2. DISTRIBUTIVE BARGAINING

1. Distributive ~ competitive or win-lose

2. The goals of one party are usually in fundamental and direct conflict with the goals of the other party.

3. Resources are fixed and limited and each party wants to maximize his or her share of the resources.

4. Information is given to the other party only when it provides a strategic advantage. However it is highly desirable to get information from the other party in order to improve negotiation power.

5. For many, the strategies and tactics of distributive bargaining are “what negotiation is all about”. Many others are repelled by this type of bargaining and would rather walk away than negotiate in this manner.

6. These are two reasons that every negotiator should be familiar with distributive bargaining. first… some situations are distributive in nature second… many people use distributive bargaining strategies almost exclusively.

7. We do not intend to glorify distributive bargaining techniques. 
   - they are (sometimes) counterproductive
   - focus on the differences between parties
8. Distributive strategies however, have their place when a negotiator
   - want to maximize the value obtained in a single deal
   - or when the relationship with the other party is not important.
### 2.1 THE DISTRIBUTIVE BARGAINING SITUATION

**Larry is the buyer**

<table>
<thead>
<tr>
<th>Monica’s inferred resistance point</th>
<th>Larry’s initial offer</th>
<th>Larry’s target point</th>
<th>Monica’s inferred target</th>
<th>Monica’s asking price</th>
<th>Larry’s resistance point</th>
</tr>
</thead>
<tbody>
<tr>
<td>$130.000</td>
<td>$133.000</td>
<td>$135.000</td>
<td>$140.000</td>
<td>$145.000</td>
<td>$150.000</td>
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- Larry: .................................................................
- Monica: .................................................................

**Target point**: the point at which a negotiator would like to conclude negotiations

**Resistance point**: the most (the negotiator) will pay the less she will accept

**Starting point**: the first number he will quote to the seller initial offer
• The target point is usually learned or interred as negotiations get underway.

• The resistance point is not known to the other party and should be kept secret. One party may not learn the others resistance point even after the end of a successful negotiation.

• The spread between resistance points is called the “bargaining range”, “settlement range”, or “zone of potential agreement”.

• Anything outside these points will be rejected by one of the negotiators.

• When the buyer’s resistance point is above the seller’s, there is a positive bargaining range.

• When the reverse is true, there is a negative bargaining range.

The Role of Alternatives to a negotiated Agreement

- Alternatives give the negotiator power to walk away from any negotiation when the emerging deal is not very good.

- Good distributive bargainers identify their realistic alternatives before beginning negotiations.

Settlement Point

- settlement within a positive bargaining range
- the objective of both parties is to obtain as much of the bargaining range as possible, that is to get the settlement as close to the other party’s resistance point as possible.
- Parties who believe that they lost, frequently try to get out of the agreement or find other ways to recoup their losses.

**Bargaining Mix**

Is the package of issues for negotiation (i.e., price, closing date of the sale, renovations to the house, price of items etc.)
2.2 Fundamental Strategies

To push for a settlement close to the seller’s (as yet unknown) resistance point.

To get the seller to change her resistance point by influencing the seller’s beliefs about the value of the house.

Create a positive settlement range.

Get the other party to think that this settlement “is the best that is possible” not “that it is all she can get” or that “she is incapable of getting more”.

Discovering the Other Party’s Resistance Point - information

Information is the life force of negotiation. The more you can learn about the other party’s
- outcomes values
- resistance point
- feelings of confidence
- motivation
the more capable you will be to strike a favorable agreement

You do not want the other party to have some kinds of information about you.
You do want the other party to have some information; some of it factual and correct some of it contrived to lead the other party to believe things that are favorable to you.

**Influencing the other Party’s Resistance Point**

Larry’s resistance point depends on (Larry is the buyer)

- The amount of money he can afford to pay
- The estimated market value of the house
- Closing date
- The draperies

The following factors are important in attempting to influence the other person’s resistance point.

① the value the other attaches to a particular outcome
② the cost the other attaches to delay of difficulty in negotiation
③ the cost the other attaches to having the negotiations aborted.
④ the others viewpoint of your value for a particular outcome, the cost you attach to delay or difficulty and your cost of having the negotiations aborted.

different
1. The more you can convince the other that your costs of delay or aborting negotiations are low the more modest will be the others resistance point.

2. Convince the other party that delay or aborting negotiations will be costly (for them).

3. Convince the other party that a present negotiating position will not have the desired outcome.

4. The more you can convince the other that you value a particular outcome outside the other’s bargaining range, the more pressure you put on the other party to set a more modest resistance point.
A negotiator in a distributive bargaining situation must.

1. Assess the other party’s outcome values and the cost at termination negotiations.
2. manage the other party’s impression of one’s own outcome values.
3. modify the other party’s perception of her own outcome values.
4. manipulate the actual costs of delaying or aborting negotiations.

**Assess Outcome values and the cost of Termination.**

- Get information about the other party’s outcome values and resistance point.
  - get information indirectly about the background factors behind an issue
  - get information directly from the other party.

- Indirect Assessment is aimed at determining what information an individual probably used to set her target and resistance points and how she interpreted this information.

- Direct Information. in bargaining, one does not usually expect accurate and precise information about outcome values, resistance points etc from the other party. However, the other party will give accurate information when pushed to the absolute limit and when they require a quick settlement.
- **Means used to get information**
  - sources are cultivated
  - codes are broken
  - collect papers from executives wastebaskets.
  - Provoke other party into an angry outburst.

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**Manage the other party Impressions.**

Because each side attempts to get information about the other party, an important tactical task may be to prevent the other from getting accurate information about your position, while simultaneously guiding the other party to from a preferred impression of it.

- **Screening Activities**
  - Say and do as little as possible. *Silence is golden* when answering questions.
  
  - A look of disappointment or baredom, restlessness, or probing with interest .. all can give information about the importance of the points under discussion.

  - Concealment is the most general screening activity.

  - Another approach: “calculated incompetence”
    Use an negotiating agent (representative) who is not given all needed information thus making impossible for information to be leaked. Representatives may also be limited in their authority to make decisions.
Direct Action to Alter Impressions.  
_Negotiators can take many actions in order to make their positions appear stronger to the other party._

- One method is **“selective presentation”** where someone reveal only the facts necessary to support their case.

- Another approach is to _explain or interpret known facts_ in order to present a logical argument that shows the _costs or risks to oneself if the other party’s proposals were implemented_.
  
  **“if you were in my shoes, here is the way these facts would look in light of the proposal you have presented”**.

- **Disappointment or enthusiasm** usually suggests that an issue is important, whereas **boredom or indifference** suggests it is trivial or unimportant. (_Emotional reaction)_

- **The length of time and amount of detail in presenting a point or position** can also convey _importance_.

- Casually accepting the other party’s arguments as true conveys the impression of lack of interest in the topic being discussed.
of his own objectives

- by making the outcomes appear less attractive or

- by making the cost of obtaining them appear higher.

- Interpret the outcomes of the other party’s proposals. Explain how undesirable it would be if the other party’s outcome were realized (union – management negotiations).

- Concealing information (real estate: a highway will isolate the for – sale property).

Manipulate the Actual Costs of Delay or Termination.

- Negotiators have deadlines.

  A contract will expire
  Agreement has to be reached before a meeting
  Someone has to catch a plane

- Extending negotiations beyond a deadline can be costly, particularly to the person who has the deadline. Because he has either to extend the deadline or to go home empty – handed.
Research suggests that a large majority of agreements in distributive bargaining are reached when the deadline is near.

Failing to agree by a particular deadline can be a power tool in the hands of the person who does not face deadline pressure.

### Disruptive Action

One way to encourage agreement is to increase the cost of not reaching a negotiated agreement.

- **Group of food service workers** negotiating with a restaurant, enter the restaurant just prior a lunch and order a cup of coffee. When regular customers come to lunch, they found every seat occupied.

- **Public picketing of a business.**

- **Boycotting**

- **Locking negotiators** in a room until agreement is reached.

- Τουρκικές προκλήσεις στο Αιγαίο πριν από κάθε είδους διαπραγματεύσεις

In all cases, disruptive actions increase the costs to negotiators for not settling, and hence bring them back to the bargaining table.
• **Ally with Outsiders**

*Another way to increase the costs of delay is to involve in the process other parties who can somehow influence the outcome.*

- A private party may profess that if negotiations with a merchant are unsuccessful, he or she will go to the Better Business Bureau.

- Involve local governments, form task forms, political action groups.

• **Scheduling of Negotiations (time scheduling).**

*Business people overseas to negotiate with customers or suppliers often find negotiations are scheduled to begin immediately after their arrival.*
2.4 POSITION TAKEN during Negotiation

• Opening Offer

⇒ fundamental question is whether the opening after should be more extreme or modest.

⇒ these questions become less perplexing as the negotiator learns more about the other party.

⇒ Studies indicate that negotiators who make more extreme opening offers, get higher settlements.

⇒ an extreme opening offer is advantageous because:

  first: is gives more room for movement in negotiation and therefore allows more time to learn about the other party’s priorities in order to influence them.

  Second: it acts as a message and may create in the other party’s mind the impression that ① there is a long way to go before a reasonable settlement is achieved, and ② more concessions than originally intended may have to be made to bridge the difference.

⇒ disadvantages of an extreme offer:
  may be summarily rejected
  may be destructive to long-term relationships.

⇒ Extreme offers must be related to viable alternatives.
- **Opening Stance**

  - **Will you be competitive** – fighting to get the best on every point or will you be **moderate** – willing to make concessions and compromises?

  - **Attacking the positions, offers and even the character of the other party**, the other party may mirror the initial stance. In any case, the other party is unlikely to respond with a reasonable stance.

  - **Moderation and understanding** seems to say “Let’s be reasonable people and solve this problem to our mutual satisfaction. The response by this opening stance.

  - **Attitude and opening offer must be consistent.**

- **INITIAL CONCESSIONS**

  - An opening offer is met with … a counteroffer or a request for “a more reasonable set of proposals”.

  - **Insist on the original position or make concessions?**

  - If concessions are to be made, how large should they be?

  - A **position of firmness** represent an attempt to capture most of the bargaining room, to preserve maximum maneuvering room for later in the negotiation, to create a
climate in which the other side may decide concessions in order to capitulate and settle quickly rather than drag things out.

- **firmness** may be a way to shorten negotiations.
- A flexible position may establish a cooperative relationship.

**Role of Concessions**

- Concessions are central to negotiation. Without them, negotiations would not exist.

- An offer that may have been accepted had it emerged as a result of concessions making, may be rejected when it is thrown on the table and presented as a fait accompli.

- Parties feel better about a settlement when negotiations involved a progression of concessions. Rubin and Brown suggest that “a bargainer wants to believe he is capable of shaping the other behaviour”.

- Not reciprocating a concession sends a powerful message about **firmness**.

- To make an additional concession when none has been given can imply weakness.

- Concessions may be wrapped in a package “if you will give A and B, I will give C and D”.
Pattern of Concessions Making

Pattern of concessions

\[ \pi \chi. \quad 4 \quad 4 \quad 4 \quad = \quad 12 \quad \text{συνολικά} \]
\[ 4 \quad 3 \quad 2 \quad 1 \quad = \quad 10 \quad \text{συνολικά} \]

when \( px \) the successive concessions get smaller the most obvious message is that the concession maker’s position is getting firmer and the resistance point is being reached.

Final Offer

- Eventually a negotiator wants to convey the message that there is no further room for movement. A negotiator will probably make such statement as these “this is all I can do” “this is as far as I can go”

- An alternative is to use concessions to convey the point ie “let the absence of any further concessions convey the message”.

- Another way negotiators may convey the message that “this is the last offer” is by making the last concession substantial.
- The final offer has to be *large enough to be dramatic*, yet not so large that it creates the suspicion that the negotiator has been holding back.

- The final offer may be *personalized to* the other party “I went to my boss and I got a special deal just for you”.