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Class: TY BSc

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Chapter: Unit 2 Chp 2

Chapter Name: Conflict and Negotiation

Today's Agenda

1.0 DEFINITION OF NEGOTIATION

2.0 BARGAINING STRATEGIES

2.1 DISTRIBUTIVE BARGAINING

2.2 INTEGRATIVE BARGAINING

3.0 THE NEGOTIATION PROCESS

1.0 NEGOTIATION - DEFINITION



DEFINITION

“A process in which two or more parties exchange goods or services and attempt to agree on the exchange rate for them.”

-ROBBINS AND JUDGE, 2013

- The need for negotiation arises in situations when an individual's interests and wants conflicts with someone else's interests and wants.
- Negotiation skills help to resolve such situations.
- In the modern workplace where organizational structures are flexible and employees have to work in teams, negotiation skills are vital.

2.0 BARGAINING STRATEGIES

- In bargaining, opposite sides to a dispute exchange, offers, counteroffers and concessions, either directly or indirectly through representatives.
- If the process is successful, a solution acceptable to both sides is attained and the conflict is effectively resolved.

The two most common approaches to negotiation are:-

1. DISTRIBUTIVE BARGAINING
2. INTEGRATIVE BARGAINING

2.1 DISTRIBUTIVE BARGAINING

In distributive bargaining the negotiation is over who gets what share of the fixed pie.

 Distributive bargaining is “negotiation that seeks to divide up a fixed amount of resources. It results in a win/lose situation.”
-ROBBINS AND JUDGE, 2013

- A fixed pie means a fixed or set amount of goods or services that can be shared between the parties.
- This leads to zero-sum games where one party's gain is at the expense of the other party. Eg. Labour management organization.

2.1 DISTRIBUTIVE BARGAINING

Some of the characteristics of distributive bargaining are:-

1. The goal of distributive bargaining is to **get as big a part of the pie as possible**.
2. The motive in distributive bargaining is **win/lose**.
3. In distributive bargaining, the parties in the conflict take positions about **how far they are prepared to go in the bargaining**.
4. The parties involved have **opposing interests**.
5. The relationship between the parties involved in distributive bargaining is **short term**.
6. There is **very little information sharing** between the two parties. In fact, both the parties are guarded so as to not allow the other party take any advantage.

2.1 DISTRIBUTIVE BARGAINING

In the typical distributive bargaining, there are two important points each for both the parties:

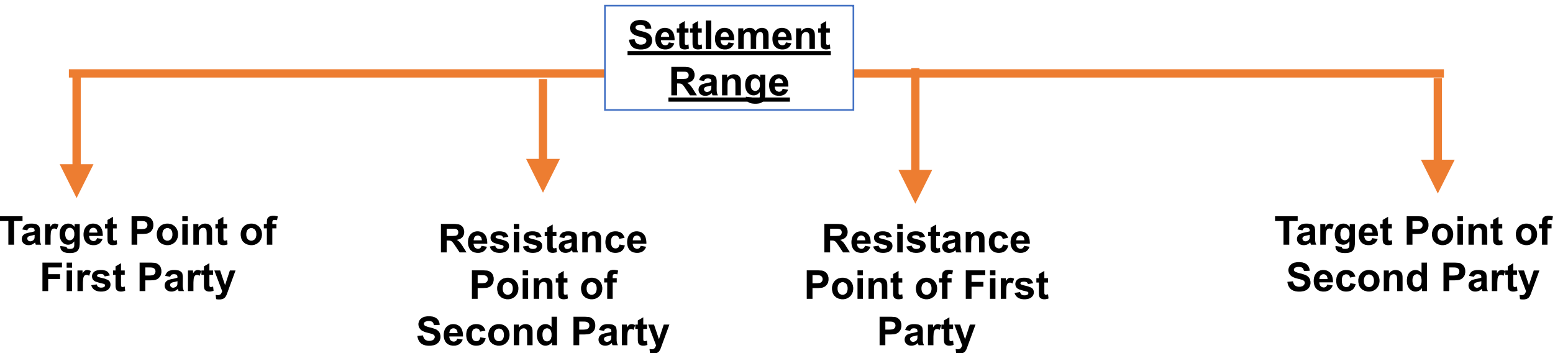
1. TARGET POINT

- This is the point the bargaining party wants to achieve.

2. RESISTANCE POINT

- This is the lowest point which is acceptable to the party. Offers below the resistance point will result in the negotiation being called off.
- The area between the two parties resistance points is the settlement range.
- It is in this area that negotiations or bargaining takes place and a settlement is made.
- For bargaining to be successful, there must be some overlapping of the two parties aspiration range.

2.1 DISTRIBUTIVE BARGAINING



2.1 DISTRIBUTIVE BARGAINING

Research has found that to be successful in distributive bargaining, it is better to make the first offer and it should be an aggressive one- one which offers very favourable terms. There are two reason for this:

1. SIGN OF POWER

- Making the first offer is seen as a sign of power. The ones who offer to speak first in a meeting thereby get an advantage.

2. SETS THE ANCHORING POINT

- The anchoring bias is a tendency of people to focus more on the initial offer information and ignore or give less importance to information that comes later.

3. SETTING TIME DEADLINES

- Smart negotiators put pressure on the other party to reconsider their offer or position and thus get concessions out of them.

2.2 INTEGRATIVE BARGAINING

Integrative bargaining is based on the assumption that there is more than one alternative or solution to the dispute/problem and that it is possible to create a win-win solution.

- Integrative bargaining is generally better than distributive bargaining.
- This is because integrative bargaining results in long term relationship and bonds between the negotiators.
- Both the parties feel no failure and leave the bargaining table with their heads held high and a feeling of victory.
- Future bargaining and negotiations adopt a more cooperative approach.

2.2 INTEGRATIVE BARGAINING

CHARACTERISTICS OF INTEGRATIVE BARGAINING

1. The goal of integrative bargaining is to **increase the size of the pie** so that both parties in the conflict get something and are satisfied.
2. The motive in integrative bargaining is to create a **win/win outcome**.
3. In integrative bargaining, the parties in the conflict **focus on each other's interests** and try to understand it.
4. The parties involved try to make their **interests congruent** with each other.
5. The relationship between the parties involved in integrative bargaining is **long-term**.
6. There is **very high information sharing** between the two parties which helps them to understand each other better.

2.2 INTEGRATIVE BARGAINING

For integrative bargaining to be successful, certain conditions are necessary:

1. The parties in the negotiation must be **open and willing to share information** with each other.
2. The parties must be **honest and straight forward** about their concerns.
3. The parties in the negotiation should be **sensitive** to each other's needs.
4. Both the parties must **trust** each other.
5. Both parties must be **flexible** and willing to make adjustments.

2.2 INTEGRATIVE BARGAINING

Some measures that organization take to promote integrative bargaining:

1. BARGAINING BY TEAMS

- Since teams generate more ideas due to the presence of more people, bargaining by teams is more likely to lead to integrative solutions than bargaining by individuals.

2. INCLUDING MORE ISSUES

- The possibility of reaching an integrative solution increases when there are more issues added to the negotiation process.
- Different parties may have different perspectives for issues which can be traded to reach a jointly beneficial solution.

2.2 INTEGRATIVE BARGAINING

Some measures that organization take to promote integrative bargaining:

3. FOCUSING ON INTERESTS RATHER THAN ISSUES

- Focusing on the underlying interests of the party rather than only on the issue increases the prospect of success in integrative bargaining.
- For eg. when an employee asks for raise in salary, the employer should focus on why the employee is asking for a raise rather than focusing on, y on the amount of raise asked.
- The possibility of a joint outcome is higher when parties focus on trying to learn and understand more about the other side rather than concentrating on their individual benefits.

4. NOT SETTling FOR COMPROMISES

- Compromise is the worst enemy of integrative bargaining because it reduces the pressure on both parties to come up with a creative solution.

3.0 THE NEGOTIATION PROCESS

Robbins and Judge (2013) have developed a five step model of how managers should go through the negotiation process:

1.STEP 1-PREPARATION AND PLANNING FOR THE NEGOTIATION

- A good negotiator does his homework thoroughly and goes fully prepared to the table.
- The preparation involves trying to understand the nature of conflict and the history behind the conflict.
- The negotiator should be clear about his goals because that prevents him from getting involved in other not so important issues and to remain focused.
- To ensure this, the negotiator may write down his goals and also list various outcomes that are acceptable to him from most feasible to least feasible.

3.0 THE NEGOTIATION PROCESS

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1.STEP 1-PREPARATION AND PLANNING FOR THE NEGOTIATION

- A good negotiator also thinks about the expectations or goals of the other negotiating party.
- He tries to understand how strong they are attached to a particular position, how far are they willing to go, their hidden interest, things of importance, etc.
- This helps him to be prepared with appropriate facts and figures and make better counter arguments.

3.0 THE NEGOTIATION PROCESS

Robbins and Judge (2013) have developed a five step model of how managers should go through the negotiation process:

1.STEP 1-PREPARATION AND PLANNING FOR THE NEGOTIATION

- After gathering information, the negotiator plans a strategy.
- He should determine his and the opposing party's BATNA - Best Alternative To A Negotiated Agreement.
- BATNA means the lowest value acceptable to a negotiator. Hence, anything higher should be acceptable . This awareness increases the probability of success in the negotiation.

3.0 THE NEGOTIATION PROCESS

Robbins and Judge (2013) have developed a five step model of how managers should go through the negotiation process:

2. STEP 2- DEFINITION OF GROUND RULES FOR THE NEGOTIATION

- The initial preparation helps to set rules and procedures for the negotiation.
- This is the stage where parties make their initial offers and demands.
- The framework within which the negotiation will take place is determined.
- This framework includes:
 - a) The person doing the actual negotiations
 - b) The place of negotiation
 - c) The time restrictions if in any that is applicable to the negotiation.
 - d) The specific procedures to be followed if there is a deadlock. .

3.0 THE NEGOTIATION PROCESS

Robbins and Judge (2013) have developed a five step model of how managers should go through the negotiation process:

4. STEP 4- BARGAINING AND PROBLEM SOLVING

- This is the stage in which actual negotiation takes place in order to reach an agreement.
- Both parties makes demands and concessions and engage in bargaining.

3.0 THE NEGOTIATION PROCESS

Robbins and Judge (2013) have developed a five step model of how managers should go through the negotiation process:

5. STEP 5- CLOSURE AND IMPLEMENTATION

- This is the final step where both the parties come to a formal agreement.
- They also decide on the procedure for the implementation and monitoring of the formal agreement in the form of a contract.

2.2 FUNCTION/WORK OF A MANAGER

	To highlight something important
	To ask a question
	When giving a reference to extra/additional reading
	Question to be solved (in class)
	Important definition
	To quote someone