Negotiation Training 2: Single-Issue Negotiations

Professor Umphress: All right. Welcome, everyone. I'm really excited about all these really cool resources that are being offered and I'm super excited about sharing some content with you today. I'm going to start with our agenda for the day.

First, I'm going to give you just a quick overview of some of the concepts that we went over last time. The reason why this is really important is because last time, we learned that your pre-negotiation plan, or your planning before the negotiation, is going to be absolutely pivotal in your success for any negotiation. I just want to make sure that you know those concepts. Also, if you go to the website link that was provided in the e-mail, you'll see some videos. We have a long video from our first session, but we also have some really quick, three-minute short videos; in those videos there's a description of a pre-negotiation plan as well. Then, we're going to talk about generating a first offer. And it turns out, there's a lot of research on what your first offer should be in a negotiation and I encourage you to put your first offer in your pre-negotiation plan. Then, we're going to talk about “How do I initiate a negotiation?” That's typically something that I get asked in my classes because it's kind of an uncomfortable situation to begin with, to start a negotiation, so how do we do it any less uncomfortable way?

Then, we're going to talk about strategies for single-issue negotiations. Most negotiations are multiple-issue negotiations and we're going to add to those strategies for multiple-issue negotiations next time. Today, we're going to focus on the single-issue negotiations, but they can still be useful. I'll describe next time how they can be useful for those multiple-issue negotiations.

This is our framework for our sessions. We started off two weeks ago with our introduction to negotiations. Today, we're moving on to the single-issue negotiations and next session we’re moving up to the multiple-issue negotiations. Then, we're going to be talking about influence tactics or how we can influence others; that tends to be pretty important in negotiations. Finally, we'll talk about what to do when you have group negotiations for our last session. As Alyssa already mentioned, we're going to be having these sessions every two weeks, so in two weeks we're going to be talking about the multiple-issue negotiations.

All right, so last time we talked about your BATNA. Your BATNA is what we would do if the negotiation doesn't work out. It's what you would do, in words, if this negotiation doesn't work out. It's what you would do, not what somebody else would do, not what you would do in the
past, it’s what you could do right now if the negotiation doesn’t work out. We also talked about how you might have multiple alternatives. Your best alternative is going to be your BATNA.

The next concept that I’ll quickly review is going to be your reservation point. This is going to be the numerical equivalent of your BATNA. This tells you when you’re going to walk away. So, let’s say for my BATNA, I’m selling my car. My BATNA of that situation is to sell to buyer A. If buyer A has given me an offer of $14,500, then my reservation point is going to be $14,500. My BATNA is to sell to buyer A. $14,500 is my reservation point.

Now, my target is my goal in the negotiation. We talked about how we want to set specific and difficult targets in our negotiations and how we're probably not very good at setting specific difficult targets right now. In general, probably 99% of the people who take my class for the first time are not setting good targets. Let’s say, you’re a person like me in an organization like this, and you’re looking to negotiate your salary. The salaries range for people like me in an organization like this between $40,000 to $50,000. My target needs to be $50,000. My target needs to be as high as possible without embarrassing myself in front of a respected third party. So that's pretty high; we can tolerate a pretty high target. One thing that can drastically increase your negotiation performance is setting difficult and specific goals or targets, rather than medium goals or easy goals.

Alright, that's our review. I'm happy to talk about those three different concepts during the question and answer session and also during office hours because they're pretty pivotal to your success in your negotiation.

I'd like to move on to setting your first offer. Now, we're not going to have our first offer be our target point. The reason why we're not going to have it be our target point is because if it is our target point, then we're not going to get to our target point. We're going to use our target point as our guide in setting our first offer. If we're a buyer, then it's going to be lower than our target point. If we're a seller, then it's going to be higher than our target point. We want to get more money or more resources.

What we're not going to use as a guide in setting our first offer is our reservation point, or our walk away point. So, we’re going to use our target as our guide to set our first offer. Our first offer needs to be better than our target or else we’re not going to get to our target.

In order to set our target, we’re going to be doing our research and we’re going to be finding our research out there in the world. What is the best price that anyone has ever gotten for this
particular product? That is going to be my target. My first offer is going to be maybe a little bit higher than that if there's not much variance in the market.

Variance in the market is the distribution of prices in the market. If there's a lot of variance, so there's an enormous amount of different types of prices that are out there in the market, then there's a little bit more flexibility of making that first offer higher. If the market tends to be pretty tight, and I think during COVID the market tends to be pretty tight, then you're going to have less variance above. So, you might only go 3% above your target for your first offer.

When we're setting our offer, we're going to make sure that we're going to refer to it and set it as an anchor in our mind. When I say anchor, I mean it's going to be a number that I think about in my mind and that's going to make it such that I'm going to be more likely to achieve that number, or close to that number, in the negotiation.

Alright, I want to talk about this advanced tip that I'm kind of excited about. There's recent research that's out showing that what we want to do on our first offer, when we have a numeric value, is give a range. Now, prior to two or three years ago, I would say that you only give one number as a first offer because if you do a range, then the other party's just going to pick the higher or lower end of that range and it's not going to help you to provide that range at all. But instead, recent research has shown that offering a bolstering range will actually help you. So, I'm going to say if you have a numeric outcome that you're interested in, that I want you to offer as your first offer what's called a bolstering range.

Researchers found that there's three different types of ranges that you could offer. Let's say my target is $100. A bolstering range, it when my lower point is my target and then I have aggressive, but plausible, increase in the upper number. I go from $100 to $120 if I'm a seller, for example. So again, my target is $100 and for a range offer, I'm going to offer from $100 to $120 to the other side.

Or you could try something that's less superior; I would suggest not doing this. That's when the target is included in the two numbers, this is a bracketing range. So again, my target is going to be $100. A bracketing range is where I give $90 to $110 as the range offer. Finally, we have the backdown range where the top number is the target and then the bottom number is much worse than the target. This is not a good idea at all.

The researchers went and they tried to discover over five different studies which of these range offers is going to be best. They also found out compared to offering one point value what is going to be best. As you can see from this research, we have this one area here where if you have a
bolstering range, you're going to have significantly higher performance for you. The other side is going to give better counter offers. What I mean by better is that it’s going to help you do better, not them. They're also going to assume your reservation point is higher and the anticipated settlement or the end settlement is also going to be higher. You're going to perform better in that negotiation than if you just said one number versus if you did a bracketing range or back down range.

So, what you want to be doing, your offer is going to be your target or a little bit higher than your target and then go above that. The research further found out that you can't go too much farther in terms of your range. They tested different types of bolstering ranges. They tested ones where it was starting at $100 and then went off to $300 and people just kind of thought that was nonsense. So that's not going to work for you. Instead, you want to go $100 and then about 20% variance above that. That's how much people will tolerate it where it will help you. The reason why I'm excited about this is because this is the first time that I've presented this to an audience in this way so I'm really looking forward to your feedback on this.

Researchers wanted to find out, why is this working? Because, again, this is contrary to all the research that has been done over the last 40 plus years on negotiation, so this is really throwing a wrench in our understanding. What they found out is that by doing a bolstering range, it gives you information. It gives the information to the other party about what your reservation point is, or they assume it's giving the other party information about what their reservation point is.

The other reason is politeness. When you give a bolstering range offer, then the other side sees that as polite and then they're motivated to reciprocate that politeness. If you don't give a range and you just give one number, the other party is less likely to think that you're being fair. They might think that you're being a little stubborn. But if you offer a range, that’s seen as less stubborn, fairer, and they perceive that they need to be more polite in that circumstance. That's what I think is particularly exciting about this.

Now, your bolstering range should only work for your first offer. We're not going to do a bolstering range for other offers in your second, third, fourth offers because that again would just be strange. Instead we're going to be focusing on that first offer that you're going to make and we're going to be doing a bolstering range. So, a little bit above your target and then above that, but not too much above that. Don't go above 20%.

The other thing that research has shown sometimes gets people uncomfortable, especially the engineers in our group, so I apologize in advance. Research has shown that if you have more precise numbers then that's going to be perceived more positively by the other side. They think
that you have more validity in those numbers, that you've done your homework, when you present those numbers, and they're going to be perceived as fairer than just round numbers. I would encourage you to use more precise numbers. Now, we don't need to be silly about this. We don't need to get into an eighth of a cent. Or maybe it's not even appropriate to get to the cents or even the dollar values if we're talking about million-dollar deals. But let's offer precise numbers as your first offer and actually every single offer after that. Let's be more precise. Combining this with the bolstering range, then we might offer $104 to $125. By being more precise about our numbers that we're offering the other side is going to think that's fairer.

Okay. Questions?

Alyssa: Laura says she loves the idea of a bolstering range and found that this works well in negotiating salary increase. She's had experience with this, which is awesome.

Professor Umphress: I will tell you one thing, there's different issues that you negotiate. Some are categorical issues such as “I want to live in Seattle.” So, for “I want to live in Seattle” type issues, which are more categorical issues, don’t do a range on those because it doesn't make any sense. Somewhere between Tacoma and some other city in the north, Kent, that wouldn't make much sense. Instead, just say your preference for categorical issues. But for numeric issues, that's when your bolstering range is going to work.

Alyssa: Kevin's wondering if you have seen this work yourself.

Professor Umphress: Yes, I have. Once this research came out, I was pretty excited about it and I've been sharing this with my students, of course. A lot of my executive MBA students, one of their very common projects is to go out and try to negotiate either another salary or raise and it's been really successful for not only me, but also my students. I think that in negotiations and research land, this was a really big deal. We were super excited about it.

Alyssa: Awesome. Judith said she likes being supported by data.

Professor Umphress: Yeah, you know what's funny about it is that people always just made the assumption that giving one number is all you need to do is, and as you can see from the graph that I had up, you're still doing pretty well with that point offer. The one that's on the farthest end, you're still doing pretty well in that situation, you're doing better than some of the other situations. However, you're going to do the best with your bolstering range that's your best situation. Recall, this is just the first offer that's thrown out there. There are many other
negotiations along the way, but this bolstering range really has a big strong effect. I think it's going to really change your negotiation performance, which is why I'm talking about it today.

Alright, so how do we initiate our negotiations? I would not encourage you to just say, “Now we will commence the negotiation.” That is not a good way. Instead, contact the person via email or phone and say, “I have some questions.” Say what you have questions about, the very specific issue that you have questions about, and that gives them a heads up of the thing that you're going to talk about.

At that moment, this has happened to me a lot and to many other people I know a lot, be ready to discuss that issue immediately. Don't send that email without preparing because that person might call you at that moment to talk to you about it. So, contact the person only when you're ready to do that negotiation.

But sometimes, that person doesn't want to negotiate immediately, and if not, you'll schedule a time that's going to be appropriate for both of you. Now remember from last time, especially during COVID and with all the uncertainty, we want to make sure that this is the right time for the person. Even if the person calls you up immediately say, “Is now a good time to talk about this?” Ask that question. If they say no, then go ahead and schedule another time to discuss it.

The other thing is that I would strongly encourage you never to use the word “negotiate” during a negotiation or in initiating a negotiation. People tend to think certain things are unethical, and one thing is a negotiation. Some people just have a negative reaction to the word negotiation. I know this because I've been teaching negotiations for a really long time and when I first go to a party or get together and people ask me what I do for a living, I say that I'm a professor and then they ask me, “What do you profess? what do you teach?” When I tell them I teach negotiation, typically they step back a couple of steps and then grab their purse or their wallet like I'm immediately about to steal everything that they own. People do have a negative reaction to the word “negotiation” and so I would encourage you not to use that word, either before the negotiation when you're contacting them or during the negotiation. Instead, we're going to use words like, “I have some questions. What do you think about this outcome?” We're not going to use that word.

Now I'd like to talk about a process of negotiating. What does it look like when we start the negotiation? The first thing you'll do is you're going to share your offer. Now remember, in your pre-negotiation plan you've already written down what your offer, is your first offer, and you've already done quite a bit of homework in order to figure out what it is. You're doing your bolstering range if it's a numerical value or just saying, “I want to live in Seattle” if it's a categorical issue.
You’re going to state your first offer, then you’re going to say why it’s fair and you’re going to refer to your research. You're going to say where these numbers came from. You're not going to be specific about exactly where they came from but say you did research on salary numbers within similar industries and within similar occupations and for people like me with these types of skills and abilities and this is the type of range that people look for. We're going to say why it's fair.

If the other side chimes in and tells you why it's not fair, you're going to acknowledge that they might have a different perspective of fairness and that's okay because all of us have a different perception of fairness. Rather than argue about it, just acknowledge their perspective and say this is where your numbers are coming from. And you can understand if they have a different sense of fairness.

After you've shared your offer, you said why you think it's fair, then I want you to be silent and allow the other party to respond. So again, you're definitely going to tell the other party all of the reasons why you think this is a really good offer but then that other point, being silent, is very important as well. I have experienced this many times where I've been negotiating with other people and they talk themselves out of their own offer. I want you to be silent, allow the other party to respond. Be patient. Hopefully our negotiations are going to be occurring on Zoom or some other platform where it's live and you can see their facial reactions and you can see how they feel about the offer.

Let's say they don't respond after a minute. And I mean, that's pretty long to be silent. I want you again to be comfortable with the silence. If they don't respond after a minute, then ask a question. And that question can be, “What do you think is fair? What would be your best offer? What is your perception of what I just said?” Really just asking the other party questions and finding out how they feel about your offer.

Your goal really is for them to provide a counteroffer, but they might not be ready to do that because, unfortunately, most people haven't done their homework before a negotiation. And when I say do your homework, most people haven't planned for their negotiation. They’re just kind of developing their counteroffers on the fly as they're sitting there, which really isn't the best strategy but you're going to have to be more patient and allow them time to think. But don't talk yourself out of your offer.

All right, so last time during office hours, we had a really good question about “Should I be making the first offer?” And research on this has been around for a while now. We've said for over 10
years that we should be making the first offer, that the person who makes the first offer generally
does better in the negotiation. You're going to perform at a higher level, you're going to get the
outcomes that you want if you make the first offer. Why? It's because of anchoring. It's because
of this funny thing that happens with human beings, we tend to think about one number or two
numbers at the same time and if you are the first person to say your offer to the other party,
then they are thinking about your numbers; you've anchored them.
It's pretty powerful. As you can see, the first offer determines 50% of the variants in the final
outcome. That is huge. So, you really want to be making that first offer. Now acknowledge that
in some circumstances, it might not be appropriate to make the first offer, but when you can,
you want to.

Another reason why you want to make that first offer, this is pretty important, it determines the
focus. High anchors, high first offers make it such that the other party is focused more on your
positive attributes and less on your negative attributes. You really want to be making that first
offer because it's going to focus you and make that first offer really high or positive because it's
really going to make it such that the other party focuses on all of the positive attributes of your
company, of your supplies, of whatever you're offering of your skills and abilities. When making
that first offer, focus on the positives. Whereas if you have a pretty low offer, it's not going to
help you at all. But you're not going to do that because you're going to set your really specific,
difficult target, then you're going to have your bolstering range and you're going to be ready with
that really good first offer.

The other thing that having a really strong first offer does for you is it gives you flexibility to make
concessions. Let's say you make a pretty weak first offer and that offer makes it such that you're
really tight, you're close to that reservation point. You don't have a lot of moving room; you can't
make a lot of concessions. It turns out the other party views your fairness in the negotiation
based on how you make concessions. If you don't make really good concessions to the other
party because you started off with a really weak first offer, then they're going to perceive you as
inflexible and unfair. If you start off again with that really strong first offer, then it's going to make
it such that you're going to be perceived positively and that you're going to be more flexible to
make concessions down the line.

What happens when they beat you to it? Some industries, such as if you're trying to get a job
offer, it's kind of weird or inappropriate for you to give the first offer to the other side. You don't
tell the recruiter what your pay is going to be, it's just not socially accepted to do that. Sometimes
it happens you're in a situation where you can't make the first offer, so what do you do in those
circumstances? Well, interestingly, you don't accept the first offer. Now if you remember from
last time, we talked about the winner’s curse. The winner’s curse is when your first offer is
immediately accepted. If your first offer is immediately accepted, you feel bad and you feel like you could have done better. What the research is showing is that even if the other party gives you a great offer, I want you to negotiate just a little bit. Now, if it's really not a good first offer, of course, we're going to negotiate a lot. If it's the best offer you could ever receive, I still want you to negotiate a little bit. The reason why is so the other party won't feel bad; the other party will actually feel more satisfied if you try to negotiate a little bit because if you don't, they will suffer from the winner's curse.

I want you to counteroffer. I want your counteroffer to be the same, because you've already done your homework, it's already in your pre-negotiation plan, it's going to be the same as if the other party didn't have the opportunity to make the first offer. You're already going to know your first offer before you walk in the door and you might be in a situation where you want to adjust your offer, based on what they told you, do not do that. Don't do it. You've done your homework; you know what your first offer should be; don't make those adjustments. Making those adjustments is the very reason for why making the first offer is such a powerful effect: it's anchoring. Don't let them anchor you to their numbers. Instead, we're going to focus on our numbers and we're going to make our fair counteroffer that we would have anyway. Even if they beat you to it.

I will say now that I have a certain level of negotiation experience that it really doesn't matter for me if I make the first offer or not because I know what my first offer is going to be no matter what because I have it in my pre-negotiation plan. I will say that if you have your first offer already determined and you don't adjust it based on what the other side is saying, then who makes the first offer is going to be less important. But right now, if you don't have a lot of confidence in your negotiation ability, make sure you make that first offer if it's appropriate to do so.

All right, now I will talk about a couple of situations in which you should not make the first offer and one big situation is when you don't know what you're talking about. If you have not done your homework, if you do not have a target, if you do not have a bolstering range, then you should not be making the first offer. Hopefully you can delay the negotiation so that you can go and do your homework and you could figure out what your target is and your bolstering range, so you'll be ready for that negotiation.

However, if you don't have the opportunity to do so, let's say, I'm driving along, and I bust a tire and I'm taken to the nearest shop to get my tire fixed. That is not my moment, even though I am looking online trying to do some research and figure out how much tires cost and everything, I am not going to make the first offer in that instance, because I don't have as much research as I would like. So, we're going to let the other party make the first offer when we're not prepared.
Alright, so I'm excited about our questions.

Alyssa: Okay, I'm looking at the chat box. Tony is asking, “How do you respond when the other parties won’t allow you to finish your initial explanation of why your offer is fair?”

Professor Umphress: Okay, so this might be a tactic, or it could be the other party is super emotional about this negotiation. Just allow the other party to butt in and ask the other party about what their perceptions of fairness are and really get a sense of what their interests are, because this is information for you to use moving forward to maybe make concessions on things that are less important to you in order to gain on things that are more important to you.

I would let them interrupt you, even though we all know that's rude and people shouldn't be doing that and I'm not encouraging anyone to do that in a negotiation at all. But if the other party does it, allow them to do it and then ask them questions. It could be this person really wants to be heard. And once they feel that they've been heard, then you can call them back to your offer, and talk about your numbers again. That's a really good question.

Alyssa: Kevin wants to know if you could talk more about the psychological tools to use to maintain composure, silence for example.

Professor Umphress: Okay, so before we talked about doing a power pose before your negotiation to make yourself feel more powerful if you don't have a really good BATNA because then the other side sees you as more convincing. Also, before your negotiation, make sure that you are calm. Certainly, when I'm in negotiations, especially with people who feel really passionately about these issues and I also feel really passionately about these issues, it's really helpful to have a picture on the long game. We're trying to get to a settlement that's going to really benefit both of us and this person being rude in this one instance is hampering his or her ability and my ability to get to that long game. Rather than take that moment personally, I'm going to focus again on the long game and the team and us getting further on.

How do I do that well? Taking deep breaths is one thing. What's really cool about human beings is that we tend to reciprocate the other party. If I come in and I'm positive and I listen to you, then you're more likely to be positive and listen to me. If I come in defensive and rude, then you're more likely to come in defensive and rude. What you're talking about is an instance where maybe the other party comes in and is being defensive and rude and you're trying to be calm and positive and it's pretty hard. I would encourage you to take breaks. I would encourage you to get really good sleep, that matters a lot before your negotiation. I would encourage you to get food before your negotiation. All of those things lead to higher levels of mindfulness and ability to
control and focus again on that higher order goal in that negotiation, which is to solve this puzzle together and get a positive outcome. So, take breaks.

One thing that really helps, especially right now, is maybe encourage the other party and you to go on a walk outside. I know you're not doing it together, but you could just put in your earphones and give them a call and continue that negotiation while you're both walking outside. Taking that walk in nature can really help adjust the other party's mood as well.

Alyssa: I'm wondering if right now, especially with a lot of negotiations going on via Zoom if it's ever appropriate after you make your first offer and you lay out all your reasoning to put yourself on mute and that kind of signals that it's their turn to talk or counteroffer.

Professor Umphress: You know what, I love that and I hadn't thought about that before. I don't know any research on that topic specifically, but I think it's super cool. What I think it does is that it indicates, and especially if you're leaning forward, really looking at the camera, it indicates that you’re really paying attention to the other party and you’re ready to listen. I look like you're ready to listen to them and put yourself on mute. I think that's a great strategy. Note that you don't want to look at their picture, which is hard to do, you want to look at the camera.

This is a really important point of having the other party perceive that you are hearing them. One of the negative things about COVID right now is that we're doing these negotiations via Zoom or other means. So, trying to make eye contact is really weird in a circumstance. So again, look at the camera. And really try to pay attention to what they're saying. The problem with looking at the camera though is that we're making it such that we can't look at their body language. As much as you can, look at the camera as well as look at their body language at the same time, but try to appear with your body language that you're ready to listen.

Alyssa: Another tip there might be, and I just realized that while you were talking, is that in Zoom when the speaker’s screen is smaller, you can put it up towards the top, right by your camera. Right now, Professor Umphress is up at the top of my screen, but it probably looks like I'm looking at the camera because it's really close to my lens, so you can try that.

Professor Umphress: Okay. Thank you everyone for those great questions and thank you Alyssa, for that great idea.

Next, we have distributive negotiations. Distributive negotiations are single-issue negotiations, that's the topic for today. Single issue negotiations are sometimes our toughest negotiations, especially if we disagree, because it's pie slicing. That's when we get down to the nitty gritty of if
I get 80% then you get 20% or if I get 50% you get 50%. It's a super hard negotiation. You're actually going to do better in your negotiations if you don't have single-issue negotiation. I would encourage you, if you do have a single issue negotiation, for example, rent for your store, I would encourage you to try to bring in other issues such as the duration of your contract or your payment terms or something else, because when more issues are on the table, it becomes more of a win-win negotiation.

That's why it's really important to listen to the other side, because when the other side is sharing their information, try to hear if they're talking about a different issue. If they're talking about a different issue and it's something that you can negotiate, include it in that negotiation, that will only benefit you. If it's another issue that you are 50/50 on or it's pie slicing, then it's not going to help you, but it's pretty rare to have the pie slicing types issue. Most of the time adding more issues to the table is going to help you.

When we're in a distributive negotiation, we have this mixed-motive situation. We are motivated to find what's called a positive bargaining zone. We want to find a really good solution for both parties, but at the same time, we want to get as much of that pie as we can. We're very self-interested and we're also other-interested at the same time. We're mixed-motive in this situation. Try to think again about that end goal; that end goal is finding the solution to this puzzle for you and the other party.

During our distributive negotiations, or single-issue negotiations, we want to be ready to make concessions. Remember our first offer is going to be super strong, we're going to have a really good first offer. It's going to be that bolstering range, but then we want to be ready to make concessions. Concessions are exactly what we want in a negotiation from the other side.

How we do concessions is what's important. First of all, we're going to make bilateral concessions. There's a pattern to concessions: I'm going to make a concession, the other party is going to make a concession, I'll make a concession. We take turns, in other words, just like we learned in kindergarten. If the other party doesn't make a concession after we've made a concession, you can highlight, “I have made a concession. This is the concession I've made, and I'm really wanting to hear from you. What is your concession? Are you willing to move on this issue?” And if not, say, “Well, I've already moved this far and I'm really looking for a stronger concession next time.”

Now you want to develop some kind of rationale for your concession. Why are you willing to move off of this? Why do you think this is a particularly good deal? If it's a quick-fire type negotiation, maybe it's not appropriate to say justification for every single concession that you
make, but make sure to try to draw things back to fairness. Fairness is what we call a power word. It's a word that the other party is likely to going to feel positively about and it's signaling that you care about the other side.

Alright, so what we don't want to do, and this kind of gets back to some of the questions that we had earlier, what we don't want to do is if the other side does not make a concession, we don't want to continue to make concessions ourselves. If we continue to make concessions and we make two concessions in a row, or three concessions in a row, that signals to the other party that we're negotiating with ourselves, not with the other party. If the other side has not made a concession, then you'll pause and wait for a concession. Once they start to be kind of uncomfortable, then ask them, “What would be the best deal for you? What do you care about in this negotiation?” We should try to bring in other issues, but we're not going to negotiate with ourselves.

Negotiating with yourself is when you make a concession and then you make another concession. This happens quite a lot. It happens more than you probably think so. This happens in situations where people are trained, unfortunately, and this is really not a good idea, I would not encourage you to do this because it encourages pretty poor behavior from the other side, but when you make an offer then the other side has some super dramatic response. I have to stop myself from laughing at some of the responses that I have sometimes in negotiations, but do not laugh. Sometimes the other side makes a really dramatic response and what happens is that that usually gets an untrained negotiator to say, “okay,” and then they make a concession. Don't do that. Don't do it, it's not in your best interest.

We're going to call out those unreciprocated concessions and we're going to write down every concession that everyone makes, so I'm going to write down my concessions. I'm also going to write down the concessions that the other party makes. The reason why I do this is I'm going to highlight if I have moved more off of my number than the other side has. If I've moved more then I'm going to say something like, “I've moved $200 off of my original range that I gave. I've only seen you move about $150, so this next concession, I'm looking for it to be a little bit larger from you.”

These concessions and the practice of making concessions, there's a lot of research about it. Again, we want to make bilateral concessions and we're not going to reward that obstinate behavior that unfortunately is taught to people typically in car dealerships and other places where they act really obstinate in order for you to make two concessions in a row. What happens, though, is that the other party, once they see that you're not going to make a concession and
they're not going to be rewarded by their bad behavior, they typically move forward and continue to negotiate in a more normal way.

One more thing, let me go ahead and talk about behavioral reinforcement. So those of you who have pets or children. You might know about something in psychology called behavioral reinforcement, which is this notion that we reinforce the behaviors that we want to see. So, if someone's acting really positively in a negotiation and providing concessions, then again, I'm going to provide concessions in return. We're going to go and and take turns. If the other party is not behaving in a positive manner, we don't want to reward that poor behavior with a concession. That's what's been reinforced for this person all along and why they behave poorly in this one particular instance is because that poor behavior was rewarded in the past. What you want to do is extinguish that behavior and not reward that behavior. It’s called behavioral reinforcement and it’s been used in psychology, it's been used with training dogs, training people; it has a pretty powerful effect.

Alright, so now making concessions. There's research that has been done if you should make larger and larger concessions, or if you should make equal concessions over time, or if you should make smaller and smaller concessions over time. It turns out that you want to make smaller and smaller concessions over time. You want to start off with the larger concessions and then make smaller and smaller concessions over time. Let's imagine a situation where you and I are negotiating and every time I make an offer or a concession, I concede $50 every single time. What that does is it motivates you to continue that negotiation off into infinity. So, we're going to continue and have a super long negotiation, because every time you come back to me, I'm giving you $50. You can see how that's not really to your benefit to do so. Worse, let's say every time you come to me, I give you $50 plus $5, so I'm going up to $60 and higher. So, every time you come to me, you're rewarded with even more money or more outcomes. You can see why that’s not very effective, but if I make smaller and smaller concessions over time, you can see how that can be incredibly effective. Then you're signaling that there's an end to this negotiation that we're getting closer to my reservation point.

You want to plan your concessions. In your pre-negotiation plan I would encourage BATNA, reservation point, and targets. You'll know all those and you're going to have your first offer. For these numerical issues I want to encourage you to have a plan for your concessions, so you don't have to sit and calculate what your next concession is going to be, you know what it's going to be. I've had practice with this, and I think it's super fun doing the concessions and figuring out what the concessions are going to be beforehand and I've been really successful with it. So have my students who are negotiating salaries and student loans and cars and all sorts of other things that have numeric values, they do smaller and smaller concessions over time.
We're going to talk about some more strategies to have more pie or better outcomes. One is you want to use objective-appearing rationale. You're going to do your research; you're going to refer to your research. It needs to come from a valid source if you can name that source then great. If you feel like it causes confidentiality or anonymity problems, you can just say, I feel like this is a trusted source for me. You're going to use that rationale when you provide your logic for your offer. Often when we're talking to another party, we're thinking of all the really smart things to say but we don't actually say them. It is really important for you to say why you think that this is really strong rationale for you.

At the same time, we don't want to tell the other party that their rationale is wrong. It might be wrong but based on reciprocation, if I told the other party that their rationale is wrong, then they're more likely to tell me my rationale is wrong. Instead, I'd encourage you to say, “I can see why you would think about this issue in that way.” Acknowledge the other party and their perspective and then they're more likely to acknowledge you and your perspective. “I can see your perspective,” does not mean, “I agree with your perspective,” it just means that I can see your perspective and those are really different things.

Now we're going to talk about fairness. I'm do research on organizational justice within organizations. I really think a lot about fairness and fairness is really important. They say that fairness is in the eye of the beholder. Well, that's certainly true and something that I think is fair might not be seen as fair by the other party. This is going to be one instance where we want to acknowledge your sense of fairness and what you think is fair and acknowledge the other party's perspective as well. You're going to appeal to the norm of fairness that works best for you while recognizing that there are different ways to view fairness.

One way to think about fairness is equity, of course. You can see equity in a lot of different places in our world; one is within our employment settings where we tend to think that people who are the highest performers should be paid the most. That's an equity type of reward allocation.

Then we have equality and you also see this in our organizations as well. So, I'm going to give everyone the same share, everyone gets the same health insurance, everybody gets the same access to these certain outcomes. It's equal, everyone has the same chance.

Then we have something that's based on need. And I think that this need based fairness discussion is particularly salient right now during COVID. Clearly, there are some of us who have greater needs than others. I feel like this need based fairness is something that could be particularly effective right now within your negotiations. If need works for your negotiations,
then use need-based fairness. But again, you’re going to use whatever type of fairness works for you while acknowledging that the other party is also going to use whatever type of fairness works for them. That doesn’t make them wrong, it just means that they have a different perception of fairness. So, I will acknowledge that perception and then they’re likely to acknowledge ours.

This is my last tip, which is the even split play. Now let’s say you’re in a negotiation and it’s super common for the other side to just say, “Let’s split it down the middle.” Doesn’t that sound just wonderfully fair? It’s relying on equality; it sounds so great doesn’t it? But probably 99% of the time, it’s not to your best interest to do so. The reason why the other party is using this, and why I call it a ploy, is because the other party might have been talking about really extreme values. If the other party stops or starts off at something that is unreasonable and then makes very small concessions along the way and you talk about reasonable numbers and make larger concessions along the way, then meeting in the middle is not going to be to your best interest.

I smile and I say this because there’s only been one instance where meeting in the middle was the right decision for me in my negotiations. I was helping a friend negotiating a car offer and we’d been there pretty much all day. Near the end of the day, the dealer came in and said, “Alright, well let’s just split it down the middle.” It turned out that was a really good price. The other dealer, although they were extreme values, we knew they were going to be extreme values, and we just were able to get it to a really good deal where we met in the middle and it was a good value. It’s only happened one time, so I encourage you to do your math, figure out if it is a good deal for you. Most of the time meeting in the middle is not a good deal for you.

Do we care about the other side in negotiations? Most certainly we do. I know that negotiations are tough and especially now, they’re very tough, but we really need to attend to the other side's interests, we need to think about the other side's interests. But that doesn’t mean we’re going to give them all the outcomes that they need and sacrifice our outcomes. It does mean we’re going to listen attentively to the other side, we’re going to champion our own outcomes, and give when we can and when it makes sense.

If the other party is unsatisfied with the outcome, really unsatisfied with the outcome, then it probably makes it to where you don't actually have an outcome. I'm talking about situations in which you think you have a contract and it's all done and delivered but then when it comes down to it, you really don't have a contract at all. We want to make sure in our negotiations that the other party is satisfied because it decreases your transaction costs, it increases the chance that you're going to do better in future negotiations, it also helps your reputation. One question to ask at the end of the negotiation is how they feel about the negotiated outcome. “How do you feel about this negotiation? How do you feel about this outcome?” If they say that they feel really
poorly about it, I encourage you to try to go back to the table and see if you can come up with a better outcome for both of you. Typically what happens is that the other party sees that you do care about their interests and then they're more likely to stay at a table and give you issues that are going to help you and also might be more accommodating about issues that are going to help them.

It's really going to be to your best benefit to make sure that the other party is also satisfied. You're going to find out next time that coming back to the table can increase your outcomes, both for you and the other party. Coming back to the table works to increase both of your party's outcomes 75% of the time. So, asking this question is not only for your own benefit to make sure that your agreements are going to work moving forward, but it's also going to be for the other party's benefit that they're more likely to come to a better outcome, and so are you.

And with that, we are out of time. Thank you everyone for coming.