

# **Mutual Gains Bargaining: Negotiating for Win-Win Outcomes**

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for  
iJOBS  
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# Learning objectives

- Understand strategic approaches to adopt the most effective negotiation style
- Learn techniques to engage in a collaborative, mutual gains bargaining process
- Apply concepts including BATNA, interests and options
- Avoid the five most common negotiations mistakes



# Teaching from two perspectives

# Are negotiation skills important?

- We do it often (whether we realize it or not)
- We negotiate in a wide variety of ways
- Our effectiveness as negotiators is important and directly correlated to obtaining what we strive for in life





Are good negotiators born or made?

# Negotiation is.....

- ▶ a social process that can be analyzed, understood, and modeled
- ▶ a learnable and teachable skill set
- ▶ the most effective approaches to teaching negotiations integrate both intellectual analysis and skill development





# Negotiation Fundamentals

# Two dilemmas for negotiators

## Dilemma of honesty

- Concern about how much of the truth to tell the other party

## Dilemma of trust

- Concern about how much negotiators should believe what the other party tells them



# Questions of ethical conduct that often arise in negotiations

## Deception by omission versus commission

- Deception by omission – Failing to disclose information that if shared would benefit the other party
- Deception by commission – Lying about an issue

# What's in a name?

## Two approaches to negotiation

### Positional

- Distributive
- Traditional
- Win-Lose
- Zero Sum
- Fixed Pie

### Mutual Gains

- Integrative
- Interest-Based
- Win-Win
- Value Added
- Principled

# What mutual gains negotiation is:

- Joint problem solving
- Based on a desire to derive mutual gains
- Hard on the problem, easy on the people
- A process where the parties create value, then claim value
- Hard work
- Based on trust
- Sustainable



# What mutual gains negotiation is not:

- About giving in
- Based on:
  - Accommodating
  - Avoiding
  - Compromising
  - Competing
- Understood by most bargainers
- Simple
- How most of us are schooled in bargaining
- The flavor of the month
- A trick to pull on the other side to get your way



# Tactics for winning in positional negotiations

- Starting with extreme positions
- Conceding slowly
- Concealing information
- Being willing to outwait your opponent
- Exaggerating the value of your concessions
- Minimizing the value of the other's concessions
- Arguing forcefully for principles that imply favorable settlements
- Making commitments to accept only highly favorable agreements



# Positional negotiation: fundamental strategies

- Push for settlement near your opponent's reservation point
- Negative bargaining zone?
  - Persuade the other party to change their reservation point
- Convince the other party that the settlement that you are proposing is the best possible alternative for them



# What makes mutual gains negotiation different?

- Addresses needs and interests, not positions
- Invent options that satisfy each party's interests
- Open exchange of information and ideas
- Focus on commonalities rather than differences
- Use objective criteria to set standards



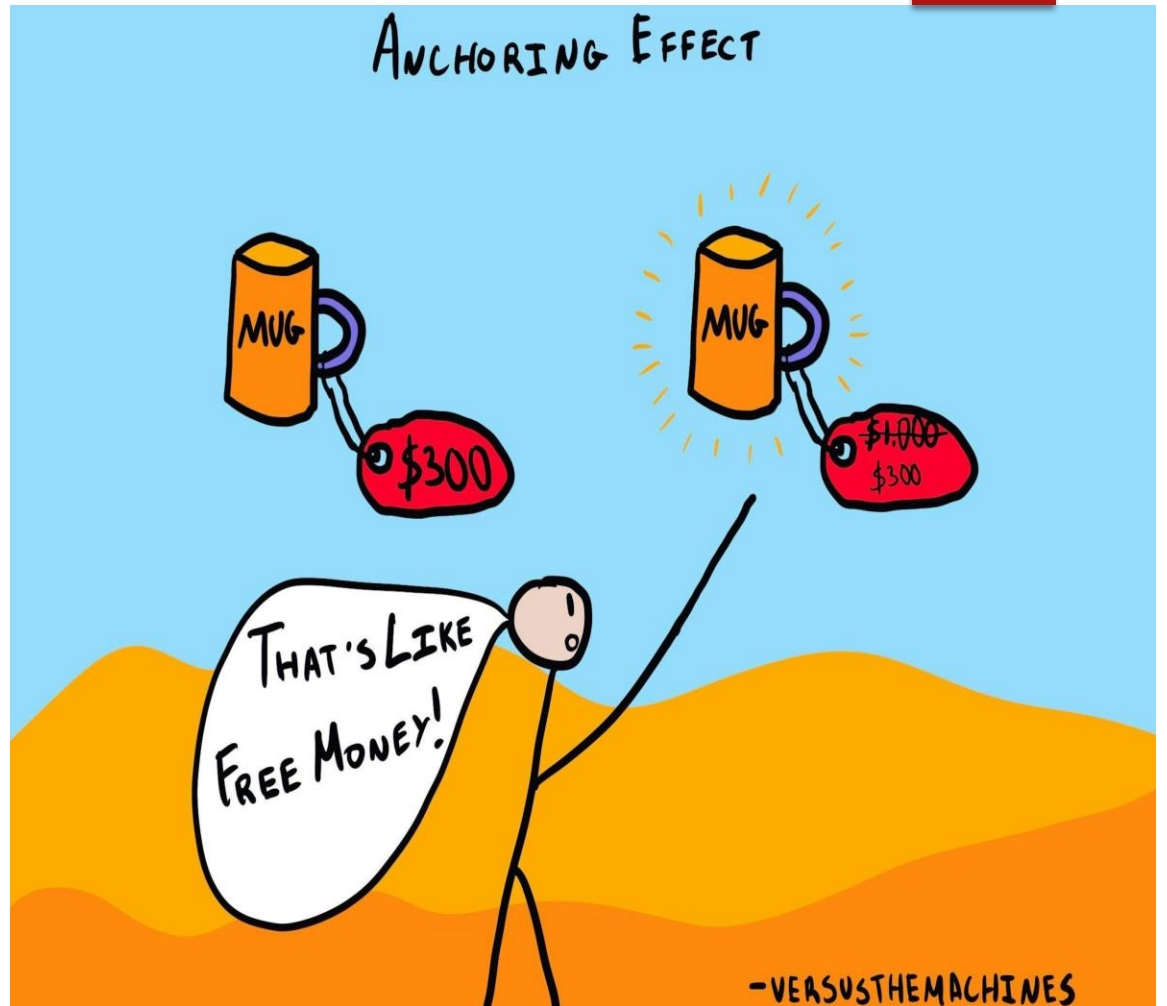
# Anchoring, counteroffers and concessions in positional negotiations

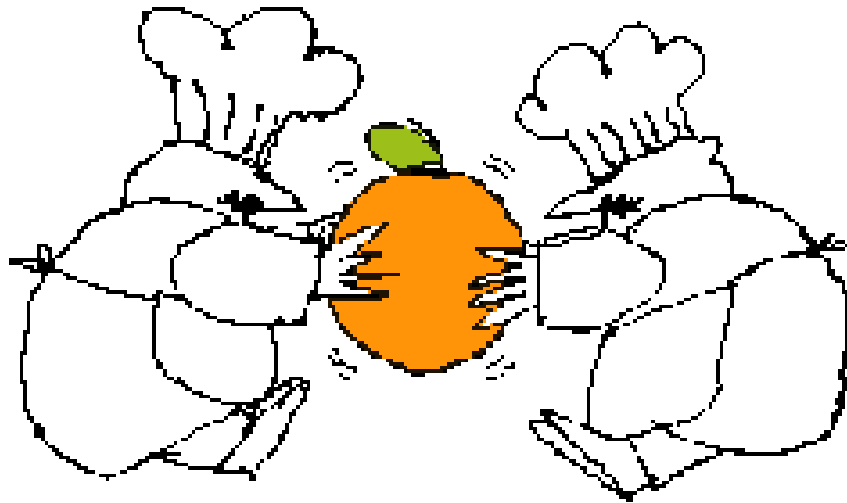
- Anchor: The first offer that is made in a negotiation
- Counteroffer: The response to the anchor
- Concessions: Subsequent offers made by the parties that move closer to their partner's last offer



# Anchoring Bias

- A cognitive bias that causes us to rely heavily on the first piece of information we are given about something
- When we are making estimates about something, we interpret newer information from the reference point of our anchor instead of considering it objectively
- This can skew our judgment



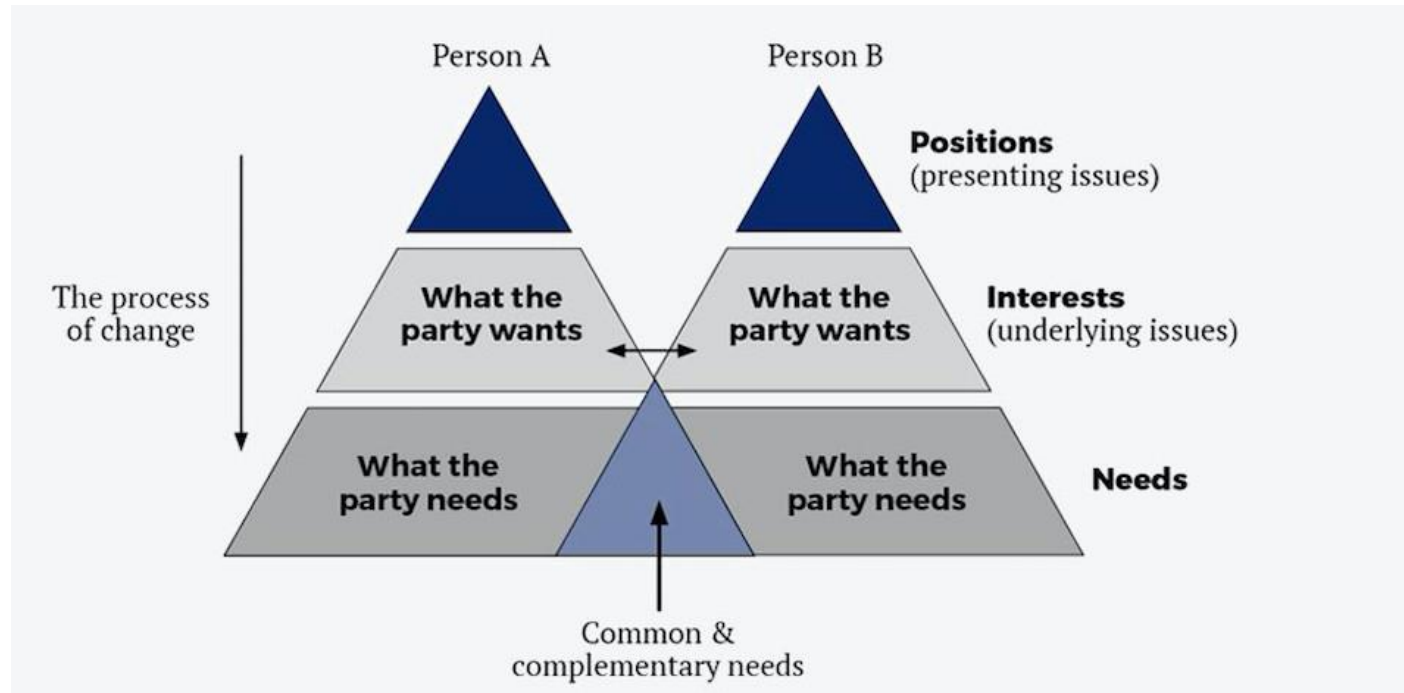


Interests vs.  
positions



# Interests vs. positions

To move past positions  
and identify interests,  
ask, “Why is that  
(*position*) important to  
you?”



Interests are the reasons that we have positions.  
Needs are the reasons that we have interests.

# Strategic Options for Negotiators

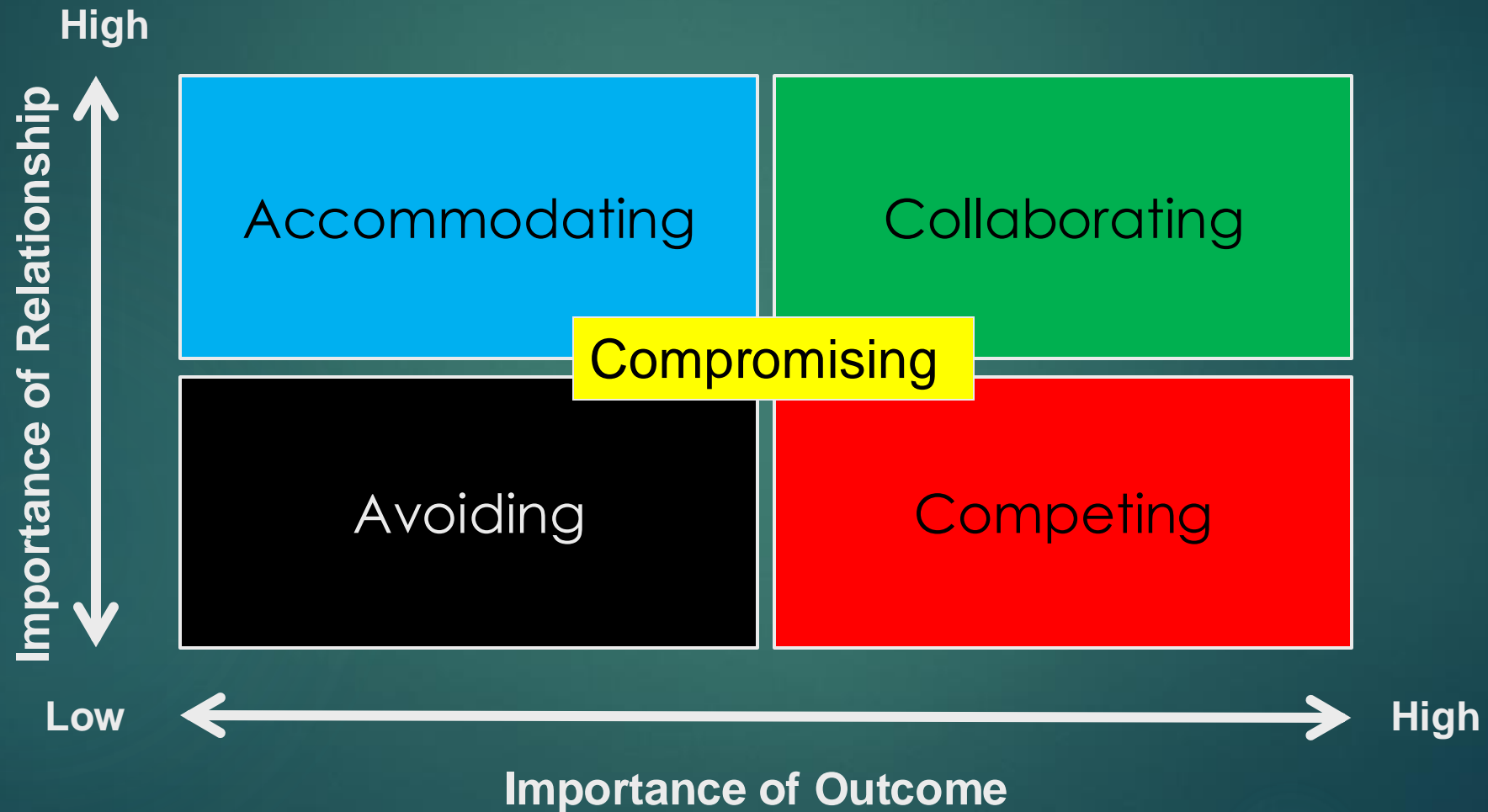
## Lewicki and Haim's Dual Concerns Model\*

- Your choice of strategy is reflected in the answers to two questions:
  - How determined am I in my efforts to achieve my desired **outcomes** in the negotiations?
  - How much concern do I have for the current and future quality of the **relationship** with the other party?

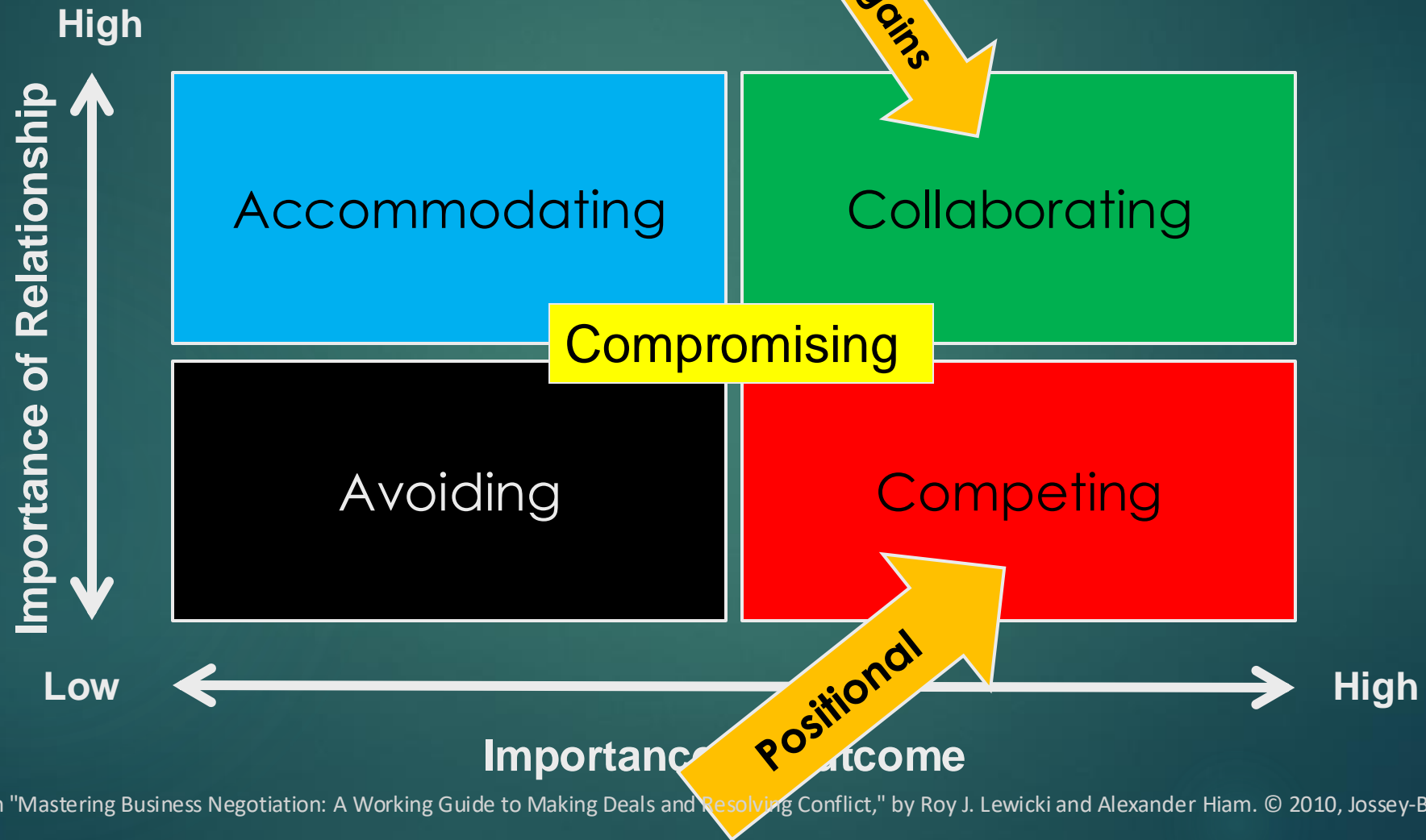
\*Often referred to as Lewicki and Haim's Negotiation Matrix.

From "Mastering Business Negotiation: A Working Guide to Making Deals and Resolving Conflict," by Roy J. Lewicki and Alexander Haim. © 2010, Jossey-Bass.

# Lewicki and Hiam's Negotiation Matrix



# Lewicki and Hiam's Negotiation Matrix



# Positional and mutual gains negotiations

- Positional: A negotiation in which the parties compete over the distribution of a fixed sum of value. The key question in a distributed negotiation is "Who will claim the most value?" In positional negotiations, a gain by one side is made at the expense of the other.
- Mutual gains: A negotiation in which the parties cooperate to achieve maximum benefits by integrating their interests into an agreement. These deals are about creating value and then claiming it.



# Negotiating tactics

## Positional Negotiations

- Open with extreme positions
- Trade concessions toward mid-point compromise
- Disguise true feelings
- Discredit case and claims made by the other party
- Use tactics intended to knock the other party off balance

## Mutual Gains Negotiations

- Use objective standards
- Choose from many options
- Speak openly and clearly, describing your interests
- Focus on problem solving and facts that can be substantiated and verified
- Make sure the other negotiator feels comfortable

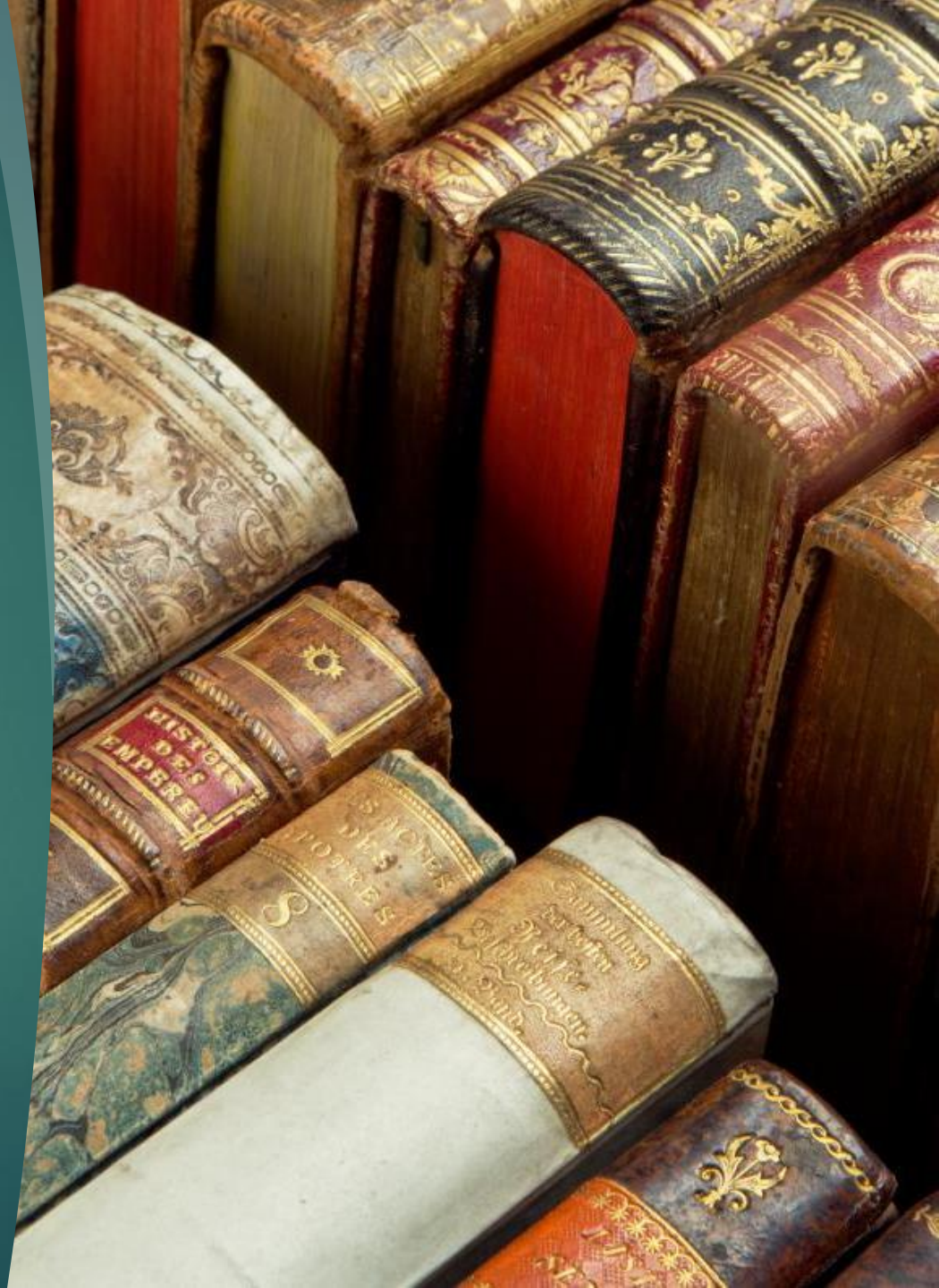
# Claiming value and value creation

## Opportunities to win or share resources

- Positional Bargaining -- *Claiming* value: result of zero-sum situations where the objective is to gain largest piece of resource
- Mutual Gains Bargaining -- *Creating and claiming* value: result of non-zero-sum or integrative situation where the shared objective is to have both parties do well

# Creating value through trades

- ▶ One way to create value is through trades
- ▶ Each party trades off something of low value to them in exchange for something of high value



# Best Alternative To a Negotiated Agreement

- Your BATNA is the best course of action that is available to you if the negotiation that you are preparing for does not end in an agreement.
- It is your “plan B” or “fallback” position.
- It is the standard against which any proposed agreement should be measured



# Best Alternative To a Negotiated Agreement

- Your BATNA determines the point at which you can say “no” to an unfavorable proposal.
- You need to know your BATNA
  - Negotiating without first determining your BATNA typically results in post-agreement remorse.





## The relevance of alternatives to a negotiated agreement

Alternatives can give negotiators the power to walk away from a negotiation

# Assessing your BATNA

- ▶ To determine your BATNA in preparing for an upcoming a negotiation, follow these four steps:
  1. List your alternatives. Think about all of the alternatives available to you if the current negotiation ends in an impasse (stalemate). What are your no-deal options?
  2. Evaluate your alternatives. Examine each option and calculate the value of pursuing each one.
  3. Establish your BATNA. From your list of alternatives, choose the course of action that would have the highest expected value for you. This is your BATNA – the course that you should pursue if the negotiation that you are preparing for should fail to result in reaching an agreement.
  4. Calculate your reservation value. Once you know your BATNA, calculate your reservation value – the lowest valued deal you are willing to accept.

# Reservation point

The reservation point (also referred to as the walk away) is the least favorable point at which one will accept a deal.

- Your reservation point is derived from your BATNA.
- It is the point that is somewhat more favorable to you than your BATNA.



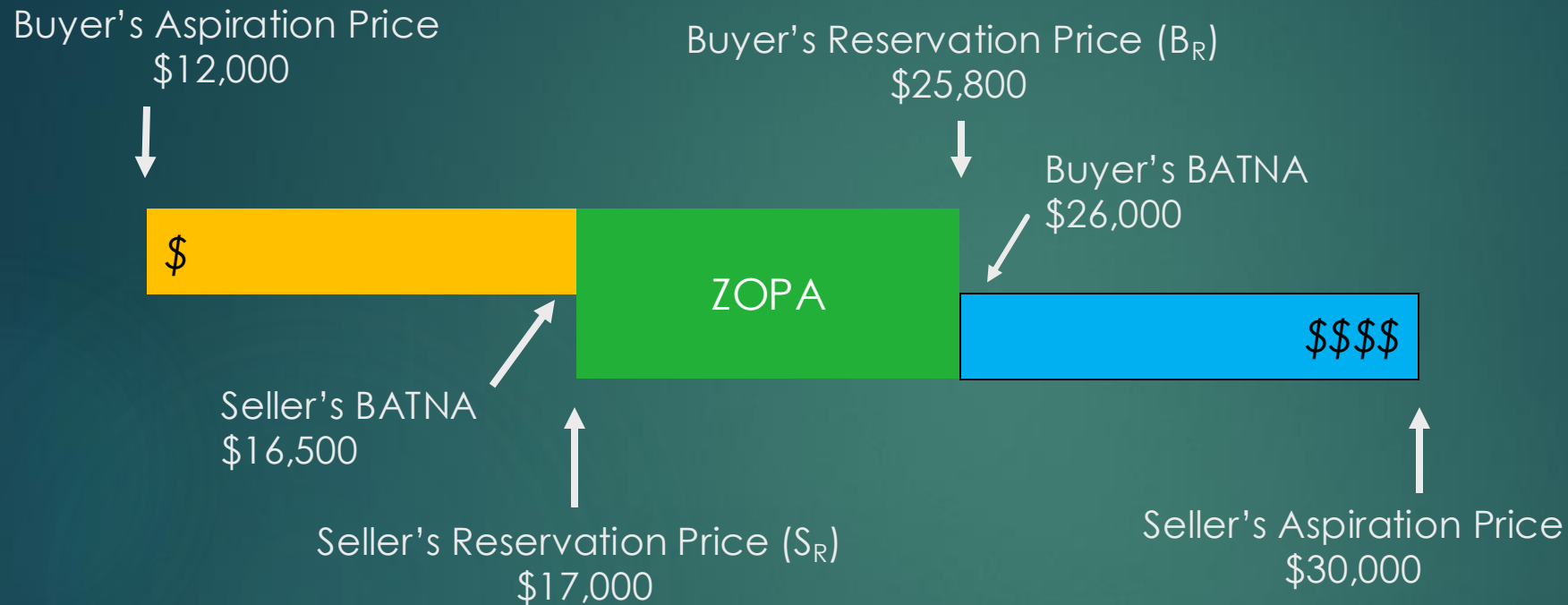




# Zone of Possible Agreement (“ZoPA”)

- The Zone of Possible Agreement, or ZoPA, is the range in a negotiation in which two or more parties can find common ground.
- ZOPA is also sometimes referred to as the “bargaining range” or “bargaining zone.”

# Zone of Possible Agreement (“ZoPA”)



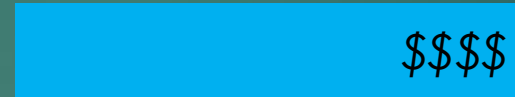
The bargaining zone is the space between the buyer's reservation price ( $B_R$ ) and the seller's reservation price ( $S_R$ ) – that is, the zone of possible agreement.

- If  $B_R > S_R$ , a bargaining zone exists
- The zone of agreement is from  $S_R$  to  $B_R$  (for example, \$21,000)

# A negative bargaining zone

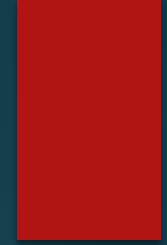


Buyer's Reservation Price ( $B_R$ )  
(e.g., \$17,000)

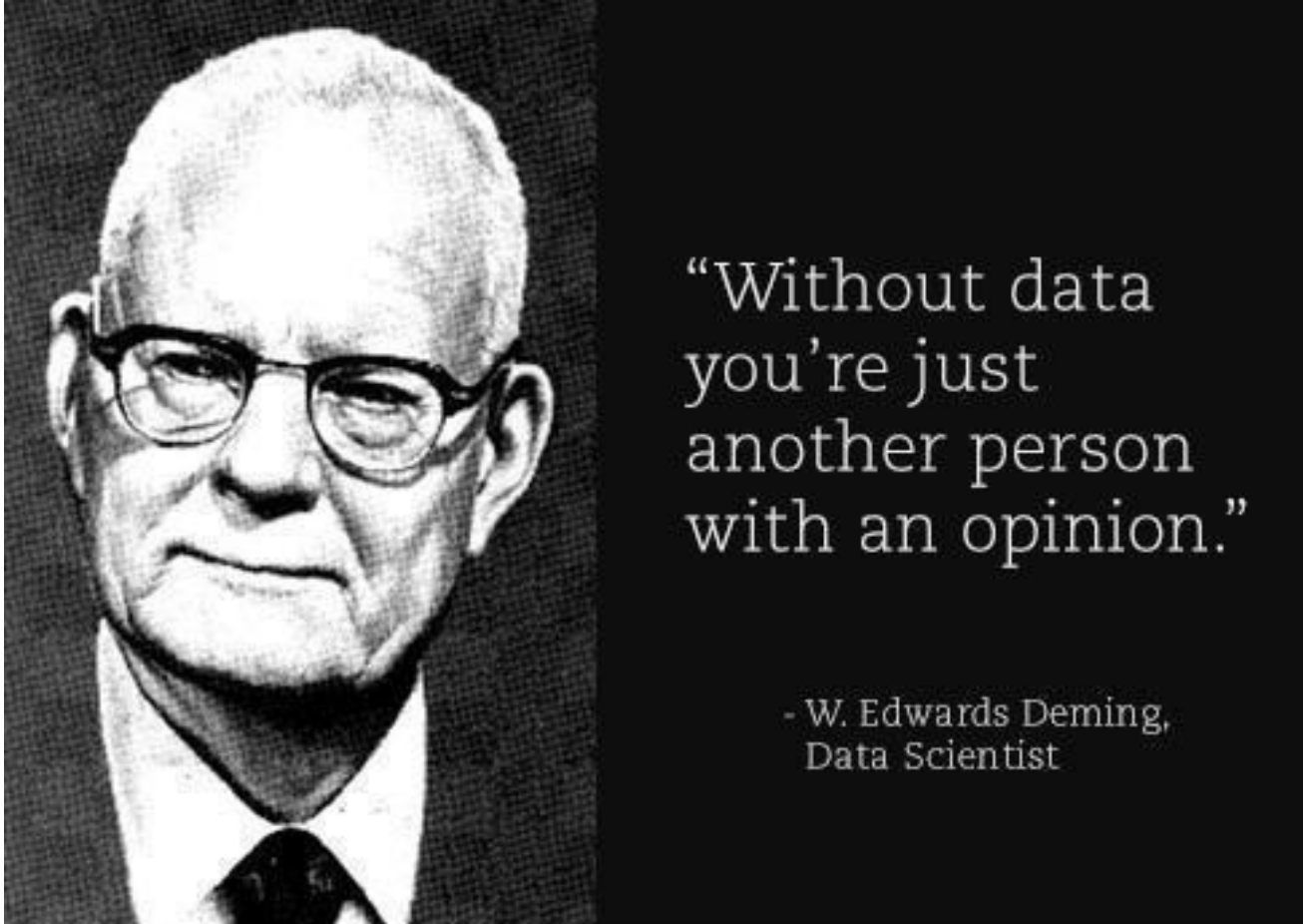


Seller's Reservation Price ( $S_R$ )  
(e.g., \$25,000)

When  $B_R < S_R$  there is no zone of possible agreement



# The Integrative Negotiation Process



“Without data  
you’re just  
another person  
with an opinion.”

- W. Edwards Deming,  
Data Scientist

# Authoritative Standards and Norms

# Using authoritative standards and norms

- Accurate and reliable sources that one can turn to to establish reasonable expectations
- They provide guidance on things like fair market values
- Examples:
  - Salary ranges
  - Real estate values
  - Building construction and remodeling costs
- Using them will establish you as a credible party



# Identifying interests

- List your interests and your bargaining partner's interests
- Post them in a conspicuous place
  - What are the things that are most important to you and your partner in this negotiation
    - Wants
    - Needs

# Developing options

- Once each party has shared their respective interests, move on to developing options
- Joint brainstorming process
- No idea is a bad idea
  - Non-evaluative
- Options are ways in which interests can be satisfied
- Develop as many as possible





# Evaluating options

- After all possible options have been listed, it is time to evaluate
- Evaluation and prioritization criteria:
  - To what degree does each option address both parties' interests?
  - How feasible would each be to implement?
  - Other consequences if implemented?



# Positional and Mutual Gains Process Comparison

## Positional

- Anchor
- Counteroffer
- Series of concessions
  - Each party moves closer to their reservation point
- Potential settlement

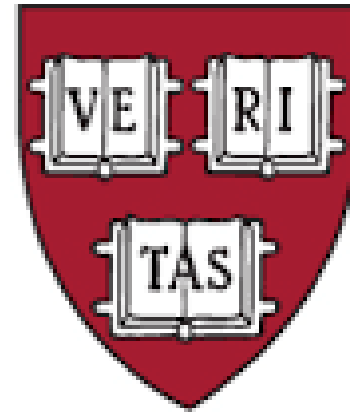
## Mutual Gains

- Joint or individual research to gather authoritative standards and norms
- Identify interests and share them
- Develop options (brainstorm)
- Evaluate options to determine optimal solution
- Potential Settlement

**PROGRAM ON NEGOTIATION**

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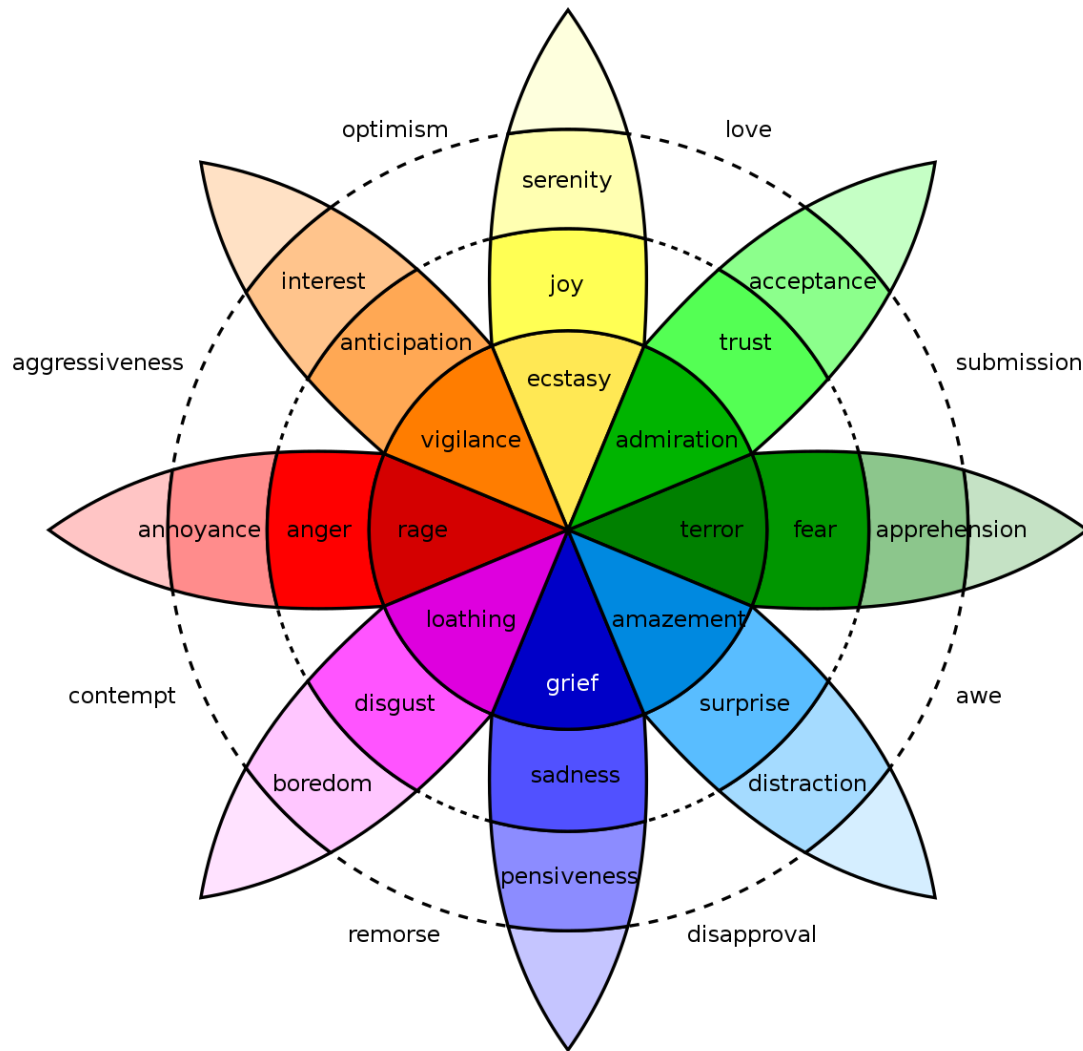
# The five most common negotiation mistakes

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## 5. We Take Ethical Shortcuts

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# 4. We Let Our Emotions Get the Best of Us



### 3. We Fall Back and Rely on Cognitive Shortcuts

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## 2. We Focus On Competing Rather than Collaborating



# 1. We Fail to Thoroughly Prepare to Negotiate



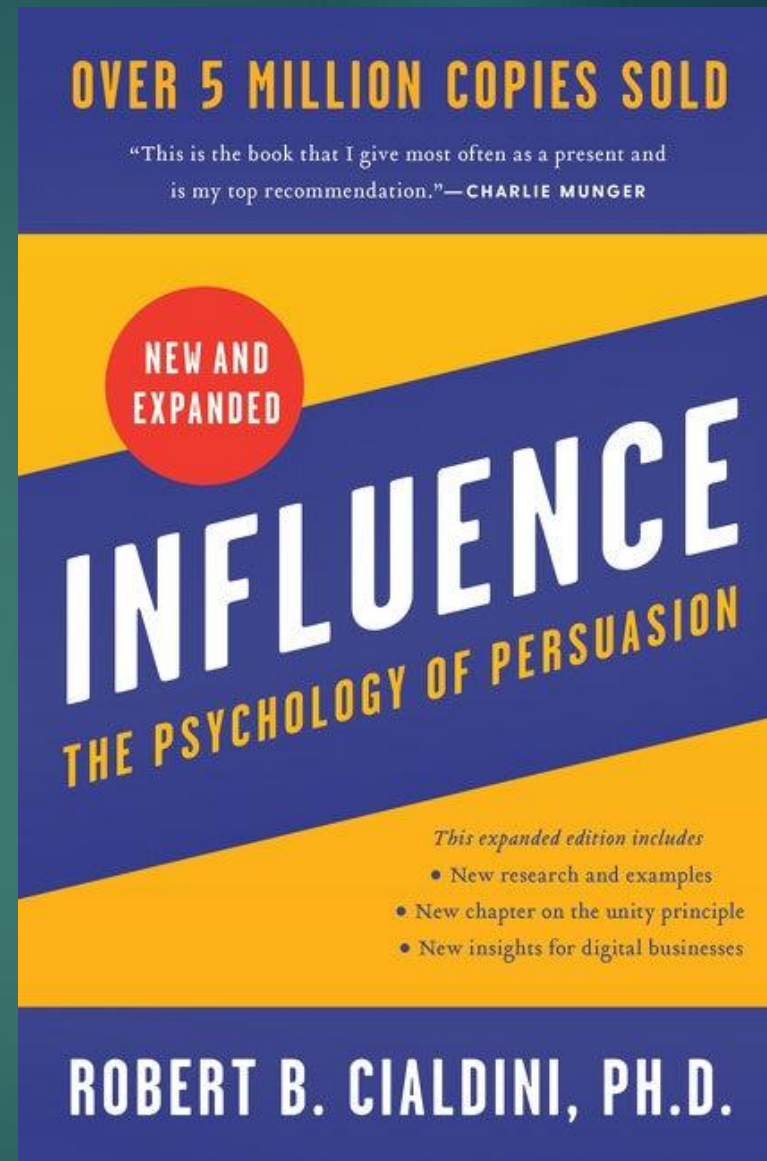
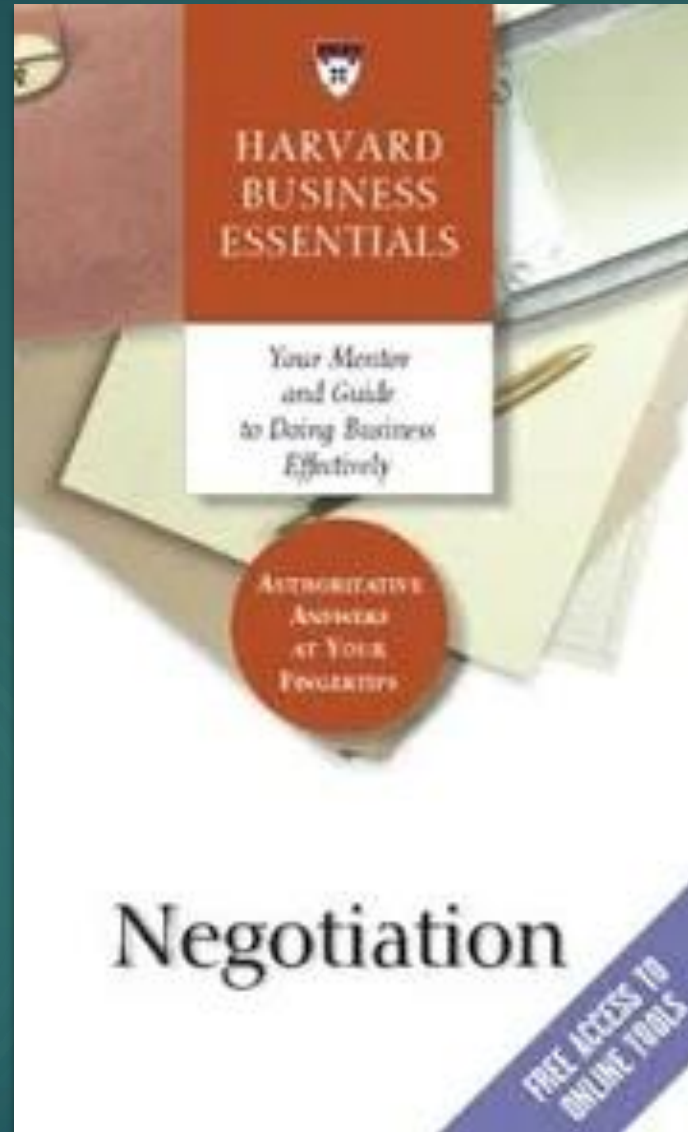


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The Second Edition with  
Answers to Ten Questions People Ask

# GETTING TO YES

**Negotiating Agreement  
Without Giving In**

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**Roger Fisher and William Ury**

and for the Second Edition Bruce Patton  
of the Harvard Negotiation Project

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