

HOW TO THINK ABOUT NEGOTIATION

Learning Objectives

1. Describe and develop examples of negotiation potential.
2. Understand that negotiators have wrong assumptions and faulty knowledge that impede the ability to negotiate effectively.
3. Provide examples of how various biases limit negotiation effectiveness.
4. Develop examples of how the common mistakes made in negotiation affect negotiations at work, at home, when shopping, and in other situations.
5. Utilize the knowledge of the common mistakes to develop a personal plan for overcoming negotiation weaknesses.

Negotiation is both art and science. It is art in that there are many different ways to accomplish the same goal, style matters, and ability increases through practice. It is a science in that much of negotiation operates systematically and with regularity, and you can formalize the process if you pay attention. These regularities provide knowledge that will enable you to explain, predict, and control how negotiations will proceed. The more adept you become in the science of negotiation, the more comfortable you will be in exploring different ways to negotiate (i.e., the art of negotiating).

To understand, access, and use scientific knowledge about negotiation, you must understand what a negotiation entails in a precise and sophisticated way. Precision comes from using terminology that is clear and specific in meaning. Learning such an analytical framework is a significant challenge because negotiation is something most people have had some experience with. Therefore, the terms we will use (e.g., a negotiation *issue*), as well as the concepts (e.g., compromise), will be things that are likely familiar to you. However, your knowledge of what these concepts are might be imprecise at this stage. Clarifying what these terms mean is central to this book. For instance, an *issue* in negotiation is a specific item that you are trading or negotiating over (e.g., salary), not just a general concern or problem. Similarly, compromise, contrary to folk wisdom, typically exemplifies poor negotiating skill, in that it describes a scenario in which all parties are at least somewhat dissatisfied.

The reason we take so much time to improve your vocabulary and understanding is because folk wisdom and imprecise terminology can work together to support false beliefs about how negotiations work. Take, for example, the dogmatic notion that, in negotiation, “information is power.” This belief makes negotiators very reluctant to share information with other parties, for fear of being taken advantage of. However, in negotiations, often the only way to get what you want is by sharing some information with the other side. Sharing information builds trust, and trust sets the tone

for collaboration in effective negotiations. This habit of always withholding information for fear of losing power is a bad habit that takes work to break.

WHAT IS A NEGOTIATION, AND WHY DO WE NEGOTIATE?

One of the first lessons in the study of negotiation is that there are far more negotiation opportunities around us than we realize. Negotiation knowledge should not be reserved for special occasions such as major purchases or career transitions. As we go about our lives, there are likely to be situations that come up on a daily basis that could be resolved more effectively if we applied negotiation knowledge to them. A colleague of ours at the University of Michigan, Dr. Shirli Kopelman, has told us (and shown us) that she negotiates practically everything: discounts when none are advertised, reduced admissions to clubs because “It is Thursday, there is no one at this club, and I am bringing 10 people in.” She uses her knowledge in all sorts of situations where people normally do not think to negotiate, and she benefits greatly by doing so.¹

Of course, not all situations can be negotiated. For example, you could not negotiate with the city to dump poisonous waste into the local lake because law (and common sense) forbids this. Similarly, you would probably not try to negotiate with a judge after you were issued a verdict (“OK, I am guilty of reckless driving, but how about instead of a \$1,000 fine and 5 points on my record, we go with \$500 and no points?”); norms and the threat of punishment make this a bad choice. You may also think it a bad idea to negotiate with a bank robber if you are a bank teller. “I know you want all the money in my drawer, but how about I just give you half and agree not to call the police for 10 minutes?” Negotiation, while potentially successful (as seen in this sidebar), in this case is quite the risky choice.

Confronted by a gunman demanding that he empty the cash register, Subway Sandwich Shop manager Ollice Nettles made a counteroffer: \$10 and a meatball sandwich. “This is the first time we’ve seen a robbery that was negotiated,” police spokesman Mike Wright said. Police said the robbery started when a slim, 6-foot, unshaven customer walked into the Subway shop Monday. He ordered a meatball sandwich and went to the bathroom. He returned a few moments later and a female clerk waited to take his money. That is when the customer turned robber and announced, “By the way, this is a holdup.” The

robber then pointed a black revolver at the woman. She ducked behind the counter and fell to the floor. Nettles, who apparently did not see the gun or realize what was going on, turned and asked the man what he wanted. The robber said he wanted all the money, and negotiations began. Nettles asked the robber if he would accept \$10 and the sandwich. The robber replied that he would take no less than \$20 and the sandwich, and the deal was done. Police said the thief fled with the money, the sandwich, and two other men who were waiting outside in a gray Pontiac.

Source: Knight-Ridder Newspapers, Spring 1991, Delray Beach, FL.

You can think of **negotiation potential** as the degree to which a conflict situation might be resolved through negotiation. Negotiation is effective when you get more or lose less than you would have if you had not negotiated, and getting more of what you want is *always* the objective when negotiating. To think about negotiation potential, let us first try to define what conditions must exist in a situation for negotiation to happen. We start with the formal definition of negotiation as “a process of potentially opportunistic interaction by which two or more parties, with some apparent conflict, seek to do better through jointly decided action than they could otherwise.”²² If we simplify this definition, we can identify three basic conditions under which negotiation can take place:

1. There is more than one person.
2. The people want, or seem to want, different things (**apparent conflict**).
3. The people have to deal with each other in order to get what they want (**joint action**).

To map this on to what is probably the most familiar negotiation scenario, the selling of a car, negotiation involves multiple parties (buyer, seller), the parties want different things (a good car for the money, to get reasonable value for the car), and the parties have to deal with each other to get what they want. For instance, the buyer can't just say, “I am paying \$4,000; now give me the car,” nor can the seller say, “You buy this car or else!” Both the buyer and the seller need each other to make the deal happen.

As you will see throughout this chapter and throughout the book, there are a wide variety of situations that fit these criteria, many that we typically don't see as “negotiation.” Table 1.1 provides some of these examples. The bottom line is that when you think about what situations have negotiation potential, you need to include any situation that involves multiple parties, apparent conflict, and joint action or interdependence.

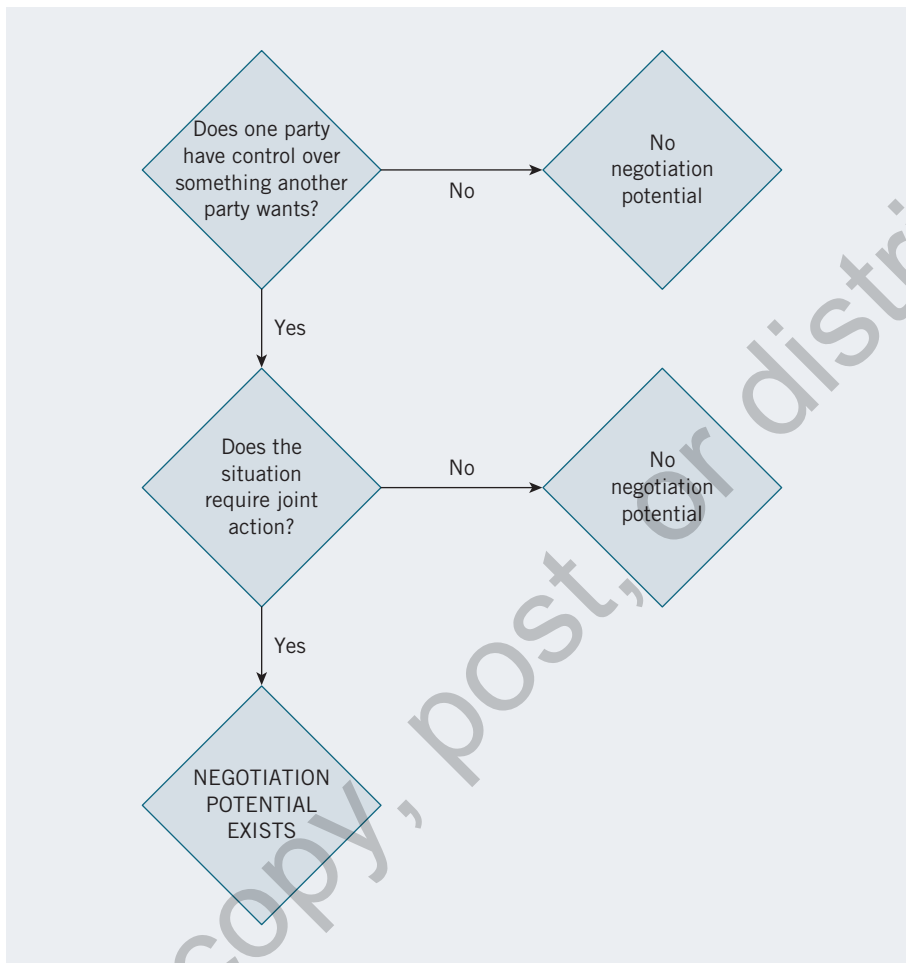
Although many situations have negotiation potential, some do not. Figure 1.1 presents a flowchart to help decide. This is also useful for drawing boundaries around the situations that are and are not responsive to negotiation knowledge.

Do Others Have Control Over What You Want or Need?

The factor that needs to be considered first is the nature of the interdependence among those involved in the negotiation. Interdependence means that parties require interaction to accomplish their goals. Interdependence can take many forms. Examples of social interdependence (want to be together) appear in Table 1.1 along with logistical interdependence (need to work together), which can take multiple forms. No matter the type of interdependence, what is important here is that interdependence implies a constraint that is manifest in the other parties. In its simplest form, you cannot get what you want without someone else's participation. If you could, then there would be no need to negotiate.

You may want to be paid more, but if your boss is not the person who decides salaries in your company, you have no need to negotiate with them on this matter. This is important to think about because if you spend time negotiating with someone who

Figure 1.1 Is There Negotiation Potential?



cannot change the outcome, you're wasting your time. The reverse is true as well: Involving people who do not care about a particular outcome wastes both people's time. The bottom line is that if negotiation cannot help you do better than you could have working alone, you should not do it; in other words, you can do better through joint action than you could do otherwise.

Does the Situation Involve the Need for Joint Action?

Even if one party has control over what another party wants, negotiation potential does not exist unless something is preventing the party from providing it free of cost. This

Table 1.1 Nontraditional Situations With Negotiation Potential

Situation	Parties	Apparent Conflict	Interdependence
Bill is not performing at his job	Bill, Bill's manager	Bill's manager wants high performance from Bill. Bill wants recognition from his manager.	The manager has formal authority over Bill but needs Bill to do his work for the good of the department.
Several university students are working together on a class project	Students on the team	Some students are more concerned about the grade, some more concerned about learning, others concerned about the duration of team meetings and how much effort they have to expend.	The students need to pool their work in order to produce the final product.
Driver gets a speeding ticket	Officer, driver	The officer wants the driver to accept the ticket and wants to avoid going to court. The driver doesn't want points on his or her license.	The officer has the formal power but can be influenced if he or she thinks the driver will show up in court and fight the ticket.
Friends have to decide what to do on a Saturday night	A group of friends	Some care about the location, some care about the price, some care about the music, and some care about the food.	This group may have both social interdependence (want to stay together) and logistical interdependence (only one person has a car).
Politicians need to pass laws	Constituents, legislature	The politicians want to resolve community issues, keep their jobs, and support their political party.	No one can pass legislation on their own.
Vacation with spouse	Two partners	One wants to save money and relax alone; other wants to go somewhere exclusive with friends.	If one "wins" and the other "loses," resentment will occur, hurting the vacation (and the relationship).

is why the usual hallmark of negotiation is the apparent conflict between parties. Such conflict is the impediment that warrants adjustment on the part of one or more of the parties. If Martha has been unhappy working past 5 pm on Fridays and upon asking realizes her supervisor can happily fulfill her request to leave at 5 pm, there is no need to negotiate because there is no conflict. The need for joint action was minimal as Martha didn't need to do anything beyond asking.

Summary of Why We Negotiate

Negotiation is possible in situations where there are multiple actors who want different things, but they need each other to get them. It also requires that the situation will involve adjustment of some sort so that they can resolve whatever conflict is limiting what they can get. Negotiation potential is realized depending on whether one can adjust the situation to limit or remove the conflict. This adjustment is the result of influence. So, if you know you should negotiate and you know the number of situations that could be effectively resolved via negotiation is endless, why don't you negotiate more often? And further, why might you be *uncomfortable* negotiating? This is probably a main reason you are reading this book and/or taking a negotiation class. We'll highlight a few core challenges to negotiation and summarize some of the most common negotiation mistakes.

COMMON MISTAKES MADE WHEN NEGOTIATING

In this section of the chapter we want to highlight some of the common pitfalls to effective negotiating. Mistakes are not just in what you *do* during a negotiation; mistakes are also about how you *think* about negotiation and conflict in general. Before we get to the mistakes, we want to help you understand why you might be primed to think about negotiations in certain ways that impede your ability to obtain value.

The Mental Model of a Negotiator

Mental models are explanations or thought processes about how things work in the real world.³ These models are cognitive representations (in your mind) of situations you encounter. Think of them like a rule book: When you go into a store, meet a person, go to class, or any other situation you can think of, there are rules for behavior. Those rules regarding what to expect and how to behave are contained within your mental model of that situation. Mental models also help you organize all the information stored in your mind. As will be discussed in Chapter 7, people inherently don't like complexity and uncertainty and this is why information is organized in mental models. These cognitive structures allow you to simplify the world. Every individual has mental models, and they are different for everyone.

For a simple example of the importance of mental models, consider membership in a team. In a team discussion you may find yourself agreeing with the views expressed by Lisa. This could be because Lisa fits into your mental model of how a "competent" team member looks or behaves. If, on the other hand, Nirish shows up to a team meeting in shorts, flip-flops, and a Hawaiian shirt, you might question his ability to be a productive

team member. That is because your mental model of someone who is believable includes certain characteristics. Note that these assumptions may have nothing to do with Lisa or Nirish's actual skills.

Let's do a short exercise to further expand on this idea of mental models:

- What are the first three words or phrases that come to your mind when you think of negotiating for a car?
- What are the first three words or phrases that come to your mind when you think of trying to negotiate which movie to see with your best friend, assuming you each want to see a different movie?

If you are like most people, your answers to the first question might include words such as *difficult*, *anxious*, *dishonest*, *nervous*, and so on. Similarly, your answers to the second question might include words such as *friendly*, *trade-off*, *compromise*, *trust*, or and so on.

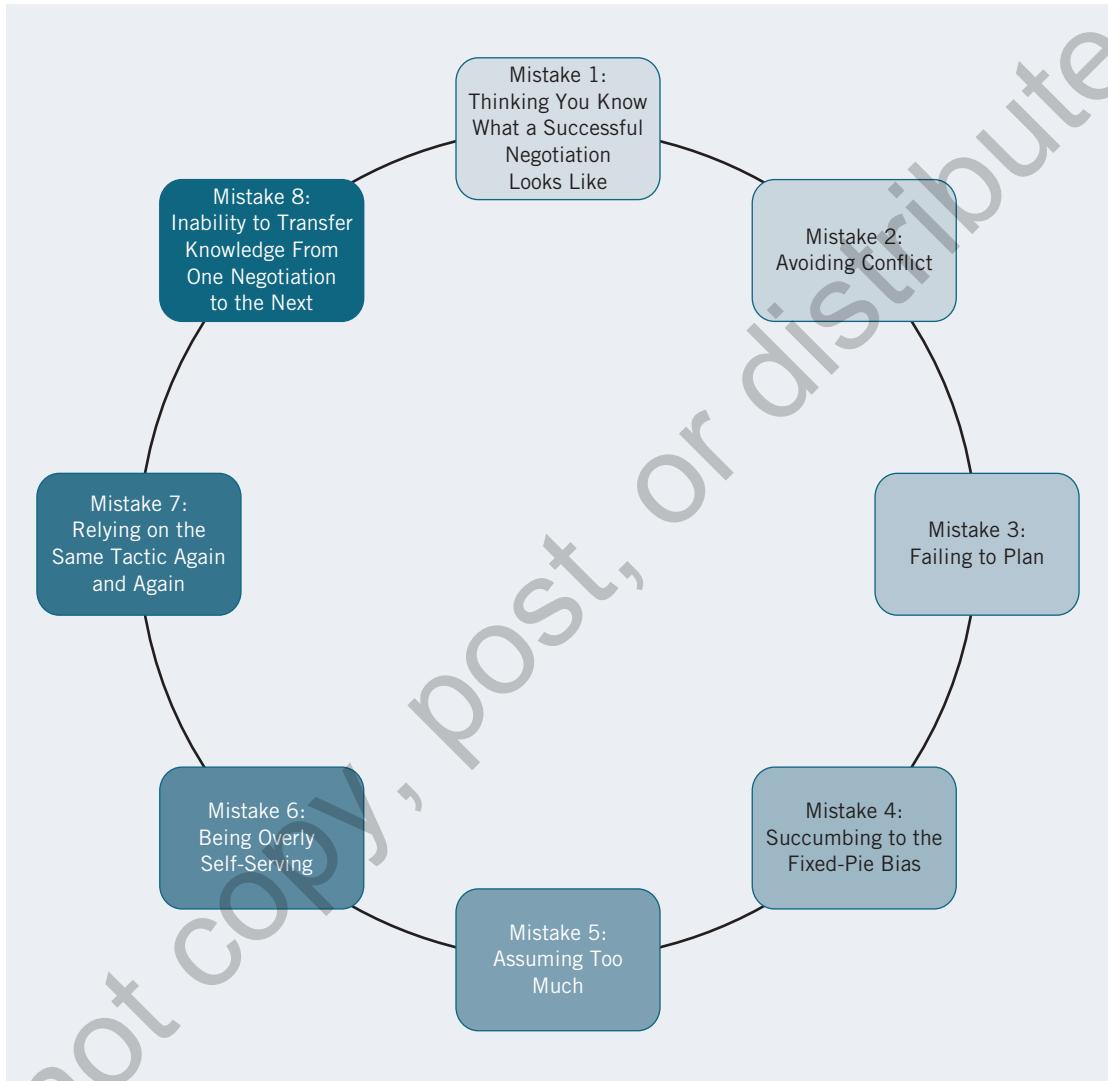
Mental models explain why these answers diverge so drastically. Your mental model of a car negotiation is quite different from a negotiation about which movie to go see. When you negotiate for a car, dishonesty is what you are actively thinking about in that negotiation and what you expect from the salesperson. Everything that is said or done in that negotiation is filtered through this lens of dishonesty: *Is what they say true?* This mental model helps you determine what is relevant or not in that negotiation. You might be continually asking yourself: *Does this piece of information help me figure out whether the salesperson is dishonest?*

You may be thinking: car negotiation = difficult = adversary = no trust and choosing movie = easy = friend = trust. Why is choosing the movie so easy? Because you are not thinking of it as a negotiation! You and your friend have different preferences and might want different things, but you are able to navigate that conversation quite easily because you are not worried that your friend is going to take advantage of you. While the car negotiation might seem more difficult, in reality it's quite similar to the movie negotiation. Both situations involve conflict. Both involve two parties. In both negotiations there is the possibility of negotiating other issues. In the car negotiation you might negotiate a warranty, a payment plan, and a service contract. In the movie negotiation you might negotiate who pays for popcorn, who chooses the next movie, and who decides where to eat afterward. Yet our minds ignore these similarities because our mental models of these situations are so starkly different.

So what? Why does it matter that these "negotiations" have similarities? As you will learn in this book, when you negotiate with the car salesperson in a similar way to how you might negotiate with your friend, you increase your chances of getting more. Similarly, when you treat your friend like an adversary, you decrease your chances of getting more.

Now that you have an understanding of mental models, we move to the list of mistakes (Figure 1.2). We discuss these mistakes briefly here so that you can start improving your negotiation behavior immediately, even before we get to the explanation of negotiation fundamentals (Chapter 2), planning for negotiation (Chapter 3), and the negotiation levers (Chapters 4–10).

Figure 1.2 Why Is Negotiation So Difficult?



Mistake 1: Thinking You Know What a Successful Negotiation Looks Like

You might think that you know what it means to “successfully” negotiate. Perhaps you feel like you “won” in your own past negotiations, or have witnessed hard-bargaining, or feel like you always get what you want. Unfortunately, if you are like most of the thousands

of students we've taught over the past two decades, you are likely wrong in that belief. Why do you feel like this? Part of the reason is that you haven't yet taken a negotiation class, and so you do not understand the intricacies of what is involved in effective negotiations. More importantly, though, is that you have a motive to feel like you know what a successful negotiation looks like—your own ego! In Chapter 5 we will discuss the nature of identity and ego and the desire for negotiators to feel good about themselves and their negotiation outcomes. It has even been found that many negotiators who feel happy at the end of their negotiations did not negotiate particularly effectively.⁴

Unfortunately, you are likely to be using “folk wisdom” to negotiate, which is misguided. Here are a few common misperceptions that many negotiators have. First, **compromise**, which we define as splitting the difference on a negotiated issue, is not (usually) good negotiation. Compromise is a strategy by which issues can be resolved quickly and (often) with the perception of fairness, in that both sides have given up something. Using compromise beyond such situations can mean you've left value on the table.

Second, you may believe that preserving the relationship with the other side is a particularly effective indicator that the negotiation was a success. Unfortunately, though, the research has found that even spouses and other partners who deeply care for each other are poor negotiators when it comes to adding value.⁵ Why? Because it takes dedicated intent and a set of strategies to find and create value in negotiations. Caring for the other person is not enough if you do not understand the skills of negotiation.

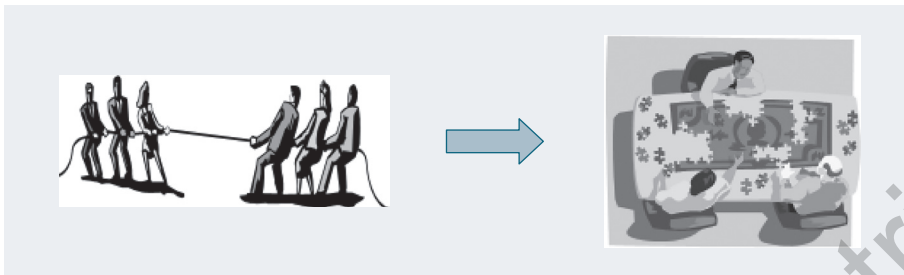
Third, you may think that hard-bargainers are great negotiators. This idea has been popularized by so-called negotiation experts. Negotiation is not about power and threats, although such factors can play an important role. Again, the research is very clear that such aggressive tactics destroy rather than create value, not just in the short term but also in the long term, because you may be harming important relationships.

Mistake 2: Avoiding Conflict

We have already defined negotiation in terms of conflict that requires more than one person to resolve. To negotiate means to deal with, rather than avoid, conflict. Unfortunately, it has long been acknowledged that avoiding conflict is often a preferred strategy to solving conflict.^{6,7} Avoiding conflict, is, well, easier, at least in the short term. No awkward conversations, no fear of losing, no worry about lack of confidence. If you can put off that conversation, maybe the issue will resolve itself on its own. This is obviously a mistake because if you avoid conflict, you can't negotiate. Part of the goal of this book is to help you feel more comfortable with conflict situations. After all, conflict need not be about fighting or competition. Rather, conflict is about differences. If you can realize the nature of those differences and respond accordingly, you can get more. It's about seeing negotiation not as a tug-of-war, which we'd all like to avoid, but rather as a puzzle, which sounds like fun (See Figure 1.3).

Why do we do this? Two common reasons include differences in individual personality as well as difference in culture and the context of the negotiation. It has long been established that individual differences, especially in personality, can have effects on the process and outcomes in negotiations,⁸ and the tendency to avoid conflict is one

Figure 1.3 Negotiation Doesn't Have to Be a Tug-of-War



such individual difference.⁹ A person with a personality characterized by high levels of conflict avoidance is going to react to negotiation situations in very different ways than a person with a personality characterized by low conflict avoidance. For example, an aggressive opponent in a contentious dispute will likely provide a very unpleasant and uncomfortable experience for the person with a relatively high conflict avoidant personality, whereas it might be seen as an exciting and invigorating challenge by the person who scores very low on measures of conflict avoidance. One of the most common things we hear from students when we ask them what they are hoping to gain from the course is a desire to be less afraid of negotiating, and to be more assertive and proactive in a negotiation. (We discuss personality in more detail in Chapter 11.)

Culture is the other possible reason some people have a tendency to avoid conflict rather than seek a negotiated solution. We discuss cultural differences extensively in Chapter 12. The ways in which conflict is viewed and appropriate methods for conflict resolution can vary greatly from culture to culture.¹⁰ In some cultures, conflict is accepted as a natural state of affairs and consistent with individualism and even aggressiveness, whereas in other cultures there may be strong expectations that overt conflict (especially public conflict) should be avoided and minimized for the greater collective good.¹¹

Mistake 3: Failing to Plan

Many people begin negotiations with no more plan than relying on their instincts and hoping for the best. This is unwise. Expert negotiators plan, and they may spend much more time planning than actually negotiating. They plan because they need to think about what they want, what the other side is likely to want, and what possible options may satisfy those needs.

When there is no negotiation plan, instinct causes negotiators to focus on nonideal outcomes. They fail to see outside of standard solutions to negotiation problems (see Mistake 8). They also fail to think about the other side other than in a stereotypical way (see Mistake 5). Earlier we talked about negotiating as a means to get what you want. While there are many ways to do this, you are not going to be able to come up with these options if you cannot use different tools to get what you want. You cannot think flexibly

if you are in the middle of arguing for what you want while trying to outwit the other party. Consider the following scenario:

Betsy was interning at AwesomeCorp in her spring semester. She was getting ready to graduate and was a little worried about finding a job. To Betsy's surprise, her boss called her in to his office and said, "We really like you and we'd like to hire you after you graduate, but we need to get your commitment now. So what salary were you thinking?" Unprepared, Betsy had no idea what to do. She blurted out a reasonable-sounding amount, \$40,000, to which the boss said, "Well, that may be just a little high. How about \$35,000?" They agreed on \$37,500.

At first glance, this may seem like a complete success. Betsy got a job, and the salary, although not exactly what Betsy wanted, was a compromise between her and the boss's offer. Now let's look closer. First, was Betsy creative? No; the only thing they negotiated was salary, even though there are many other issues that could have been negotiated.¹² Now that she's accepted the job offer, it may be hard for her to get other things. We see that she is caught off guard and she is excited because she will have a job, but this works against her. Does she know if \$40,000 is a good starting point? Odds are against it. This kind of thinking under pressure is not likely to yield good answers in people without much practice. What should she have done? She should have said, "Wow, this is great; thank you for the offer. Let's set up a time to hammer out the details." She could have had more time and mental space to research and think about what she wanted. The fact that she did not is also probably due to stereotypical thinking—Betsy assumes incorrectly they need to settle this now. Of course, they do not. If the boss wants to hire her, then it is completely reasonable to discuss the offer more formally.

When you plan, not only can you be a more creative negotiator, but you can also understand more ways to productively engage the others with whom you are negotiating. Planning also helps you anticipate problems. You cannot prepare for every contingency, but you certainly can prepare for the likely ones. For example, if you plan to ask for a raise, you are likely to think about how your manager might react. What information does he or she value? What tactics have others used in prior successful negotiations with the manager? You do this in order to manage the process to a favorable outcome. If your manager is emotional, it is better to prepare for anger rather than for silence. If the manager is no-nonsense, then you should prepare for them to want you to cut to the chase than to prepare lots of extra information. You can also prepare for countermeasures to your persuasion techniques. If your manager says, "Why don't you find another job if you think you are worth so much?" it is far better to have a prepared calm response than either shrinking in fear or saying, "Fine, I will!"

Mistake 4: Succumbing to the Fixed-Pie Bias

People use mental shortcuts to simplify thinking in real time. These mental shortcuts are called **heuristics**, which are systematic rules of thumb that we use when making

decisions. Heuristics are not necessarily bad, but they can trick us into misinterpreting information that will be used in our decisions. As negotiations are fundamentally about making a large number of sequential decisions (Should I open the negotiation? What should I say? How much should I ask for?), understanding and avoiding the heuristics we use will ultimately make us more effective negotiators.

The biggest error made in decision making is thinking that anything we get in the agreement costs the other side just as much—that is, we assume there is a “fixed-pie” in the negotiation. This is called the **fixed-pie bias** or the **zero-sum bias**.^{13,14,15} This bias causes us to believe that the benefits to one side are equal to the costs paid by the other side; in other words, they always equal zero. You can think about this literally as a pie. Imagine that you and your friend are each sitting at the table and are hungry for pie. Your friend’s parent, who both of you know makes great pie, brings over a pie with eight precut slices. The options for divvying up the pie thus are set:

- You: 0 pieces; Friend: 8 pieces; **TOTAL: 8 pieces**
- You: 1 piece; Friend: 7 pieces; **TOTAL: 8 pieces**
- . . . and so on . . .
- You: 8 pieces; Friend: 0 pieces; **TOTAL: 8 pieces**

Notice that in each of these possibilities the total number of slices is “fixed” at 8. There are no extra pieces or more pies that can be eaten. The only negotiation here is how to split those 8 pieces between you and your friend.

While most negotiations do not have a fixed number of “pieces,” we assume that they do. This is the error we make—the fixed-pie bias. In most negotiations there are other issues to negotiate and, consequently, more “pies” to be added to the table.

We can see in Table 1.2 that negotiations where we fall victim to the fixed-pie bias are very difficult; by nature, they seemingly have to have a “winner” and a “loser.” Negotiators who fall victim to this bias thus are more defensive and perhaps more likely to give up quickly, attack, or compromise—none of which is an effective strategy. This is

Table 1.2 Fixed-Pie Bias

Negotiation	Fixed-Pie	Non Fixed-Pie
Job	Salary is the only issue	Salary, job start, job title, bonus, moving expenses all need to be negotiated
Car	Price is the only issue	Price, service plan, financing, trade-in all need to be negotiated
Vacation	Location is the only issue	Location, cost, activities, length all need to be negotiated

also quite prevalent, because this bias has been shown to affect upward of 80% of negotiators.¹⁶ This bias is also notoriously difficult to overcome, even if you know it exists and have experience negotiating.^{17,18}

Ian Bremmer of the *Washington Post* wrote eloquently about the dangers of politicians seeing issues in terms of the fixed-pie or zero-sum bias.

“In [the politician’s] view of the world, there is a finite amount of everything—money, security, jobs, victories—and nothing can be shared. In other words, the [country], and all of its inhabitants, are in a zero-sum competition over everything, all the time. And you’re either victorious or defeated. It’s a universe where the strong do what they can and the weak suffer what they must, as Thucydides said. The problem is that the

triumphs that [the politician] craves—strength, safety, prosperity—cannot be achieved alone. They require friends and allies, and they require [the politician] to see those people as partners, not competitors. But [the politician] doesn’t know how to do that, which makes everyone suspicious; other governments don’t like to be punching bags, the only role [the politician] appears to envision for them. Mutual distrust imperils the collaboration the [country] needs to succeed. Which is to say, [the politician’s] determination to win could easily position the country to lose.”

Source: Bremmer, I. (2018, March 4). In the zero-sum universe, you’re either victorious or you’re defeated. *Washington Post*.

A phenomenon closely related to the fixed-pie bias is that we assume there is conflict when there really is not any conflict. This is known as false or **illusory conflict**. Take, for example, the situation where you are negotiating with a loved one over where to go on vacation. Perhaps you want to go to Mexico and you assume that the other person wants to go somewhere else. You might approach this negotiation in a very defensive, contentious mode because you believe this is going to be a very difficult conversation. Unfortunately, due to reciprocity (Chapter 4), the other person acts in a hostile manner toward you, even though before the negotiation your loved one would have been absolutely fine with Mexico as a destination. You end up fighting about Mexico and choosing a location neither of you would have put first on your vacation destination list. This is called a **lose-lose agreement**.¹⁹

Mistake 5: Assuming Too Much

One of the mistakes that is particularly damaging to many of the strategies discussed in this book is when negotiators assume something about the person or people with whom they are negotiating. You value money to a certain degree, so you assume they value money in the same way. You don’t like vacationing in Florida because of the heat, so you assume others don’t like the heat. You think *Star Wars* is a great movie choice, so you assume others like *Star Wars*. These are all potentially damaging mistakes, as they will cause frustration due to misunderstandings. The **false-consensus effect** is this phenomenon, whereby you tend to overestimate the degree to which your own values, beliefs, and attitudes are normal and shared by others.²⁰ That is, you assume that others think about the world in the same way that you do. Consider the following scenario:

Peter is a relatively new manager with 10 employees in his accounting department. He has an opening for a new position and wants to hire Danya to fill that role. Danya has told some of Peter's employees and Peter himself that she wants to take the job and is very excited about joining the company. Toward the end of negotiations, Peter asks if Danya is satisfied with the offer, and Danya asks for 3 extra days to review the offer with her husband and close out negotiations with the other companies she is considering. Peter immediately gets upset, because he would never ask a potential employer for 3 extra days and feels that anyone asking for more time must not really want to join his team. He immediately suspects that Danya is using him to get a better offer from another company.

What is happening here is that Peter is assuming Danya has the same thoughts and intentions as he does. He becomes suspicious because in his mind his response (were he in Danya's shoes) is the only reasonable response. He fails to understand that Danya really wants to be 100% committed and because her husband works out of town, she needs the extra time so that she can sit down with him and make a decision together. This causes Peter to have a negative attitude toward Danya and the situation, when in reality Danya is simply making sure she is making the best decision.

Another assumption negotiators often make that may not always be correct is the expectation that others will be consistent over time in their behavior and attitudes. Clearly, the better you are at understanding and predicting another party's behavior, the more effective you may be in a negotiation with them. However, when you try to predict behavior in negotiations, you often do so based on the assumption that past observed behavior was determined by personality (which, after all, is relatively stable and consistent over time). For example, Petya assumes that Jonathan is going to be a very tough negotiator because she's seen him negotiate fiercely in the past. Petya is making the mistake assuming that Jonathan's past behavior was based on his personality, which will carry over into every future negotiation. Unfortunately, using this approach instead of trying to predict behavior based on the situational aspects of the negotiation context—such as bargaining positions, alternatives, power, and so on—turns out often to be very inaccurate.²¹ Petya is setting herself up for a difficult negotiation with Jonathan when that may in fact not be the case—perhaps he was just negotiating with someone he didn't trust.

Assuming also creates problems for gaining buy-in with negotiations that involve organizational change. Consider this scenario involving Deb.

Deb was called in to completely reorganize a 60-year-old privately owned company with 75 employees. It had always been loosely run by three owners, two of which inherited the company from their parents. Due to federal regulations, Deb had to put rules into place, including creating a human resources department. Throughout the process and the daily training that was involved, Deb assumed everyone was just as excited as she was about the changes. However, when it came time to work together, she had zero support and felt nothing but resistance.

Deb failed by assuming the employees were all on board with what she was doing. In the end, nobody was willing to make it work. Had she considered their interests, she would've given herself a better chance of completing the process with them in a mutually agreeable way.

Mistake 6: Being Overly Self-Serving

There are a number of ways in which negotiators are self-serving. First, negotiators fall victim to **egocentrism**, in that we tend to be much more interested in our own interests and needs than the interests of the other party. We see this in all types of negotiations. Take, for example, the 10-month lockout in the National Hockey League (NHL) in 2004–2005. During these negotiations the NHL Players Association (NHLPA) was focused almost entirely on preventing the implementation of a salary cap and ultimately turned down multiple offers from the owners in which a salary cap was part of the package. The players were so concerned about protecting their salaries that they failed to understand the financial limitations of the owners. Collectively the owners had lost \$273 million operating the league in 2003–2004. They had no incentive to give in to the players and thus were content with canceling the season. If the players had considered the interests of the owners, they could have asked for many other concessions such as changes to the rules, changes to the season, changes to the retirement plan, changes to the draft, changes to the drug-testing policy, and anything else they might have wanted. Their egocentrism prevented this, though, costing them 1,230 games and tens of millions of dollars in lost pay.

The tendency to demand more for an item than you would pay for an item is called the **endowment effect**.²² You may not be objective about the value of your car, house, or the vacation you want to take because people become emotionally attached to things. This can hurt your ability to process information in negotiations because the other party is not going to have the same emotional attachments you do. If you are selling something, it can lead you to make arguments such as “This TV is wonderful!” which really isn’t convincing anyone of anything. In the television show *American Pickers*, hosts Mike and Frank do an excellent job of managing the endowment effect. These two guys are “pickers,” in that they travel around the United States to people’s homes looking for antique items such as bikes, records, signs, and furniture. Their goal is to buy the items and resell them in their own shop for a profit. This is a ripe environment for the endowment effect, because the individuals selling these items often have emotional attachments to the items. That is, they value the items much more than someone off the street does. This makes them reluctant to sell, even at a profit, which is a problem Mike and Frank must work to overcome.

When we overvalue our own experiences and information that we can easily recall, we fall victim to the **availability bias**. When we enter a new negotiation, we draw on what we can remember about similar negotiations in the past. Those could be past experiences with that party or similar past experiences with other parties. If you remember having a difficult car negotiation at dealership X, you might be distrustful of sales staff at

dealership Y. Is there an objective reason for this? No, but without other information to go on, we weight our own memories heavily. This anticipated difficulty becomes part of our schema of “car negotiations.” The problem with relying on these memories is that it sets your own expectations for the negotiation and can change the other side’s behavior. If you expect the other side not to trust you, you will behave as if they don’t trust you. The other side will mimic that behavior because they won’t believe they can gain your trust. This leads to your initial belief coming true, as you say to yourself: *I knew I couldn’t trust them*. Thus your own bias has in effect created reality; this is a phenomenon known as the **self-fulfilling prophecy**.²³

Finally, we protect our “self” through the **confirming evidence bias**, the tendency for people to seek out and pay attention only to information that confirms their prior beliefs. Consider a job negotiation where the applicant has “fallen in love” with a company. The impulse for the candidate will be to pay attention and overweight information that supports their “love” for the company and not objectively look at any flaws that the company might have. The confirming evidence bias shuts down the learning process, because individuals are no longer attending to information that could potentially help them make a better decision. So they may overweight “free lunches on Fridays” (something they like but which really tells them nothing new in terms of how they should evaluate the job) but will ignore the 80% turnover rate (something that may uncover why the job is not so great). The prior belief about the company being great thus has been “confirmed,” but in the end once they learn more, they might regret taking the offer.

Mistake 7: Relying on the Same Tactic Again and Again

Part of learning to negotiate involves learning to use various tools, but an equally important part involves knowing which negotiation tools or behaviors, which are called **tactics**, are right for which tasks. Not only should you think about which tactics are right for the negotiation, but you also need to understand why. As usual, there are common mistakes people make when picking them.

The reason for this mistake is that people use the tactic that is most comfortable rather than the one that is likely to be most effective. For instance, we see over and over again that students in class exercises resort to compromise with their friends, even when they have just finished a lesson on how compromise leaves value on the table in the negotiation. Friends are reluctant to engage in the difficult discussions surrounding negotiation, and they end up stuck in patterns of nonoptimal solutions (and less value) because of the (incorrect) notion that negotiating means the friendship will be harmed.

Negotiators have a tendency to rely on their own past experiences rather than the best knowledge at hand when negotiating. For instance, in one study researchers found that negotiators who had previously reached an impasse were more likely to reach an impasse or an agreement of low value the next time, compared with those who had reached initial agreement.²⁴ We get stuck in the pattern of poor negotiation behavior and strategy and struggle to change.

This inability to adapt to various situations is called the **functional fixedness** bias. The person who uses the same inability to transfer knowledge from one negotiation to the next tactics for all negotiations may perform well in business or one-shot negotiations but is likely to make enemies or have a bad reputation in subsequent negotiations. Take again the example of the budding manager. Focusing only on what you will get as the boss and disregarding the relationship or concerns of the workers might make you appear distant, selfish, and power-hungry. The astute manager will realize that although overt power is at his or her disposal, it should be used only when the situation dictates its use.

In addition to tactics, people tend to think of objects only in the way they were designed, or to believe that an object can be used only in one way or works the same way all the time. The place where this happens most frequently is money. People think that money is a motivating factor, but they become functionally fixated when they think it is the only factor to motivate, or the strongest factor, or that it

always works. In our university, which is by no means wealthy and has many people who do their job for love, it is disappointing to see how often the first thing used as a carrot is money. This is suboptimal because money's influence is marginal (comparatively), and the school does not have a lot of it (meaning using it to influence behavior is like trying to dig dirt with a paper plate).

Mistake 8: Inability to Transfer Knowledge From One Negotiation to the Next

Negotiations come in an infinite number of forms, so each negotiation you encounter will be unique. Luckily, they will also be extremely similar to the other negotiations you will encounter. Although negotiations look different on the surface, they all have basic commonalities that, once you realize what they are, allow you to analyze and/or act in them effectively. Seeing past the surface details can be challenging. Consider the following two situations:

Situation 1: Kai recently finished his MBA and, although he currently has a job, has just received an offer from another company. However, Kai would like to stay with his current employer. The struggle for Kai is that the new company has offered him a 20% increase in salary, an increase that is very important to him because he and his wife plan to start a family. In anticipation of his negotiation with his current boss, Kai does extensive research on what other people with MBAs in his profession are making, creates arguments about what he has done and what he could do for the company, and plans to share information about his family and his desire to stay with the company. After a few discussions, Kai's manager offers him a 17% raise, which is more than satisfactory to Kai.

Situation 2: After hearing about the raise, Kai goes home to talk with his wife, Michelle, about the good news. She shares his excitement and says that they should go on vacation, given the extra money and given the fact that, once they

have a child, traveling will be more difficult. Kai agrees. Michelle immediately states that she has always wanted to go hiking in the Andes in Peru and is so excited they will finally be able to do this. Unfortunately, Kai had his heart set on Europe and has no desire to go to South America. He is completely dumbfounded at Michelle's enthusiasm and responds by saying, "Uh, yeah, that'd be great." He has totally missed his chance to get the trip of his dreams.

Why has Kai succeeded in negotiation so well at work and failed so miserably at home? Because of the **inert knowledge problem**, the difficulty in transferring details from one situation to the next. Although the inert knowledge problem was originally conceived as a problem of transferring knowledge from educational contexts to the real world,²⁵ we can clearly see the parallels in the two Kai examples.

Kai likely thinks of the problem at work as a "negotiation" and does not think of the conversation with Michelle about vacation in the same way. Why? Are these situations really that different? Both have two people negotiating, in both there is conflict, both are seemingly only about one issue (salary in the first, vacation location in the second), and in both Kai seems to have a good relationship with the other party. However, whereas he engages in effective negotiating in the first situation, which influences his boss, he neglects to engage in these same tactics with Michelle. He agrees too quickly and fails to present his research, explore alternative options, and share his desires. He might now be able to step back after this conversation and revisit the location with Michelle, but that may be difficult and may be something he does not want to do since he has already agreed.

The underlying problem for Kai here is that he has compartmentalized his knowledge of negotiation.²⁶ That is, what he thinks of as "negotiation" is defined by the context; he is failing to see the similarities between the conflict that he has at work and the conflict that he has at home. As noted by Renkl and colleagues: "The major problem with this kind of knowledge compartmentalization is that in situations where knowledge should be applied, the [negotiator] relies on old, deficient (but nevertheless in some contexts functional) misconceptions."²⁷ This is the challenge in becoming a competent negotiator, seeing the similarities across situations so that the knowledge you gain about negotiation can be applied in situations where it is likely to be effective. This will lead to more value than will relying on strategies and tactics that, while functional, are deficient.

The inert knowledge problem is pervasive in negotiations. Research by Loewenstein, Thompson, and Gentner showed that MBA students at a top-five business school often failed to transfer what they learned to new negotiation cases, even when the cases were given in a negotiation class one right after the other.²⁸ These students didn't transfer their learning simply because the surface details of what was being negotiated in later cases were different from the earlier ones. The earlier negotiations were for a computer and a job, the later for a lease. This gave the students the incorrect idea that the underlying problem—how to trade most effectively across a set of issues—was somehow different across these negotiations. Thus, to understand and analyze negotiations, you must know how to see past the surface details into the deep structure of what any particular negotiation situation is really about.

We mention the inert knowledge problem here because your goal as a student is likely to use the knowledge you are learning here. If you cannot transfer knowledge from this book to your negotiation class, and then from your negotiation class to your real-world negotiations, we have not made a difference in your negotiation style. So how do you overcome the inert knowledge problem? First, you learn by doing, not just by reading. In most negotiation classes you will have the opportunity to engage in role-play exercises where you can apply the concepts you have read about. This has the effect of cementing your knowledge in a specific domain more permanently than just reading about a concept and hoping that the concept transfers. This also suggests that, if you are reading this outside of a negotiation class, you need to start negotiating to gain experience and practice. Second, there is evidence that a critical comparison approach to cases and exercises is needed.²⁹ This means that situations and cases should constantly be compared, in order to break the compartmentalization of knowledge. In this book we will constantly provide examples such as the Kai (work and home) examples, so that you start to see many of the similarities that exist across all situations involving conflict between multiple parties.

To help you in this regard, we have organized the book around the possible negotiation levers you can use to obtain more value from your negotiations. By organizing it this way, we hope to help you change your mental model of negotiations, as you should start to see features that are common to most or all negotiations. Instead of defining a negotiation by the contextual details (e.g., this is a team-on-team negotiation, this is a mediation, this is a job negotiation, etc.), we hope you instead define negotiations by the negotiation lever being used or that could be used (e.g., reciprocity, power, alternatives, uncertainty, etc.) and the nature of the relationship between the negotiating parties. This will help you see the commonalities. Take the following scenario:

Jennifer has agreed with the salesperson on a purchase for a new car. They have settled on price, and Jennifer has turned over the down payment check. However, upon final inspection of the car, she notices a very small dent in the front bumper. When she mentions this to Spencer, the salesman, he immediately goes into the back room of the dealership and disappears for 20 minutes. The dealership is about to close, and they have her check, but she is wondering whether she should try to get out of this deal or force them to fix the car or just take the car as is and take some money off the price.

If you were to assess the features of this negotiation, you might say the following:

- This is a car negotiation between Spencer and Jennifer.
- The car has a dent and Jennifer needs to figure out what to do.
- Spencer is trying to stall, for unknown reasons.

Hopefully by the end of reading this book, you will look at this negotiation differently, perhaps by saying the following:

- This is a two-party, seemingly one-issue negotiation.
- The resource power, based on money, is in the hands of Jennifer (buyer), and she has various options to attempt to influence Spencer (seller).
- The absence of Spencer suggests he is either investigating options for furthering the negotiation or attempting to increase the sunk cost (i.e., time) of Jennifer. How valuable time is to Jennifer, the deal is to Spencer, and the relationship dynamics between the two will determine the value obtained by each side.
- We lack information about Jennifer's alternatives, but it is likely that she could use this power to her advantage if left with no other recourse by Spencer.

The benefit of looking at the negotiation in this way is that you can compare these types of characteristics across negotiations. The negotiation is no longer about “a car”; rather, it is about two negotiating parties and the dynamics between them.

Summary. You might be dismayed at all of the mistakes that you have committed (or are going to commit). Do not fret! You can use the self-fulfilling prophecy to your advantage. If you accept the fact that you are susceptible to such mistakes, you can incorporate the material from this text and improve in a number of areas. You can leverage the fact that negotiators do better when they believe that negotiation skills can be learned.³⁰

By this point you should have a much deeper understanding of not only what negotiation is but also the mistakes that you specifically are likely to make in negotiation. Think about the negotiations that you are likely to be in and why you might be susceptible to different mistakes. Are you taught in your company that hard-bargaining is most appropriate? Perhaps then you are likely to fall victim to Mistake 1. Do you find yourself always assuming that whatever you want is going to be the opposite of what someone else wants? Perhaps you are most likely to fall victim to Mistake 4. Use these mistakes as a resource as you work your way through the rest of the book and identify how you are going to improve as a negotiator.

CHAPTER REVIEW

Discussion Questions

1. Why are mental models so important to understand in negotiation? Take one of your in-class negotiations and compare it to a job negotiation. A car negotiation. A negotiation with a friend. Look for the similarities, and think about how you can apply what you've learned in class to your real-world negotiations.
2. List all the mistakes of negotiation, and summarize in your own words what each mistake means to you.
 - a. Identify situations where you've fallen victim to these mistakes.

- b. Rank which mistakes are most likely for you and state why.
 - c. State how you might overcome each mistake.
3. Sometimes you may want to *reduce* negotiation potential, either because you already have a good deal or simply because you are not interested in negotiation.
 - a. In what situations might you want to reduce negotiation potential?
 - b. For each situation, how will you do that?
 4. For each of the five situations below, answer the following three questions:
 - a. Identify the parties, the nature of the interdependence, and the apparent conflict.
 - b. Does this scenario have negotiation potential? Why or why not?
 - c. Which mistakes are these negotiators likely to suffer from?
- i. Monica, Joe, and Naina are creating a team contract so that they can work more effectively together. The last presentation they worked on together was a disaster and they want to avoid that in the future. Monica says, “We need to put a penalty in for people who come late or leave early, especially since Joe always seems to need to leave early.” “I have soccer practice,” replies Joe. Naina then adds, “Sometimes I have to get my kid from day care; I just can’t commit to schedule certainty with a 2-year-old. So I am against this.” Monica yells, “Well HOW are we supposed to function that way? It is not a free-for-all!” “Calm down,” Naina says. “No! I am sick of this. You two always gang up on me!” Monica exclaims.
 - ii. Jamal and Bill are in the middle of a heated debate over who will lead when delivering the presentation to the CEO. “You just want to hog all the glory,” Jamal accuses. “Oh, I do? What about you? I can barely get a word in when we meet with people before you

interrupt with some story of how great you are,” Bill replies. After sitting in silence for a while, Jamal says, “Whatever. We need to figure out *something*. How about we just flip a coin? The winner leads.” Bill retorts, “We are supposed to tell our presentation plan and rationale to our supervisor. You think she is going to go for ‘We decided who would lead by flipping a coin?’”

- iii. Animesh’s boss walks into his office and says, “You have been leaving early at least two times a week for the past month. You were warned about this.” Animesh replies, “But I told you, I have soccer practice two or three times a week.” The boss says, “And we told you that you can’t leave early per company policy regulation Article 4, Section 5. That regulation also states that a person who does this shall get one warning, and if they don’t comply they can be terminated.” Animesh then says, “I only have one more month in the season. Can’t you just let me slide and I’ll make it up somehow?” The boss looks at Animesh and says, “I was only coming in to tell you that you are fired.”
- iv. Consider this car-buying negotiation:
 - Salesman: Well, for this car, we can give it to you for 10% below MSRP, so \$38,452.
 - Shawn: That is too much.
 - Salesman: What were you expecting?
 - Shawn: I was thinking more like \$32K.
 - Salesman: Are you kidding?
 - Shawn: I didn’t think so. I guess we are done here.
 - Salesman: Wait, let me go ask my manager. [Comes back in about 15 minutes.] What if we do \$38K but we throw in the extended warranty and roadside assistance for 5 years?
 - Shawn: I really don’t think so. Even with that I couldn’t go above \$35K.
 - Manager: Hello, my name is Jen. I am the manager here. Maybe I can help.

Concept Application

1. Go into a situation where negotiation is uncommon and create negotiation potential. Report to the class how you did that.
2. Come to class prepared to discuss conflict situations that would not *typically* be thought of as negotiations.
3. Interview someone who engages in a lot of negotiations. Ask this person about the eight mistakes listed in this chapter and how he or she has managed these mistakes in negotiations.



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