away. Be clear I am not moralising about this. Nature is neutral and trifling with it is dangerous. Smith noted that mankind had developed alternative methods for allocating resources to those used by animals. At least this was true, he believed, of the civilised nations – Smith reserved a long contempt for 'barbarians' who decided on

the allocation of resources by methods akin to wild animals (the ‘Genghis Khan school of wealth creation?’).

It was the human capacity to ‘truck, barter and trade’ that made civilization possible, and when people voluntarily exchange things they have for things they want, they create wealth. That is how most of us in urban industrialized economies get what we want – we sell our labour services to employers, who use our services to produce the output which, in aggregate, accounts for most of the things we all want. We use our earnings from employment to buy what we want from those who own what has been produced.

Decisions are often made by some form of negotiation between the various parties to these exchanges. When we sell our labour services we must agree the terms under which we do so, both the terms of the wage we can expect to get and what the manager expects us to do for his money. Neither the employee nor the employer can achieve anything much without the other. True, you can decide not to work for a particular employer if his offer is too low, and he could decide not to employ you if your demand is too high, but in the aggregate across all employers and all employees, output can only be produced if enough employers and employees agree on the specific terms for working together. Of necessity, because each party depends on the consent of the other – neither can dictate the wage rate the other prefers – the terms of employment are set by negotiation and are changed by negotiation.

Producers earn their income by selling their output to customers, and if they continue to produce output for which there are no customers at the prices they set unilaterally, ultimately they will be ruined. It is similarly ruinous for customers who cannot obtain output at the prices they are willing or able to pay: ultimately they will starve to death. Both producers and their customers, therefore, depend upon each other: for producers there is no income without customers, and for customers there is no consumption without producers. The terms under which customers acquire from producers the things they want – food, clothing, music centres and jacuzzis – are decided either by ‘take-it-or-leave-it’ prices set according to the producer’s marketing judgement, or directly by some form of negotiation with the customer. Customers negotiate passively when they ‘shop around’ and actively when they ask for a better deal than the one on offer.

Most producers sell their output to other producers and prices are set for them mainly by negotiation. For example, electricity is sold to manufacturers to run their machines and large consumers are invited to negotiate bulk discounts on the standard tariff; car manufacturers who expect to negotiate price and performance standards for CAD-CAM computers they buy from companies that buy company cars, also expect to negotiate fleet purchase deals for their cars; meanwhile packaging machinery manufacturers negotiate the purchase of packaging for their spare parts service with companies that buy packaging machinery. And so it goes on between producers throughout the economy.

For every transaction there is a buyer and a seller. Some buy whatever the price, others only buy at specific prices. Most buyers and sellers buy some things without

questioning the terms, some things they buy grudgingly, and for some things they haggle and make the seller work for every penny of his price.

For a few people, willfully determined not to be dependent on anybody else and, therefore, as determined not to trade anything with anybody, their future, whatever else it might bring (such as spiritual peace?), includes a high probability of an extremely low standard of living. Provided they adjust their expectations, and therefore their wants, downwards, they could enjoy a state of affluence, albeit at near zero wants. For others, more the victims than the perpetrators of their circumstances, who have absolutely nothing at all to trade, their lives are blighted to degrees beyond the consciousness of most of us. You will never be so poor, materially or in spirit, than you will be if you have nothing, absolutely nothing, to trade for your wants. If, however, you do have something to trade but not on a specific occasion to a specific person, or on their offered terms, you can keep your property (including your labour services) to yourself and leave him to go about his business while you trade with somebody else.

In the main people do not plunder their neighbours for their wants, because the state ensures, through the rule of law, the peaceful enjoyment of your own property. (In Smith's day they had the draconian punishments of hanging or transportation for what today are regarded as relatively trivial transgressions of the public peace.) The state, as its 'first duty', protects you from the depredations of your neighbours, whether they live next door or across the border.

Negotiation has developed as the process through which the activity of trading and exchanging tangible or intangible things between people is conducted. Its underlying principle is expressed in the statement: 'Give me some of what I want and I will give you some of what you want'. It differs from instruction and coercion, precisely in the way that it employs the principle of voluntary exchange between two parties who cannot, for whatever reason, either take what they want, or get what they want, unless they accommodate in some way to the wishes and desires of each other.

The basis for negotiation in an economy is replicated in the affairs of governments and international agencies. No society has restrained its state to an absolutely minimal role. All states do a great deal more than merely ensure that the people can enjoy their property and freely enter into agreements to acquire their wants. A substantial proportion of the economy is directly managed by or for the government (in the UK the proportion is over 40 per cent of Gross Domestic Product, with a lower proportion in some other capitalist economies and a much larger proportion in some previously socialist economies). The government and its agencies negotiate to buy and sell labour services (the civil service, the armed forces, the judiciary, etc.) and output (the public infrastructure, medicines, school pencils, etc.) on much the same basis as private producers do in the market economy.

Governments also make political decisions through processes that include negotiation: two cabinet ministers might negotiate over a problem of overlapping jurisdiction between their departments; the parliamentary whips might negotiate with a maverick backbench MP before a crucial vote of confidence; two leaders might negotiate a basis for collaboration between their parties; and so on. On the

international front, governments negotiate on all manner of issues. In fact there is evidence that international negotiations between governments are on the increase. Over 50 000 international agreements between governments have been negotiated in the 20th century – so far. These are increasing at the rate of over 1000 a year (up from 550 a year in the later 1940s). Nobody knows exactly how many international agreements there are. Some agreements between governments remain secret and are only revealed when there is a change in regime (the secret protocols agreed between the Soviet Union and Germany in 1939, for example); others are either of a minor nature and attract no attention, or they are informal, as between two governments who agree to support each other in an international forum on a single issue (as France and Germany have done regularly in the European Union).

The pre-Second World War League of Nations published 205 volumes of Treaties before its demise, and the United Nations series ran to 1000 volumes by 1987. With about 250 international organisations operating around the world, and the pressure to extend their powers, because of environmental concerns for example, and pressure to set up new ones (such as within the European Union to centralise banking), we can expect the number of negotiated agreements to keep rising throughout the next century.

Negotiations do not always end in an agreement. Those making a decision by negotiation usually have the option of choosing some other solution, of saying ‘no’, of walking away, of minding their own business. If their consent is required for an agreement to be reached and if they cannot agree, then no agreement is made. They cannot be forced to agree, for if one of them can force the other to agree, it would not be a negotiation (and anyway, why would a person negotiate with somebody else who has no choice but to obey his instructions or to furnish him with what he wants?).

Any two dogs fighting over a bone are in conflict over a scarce resource. They have no means of finding a basis for co-operation. Humans can co-operate when they are in conflict by negotiating an agreement. They can also go to war (the two dogs’ solution) if they cannot find a way to co-operate, or if their attempts at co-operation result in deadlock. Negotiating, then, is about finding out if there are terms for co-operation that are acceptable to both parties.

## 1.4 Advising Negotiators

**Dan O’Reilly, the Chief Executive Officer of Phoenix Enterprises, called the meeting to order and asked George, his Vice-President (Sales), to discuss negotiations with Pascoe projects by filling everybody in on where the contract stood at the moment. George moved to the overhead projector and flashed up slides detailing some of the terms of the original contract negotiated by Fred, Vice-President (Contracts), who, fortunately for him, was still off on sick leave.**

**‘I will begin with my conclusions and support them by describing what appeared to have happened at a series of meetings between ourselves and Pascoe held some six months ago,’ began George. ‘I see two problems with**

this contract,' he continued. 'First, it locks us into a deal which is conditional on Pascoe achieving planning permission but does not set a termination date for them to get the necessary planning consents through, and second, we do not get paid for our land or our share of the development profits, unless and until Pascoe builds the business park and secures tenants for it,' he concluded.

The news did not get any better throughout his presentation as he minutely dissected the Pascoe contracts and cross-referenced them to the correspondence and copies of minutes of meetings he drew from a box beside him. George did not comment on what he found, he laid no blame and made no suggestions. He stuck to the facts as he had found them.

'OK, George,' Dan intervened, 'that's the situation as it stands and it is worse than I thought it was. What I want to know is what can I do about it when I meet Pascoe's people tomorrow. We have 12 million riding on this deal and whatever, or whoever, screwed up this contract, I need advice from all of you as to what I should do before I meet the President of Phoenix in an hour's time. He is none too pleased, I can tell you. So let's go to it. Rodney, what do you think?'

Rodney, Vice-President (Administration), was sitting at the end of the boardroom table and generally regarded himself as Dan's number two (a pretence that annoyed George). As usual, he jumped in with what he thought Dan wanted to hear: 'Well, I think we should brazen it out with Pascoe and tell them that unless they quit stalling on acquiring planning permission, we'll call the deal off. What have we to lose if they call our bluff?'

'Everything,' said George. 'It took me four days to check over the contracts and the minutes of Fred's negotiations, plus his correspondence, to discover what was wrong. If Pascoe has not yet discovered that they have us over a barrel, taking Rodney's line will sure as hell make them smell a rat and put somebody onto doing what I did. No. It's best not to arouse their suspicions. They are more likely to come to a sensible change in the contract that way.'

The meeting rumbled on with everybody having their say. Some of Fred's team from contracts disputed George's descriptions of what Fred had actually agreed to and reported on their conversations with Pascoe's people in support of their claims. These quibbles did not move George and he stuck by what was actually written down, knowing that alleged nuances of meaning not backed by documentary proof would not impress the courts if they were sued for breach of contract. Rodney continued to press for a tough line at the negotiations and claimed that he knew Pascoe would crumble if they were pushed hard enough, as they had done when they ran over budget on the Riverview project.

George finally proposed a more subtle ploy. He suggested that what was needed was a written confirmation, no matter how tentative, from Pascoe that the contract implied a termination date for planning permission. Dan could use this to pull out of the contract if Pascoe failed to deliver the

necessary permissions by the implied date. Dan wanted to know exactly how he could get them to confirm a date to which they had never agreed.

‘It won’t be easy,’ answered George. ‘For a start it must be done almost as an afterthought. Ask them, at some point, how the planning permission is coming on and, if they are vague and do not offer a date, ask them when they think it will be passed. They are bound to say something that can be construed as a date, even if they talk of something vague like “three to six months”. Note whatever they say and later ask them to send to you the usual note of the meeting’s discussions. Also, begin to refer in all our correspondence to the date they give as the start date of the project. This gives you what you want.’

‘I like that,’ said Dan. ‘Very good. I’ll put it to the President right away,’ and saying so he got up and moved towards the door, adding, ‘George, come to my office in half an hour and I’ll fill you in on what I’ve agreed with the President, and by the way, stand by to come with me tomorrow to Pascoe’s.’ Before George could answer, Dan had left the room, leaving George thinking about what he was going to say to Dan about staying on another day and about the taxi waiting downstairs to take him to the airport and his holiday.

### Exercise 1C

From what you have read in this module you should be able to make several suggestions as to what George could say to Dan when they meet in half an hour. List them quickly on a separate sheet of paper before reading on.

What would be useful now is for you to re-examine the above scenario and see if you can identify the different approaches to the Pascoe problem taken by Dan, Rodney, Fred’s team and George.

The most basic of the approaches was used initially by George at the invitation of Dan to report on where Phoenix stood in respect of the contract. George was invited to **describe** the negotiations that had taken place using examples from the contract and other supporting documentation. Description is about what actually happened in a specific negotiation. To give an account of what each negotiator said to the other during the negotiations between the Chinese and British governments on the return of Hong Kong to China in 1997 would be pure description. This is exactly what George was asked to do in respect of the Pascoe negotiations.

In principle, description is neutral and does not go beyond stating what happened, but in practice it is often controversial. Fred’s colleagues, for example, disagreed with George’s account of what happened, presumably, and almost inevitably, taking it as a criticism of themselves.

Description does not preclude analysis. We could, for example, count the number of occasions in which one negotiator interrupted the other (just as we might count the number of penalties awarded by the referee in a hockey match). Analysis can be highly sophisticated and yet remain descriptive.

A descriptive approach to negotiation is a rich source of evidence about what real negotiators actually do and how they actually interact. Minutes and transcripts of

negotiations and the personal accounts and memoirs of negotiators (suitably sanitised to eliminate personal bias) provide much of the evidence used by the other approaches. Before we can prescribe, or predict, a minimum amount of description is normally required.

When we move from description to prescription we move from describing what actually happens to what, in our view, *ought* to happen. When Dan stated his needs: 'I need advice from all of you as to what I *should* do before I meet the President of Phoenix in an hour's time', his use of words tells us he was asking for prescriptive advice from the meeting. Of course, the views he will get as to what ought to happen are usually subjective and they often depend entirely on the interests of the advisor. Note how Rodney's views were coloured by his perceptions of his relationship with Dan and what he believed Dan wanted to hear.

Prescription can be based on objective analysis or opinion. Perhaps what the advisor recommends is feasible. If, from many observations of negotiators at work, we note that those negotiators who do not allow others to state their views without constant and irritating interruption usually have great difficulty in reaching agreement, we could prescribe the advice that if you want to reach agreement it is better not to interrupt in this manner. Our prescription is about what you ought to do – avoid interruption – if you want to achieve an agreement. In my view it is generally feasible for negotiators to adopt such prescriptive advice about interrupting. It does not follow, however, that all individuals accept and implement this prescription. Your experience of the other party could lead you to reject the prescription. Perhaps by interrupting these particular negotiators you will produce positive results, or, perhaps being a congenital interrupter of every negotiator you deal with, you are immune to contrary advice!

A question as to why an advisor feels that something ought to happen will indicate whether his belief is based on his personal prejudices or whether it is founded on any credible evidence or experience. Is his prescription based on hidden assumptions about human behaviour in general ('People are basically motivated by fear'), or similar assumptions about an individual negotiator in particular ('Tomski only submits to brute strength')?

Prescription is closely related to prediction. For example, when Rodney continued to press for a tough line (prescription), he claimed that he knew Pascoe would crumble if they were pushed hard enough (prediction). Rodney claimed he had evidence for his prediction (the Riverview project), but not all prediction is based on hard evidence (and not all 'hard' evidence stands up to the test of relevance). For example, if we assume that all human beings are rational and seek to maximise something called their welfare, we might predict that faced with a choice between a definite gain in their welfare – an increase in pay, say – and a definite larger loss of income if they reject the offer and go on strike, they will accept the offer to avoid the loss. Our prediction ('They won't strike') leads to our prescription for the employer: 'You ought to stand firm on your offer'. If we get it wrong and the employees take the loss and strike, those who acted on our advice, with hindsight, will wish that they had subjected our prediction and its assumptions to closer scrutiny. This neatly illustrates how a prediction about the likely result of taking the



wrong advice becomes a prescription, particularly for negotiating situations: 'You ought to scrutinise the basis of the advice you receive before you act upon it'.

Description, prescription and prediction are different, yet overlapping approaches and, by recognising which is being used in discussions about negotiation, we can assess the relative credibility of contributions to the pool of advice.

### Exercise 1D

Assess each statement below and write down whether you believe it to be true or false before checking with the answers in Appendix 2.

- 1 Prescriptive advice can always be followed.
- 2 Description is always biased.
- 3 Prediction cannot be tested.
- 4 Description is compatible with analysis.
- 5 Prediction is also prescriptive.
- 6 Prescription is always subjective.

## Epilogue

Some people think of a skilled negotiator as someone who can bluff and double bluff his way to whatever he wants. He is a schemer, a manipulator of others and hardly to be trusted. Ice-cold blood runs through his veins and he has a heart made of stone. In politics, his name would be Machiavelli; in personal relations, Casanova.

None of these images concur with our view of negotiation or of how effective negotiators approach their work. Everybody negotiates, sometimes for momentous issues but mostly for trivial everyday things. We bring the same range of personality traits (and blood temperatures!) to our negotiations as we do to the other parts of our lives. If by nature you are a schemer then no doubt you will continue to scheme when you negotiate, but most people you negotiate with will not be schemers, though they may suffer from other afflictions to their personality. Negotiation is one among several options you have when you are attempting to make a decision with another person. You should think of negotiation simply as a decision process and not as a mysterious set of behaviours best left to those skilled in office politics or jungle fighting. You can become competent in negotiation without compromising your sense of ethical conduct.

We negotiate because our decisions affect others and their decisions affect us. Individuals do not wish to leave decisions that affect them to the whim and fancy, not to mention material benefit, of somebody else. In feudal times everything was arranged by order of the monarch and enforced by his barons, and people knew their place (and were violently reminded if momentarily they forgot it). Church and

State laid down their path through life from birth to death. Order prevailed and stability reigned at the price of personal liberty.

The liberal democracies have since inherited much of the earth, or at least the richest part of it (yes, there is a connection!), and with their liberalism has come the demand to have one's interests accounted for in the decisions others take. This occurs in every family, every community and every area of activity from school to corporation. Where people insist that their consent be obtained before a decision is taken, the conflicting notions of what the decision is about must be reconciled. In politics we call it democracy, in economics the free market, in justice the rule of law; in all its varying manifestations the most common process used to achieve voluntary consent is what we call negotiation.

Negotiation has a long history, perhaps even a pre-history, as the early humans found forms of co-operation that signalled the beginning of an ever widening difference between them and the animals outside their caves, who knew of no alternative to fighting for what they wanted. But long as its history is, negotiation has only recently come into its own as an appropriate method with a potential for use in almost every sphere of human contact. It is no accident that the number of international agreements is growing each year, that commercial contracts are negotiated by the million (the UK Ministry of Defence alone negotiates over 40 000 contracts a year with 10 000 contractors), that the new professions of mediators, conciliators, arbiters and consultant negotiators are growing in numbers across the USA (with Europe a little way behind), that more and more legal firms are turning to negotiating settlements rather than merely litigating their claims, and that there is a growing interest in the theory and practice of negotiation. The age of negotiation coincides with the spread of pluralistic democracy and growing international economic and political integration.

Because people are freer, they will not accept arbitrary instructions to the degree they did only a generation or two ago. Employees reject the heavy hand of misplaced managerial or union power as much as they reject the blind obedience their parents and grandparents conceded to authority in all its guises. Consumers look for better deals, again with the USA in the lead. Whereas over 90 per cent of consumers in the UK accept fixed prices for the goods they buy, and retailers oblige by only running so-called 'bargain sales' for a few weeks of the year, less than 20 per cent of US consumers, and less than 40 per cent of Australians, accept the fixed nature of prices. The consequence is that in the USA and Australia retailers vie with each other for the consumer's dollar in what can only be described as a permanent '52-week sale'. The spread of discount stores in Europe is one sign that the consumer's quest for a better deal than the one he is offered is beginning to take off.

To call this the age of negotiation risks underestimating the importance of other methods of decision-making that have also expanded in the second half of this century. For example, persuasion has enjoyed a substantial boost in the form of multi-billion pound sales and marketing activities. The buyer is wooed – and not just over price. The take-it-or-leave-it indifference of the local monopolist (state or private) has succumbed to the competitive option afforded by the globalization of markets. Total quality programmes that settle for nothing less than zero defects in

output shipped to customers are a common corporate culture. Marketing techniques have dug deep into human psychology to find ways to persuade the buyer to want what the seller is offering. Persuasion through the, sometimes questionable, techniques of public relations management has enjoyed a boom and is now an essential component of corporate and political success, and of damage limitation when things go wrong, as in environmental disasters, political peccadilloes, and legal embarrassments.

The swing has been away from people giving in to coercive methods and the acceptance of dictatorial instructions towards persuasion, problem-solving, mediation, arbitration and negotiation, which have in common varying degrees of voluntary consent. The spread of negotiation, therefore, should be seen in this broader context.

