

05 Choose our Strategy

Let's return to our road trip for a short while, shall we? After choosing our destination, it is time to get the roadmap and choose the best route to get us there. In the negotiation roadmap, we see two routes to get us to our chosen destination: win-lose and win-win.

These two routes may have several different variations, but it all boils down to the two of them. Let's explore each of them further so that we can better understand the consequences of choosing one over the other.

Learning Objectives:

- Why win-lose strategies only have two styles: hard and soft
- How the negotiation tension became the bargaining tension
- Why there are several win-win strategies
- Why we should choose the value negotiation approach
- Why we actually need three negotiation strategies to succeed

Win-Lose Strategies

The win-lose process is also known as bargaining, haggling or positional bargaining since positions are at its core. Before we go any further, let's first recap what we have seen so far on win-lose:

- It happens when one party attempts to get what they want in a negotiation by demonstrating or using power.
- Power is the most important element, but it generates resistance as a reaction.
- Big power difference and short-term concerns are good conditions for win-lose.
- Risks of win-lose are many as compared to win-win.

But there is more. We want to know what win-lose looks like and how it impacts our trip. The win-lose road is interestingly tricky. It starts promisingly simple, straight and easy. "I will take the highway everyone else takes, as it has got to be the best one," we think to ourselves. We have heard several stories of people who succeeded going down that road. "That many people cannot be wrong," we conclude.

Looking at the map, we imagine this magnificent highway to be full of signs, light, space, nice pavements and no speed limit. A few kilometers down, we realize that this beautiful promise of a highway has given way to a narrow two-way mountainous dirt road in the middle of nowhere. There are absolutely no signs, lights, smooth pavements or stops. Instead we find holes, mud, sharp turns, icy patches, cliffs and a heavy rain. If that wasn't enough, cars are constantly coming from the opposite direction with their lights off and at full speed.

The Bargaining Process

If it sounds so awful, why are there so many people who do it? Bargaining is a part of life. It is popular because **it is a simple, well-known and almost intuitive process** that, from time to time, delivers.

From as young as we can remember, we have bargained. We either cried for our mother's milk late at night or haggled to buy a souvenir in a foreign country. And it probably worked. Our mother may not have been very happy or we may not have gotten the best price for our souvenir, but it worked. Whatever "worked" means.

Strangely enough, there is also **a sense of familiarity and comfort around bargaining**. We gather this is probably due to its simplicity and the fact that everyone has experienced it. Everyone can relate to bargaining. Actually, enough people wrongly believe that bargaining and negotiation are one and the same. So what does bargaining look like?

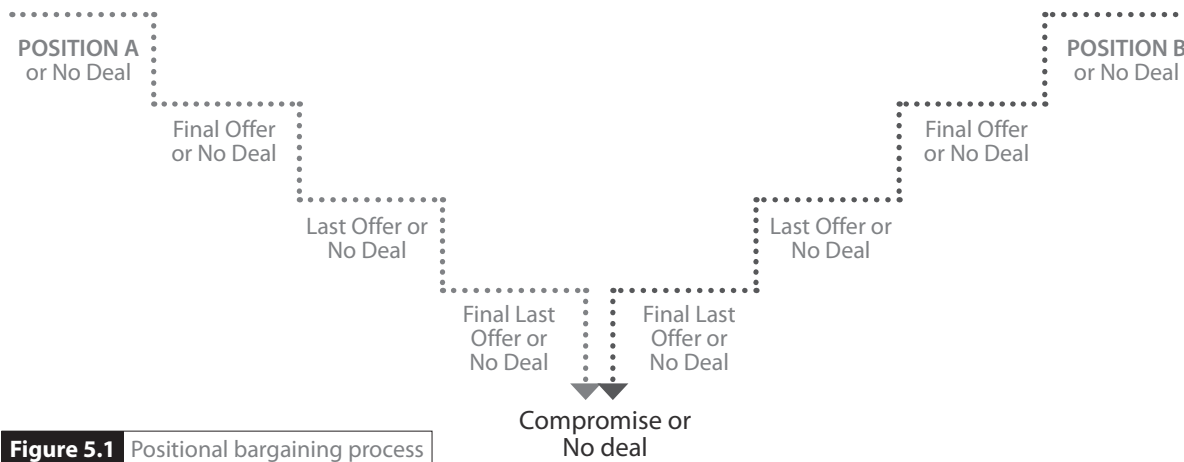


Figure 5.1 Positional bargaining process

An X-ray of a positional bargaining process resembles Figure 5.1. After some small talk, the parties share their positions, often by committing to a certain price. They go on to reject each other's positions and threaten to leave if their demands are not satisfied. Since no one really wants to leave, they concede value to move their positions linearly closer to one another. This position-threat-move dynamic repeats itself for a while. It ends when parties either find something in between their initial positions (compromise) or realize there is no room for an agreement.

As we can see, bargaining is an unsophisticated and simplistic process. It limits itself to only two of the seven negotiation elements: commitments and alternatives. On one side, the parties concentrate on positional offers and counter offers (commitments). Meanwhile, they implicitly or explicitly exchange threats to walk away (alternatives). Its one-size-fits-all approach ignores the specific risks and opportunities in the different negotiation scenarios. Bargaining is aptly captured in the famous saying "Take it or leave it" ("TiLi").

The Bargaining Styles: Hard or Soft

There are as many bargaining styles as there are people. Everyone brings their personality into the bargaining process. However, on closer look, all of them fall into two categories based on their tactical focus: hard (alternatives) or soft (commitments). We characterize the two extremes below, knowing that most bargainers are somewhere in between.

HARD



SOFT



Hard negotiators focus on the material value of the deal above all else. Power is constantly used to intimidate and dominate to secure a better deal for them. Hard negotiators don't say much more than their positions. They open with extreme offers, reject most other offers and make few but demand many concessions. They easily threaten to walk away (alternatives) to pressure the other party to give them more value.

Soft negotiators also want value but focus on the relationship of the deal above all else. The relationship is constantly mentioned as

the source for long-term value. Soft negotiators appear open, friendly, helpful and fair in their positions. They open with what they believe is a fair offer, are uncomfortable saying "no" to other offers and give generous concessions. Soft negotiators easily claim their commitment or trust in the relationship to manipulate the other party into giving them more value.

Both hard and soft negotiators commit similar mistakes when they force their style into all negotiations. By treating every negotiation equally, they ignore its particularities, lose touch with reality and risk making worse negotiation decisions. For example, both negotiators ignore the role that BATNA plays in the decision to either continue talking or walk away. The hard negotiator may threaten to and actually walk away, even when her BATNA is bad, while the soft may never threaten to or walk away, even when his BATNA is good. They let their style, not reality, define their decisions.

The Bargaining Tension

Have we ever found ourselves in a negotiation where for us to get more money, we felt we had to put pressure on the relationship? Or for us to build a better relationship, we had to sacrifice some of our monetary gains? And as a consequence we felt frustrated that we could not have everything we wanted? Well, we are not alone.

How does this happen? Figure 5.2 illustrates this. On one end, the hard negotiator squeezes the most possible value out of the other party. The relationship is normally damaged in the process and future value-generating potential becomes limited. On the other end, the soft negotiator negotiates to build a relationship, thus sacrifices value today for the longer term. Unfortunately, not only may future interactions never materialize, but even if they do they typically follow a similar low-value pattern. The soft negotiator will continue to sacrifice value whenever he perceives a risk of antagonizing the relationship with the other party.

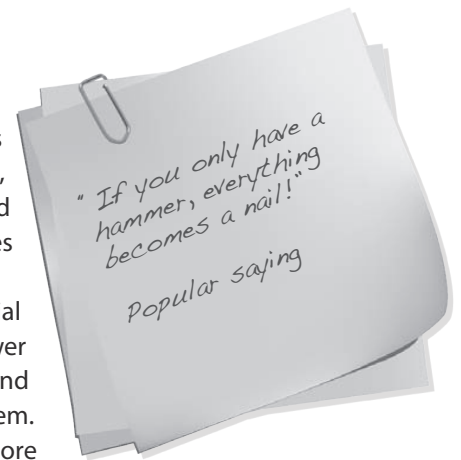
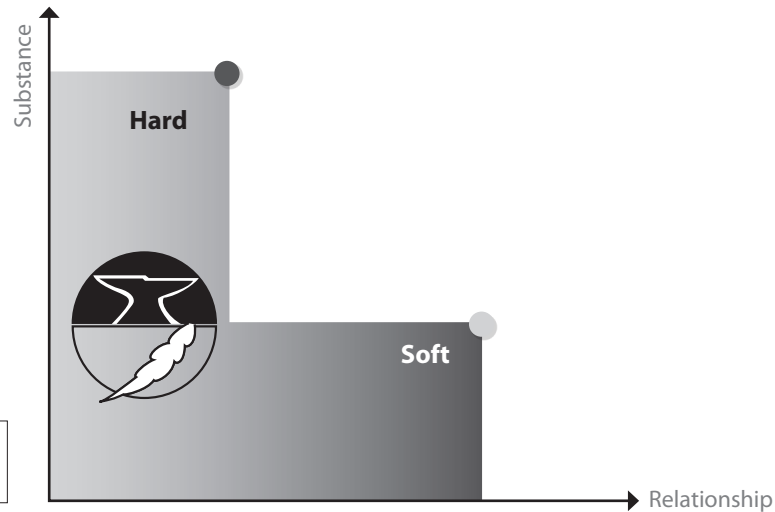


Figure 5.2 Styles of hard and soft negotiation



Most people do not see themselves in these two extreme styles. They believe they are somewhere in between and can be harder or softer depending on a number of factors: relevance (important versus trivial), context (professional versus personal), power (more versus less), duration of relationship (short term versus long term), nature of relationship (friend, foe, boss, employee, etc.).

Unfortunately, all factors raised above still share one common thing: we are still choosing a suboptimal combination of substance and relationship. Any combination of **hard and soft styles still forces negotiators to be reactive and sacrifices value** in the process. It is still take it or leave it.

Until recently, this was known as the negotiation tension: for us to make money we had to sacrifice the relationship or vice-versa. In other words, we could never have it all. The general perception is that the negotiation process inherently forces us to choose one over the other. Since most people negotiate with a win-lose mentality and associate negotiations with bargaining, linking this tension to all negotiations was natural.

However, this tension is actually rooted in the take-it-or-leave-it essence of the bargaining process. As bargaining styles focus on either relationship or substance, it is bargaining, not negotiation, that forces us to choose. So the negotiation tension is actually the bargaining tension. The good news is that we do not have to accept that tension in our negotiations. We just need to choose a process different from bargaining to have no tension at all. The door for more value and better relationships is open.

Win-Win Strategies

What do we know about win-win so far?

- The win-win approach happens when at least one party tries to get what he or she wants with the other party's consent and without the need to use or display power.
- Win-win uses collaboration and communication to make resistance unnecessary.
- Tit-for-Tat shows that successful collaboration involves a proactive, clear and consistent communication of a simple, interdependent and value-focused process.
- Win-win delivers, on average, higher value at lower risk than win-lose.

Back to our road trip: the win-win roads are not without their share of problems. Looking at the map, we really have no idea what to make of them. There seems to be numerous ways to get where we want. The way these roads break away, split, cross each other and come back together again several times can seem complex. It is hard to figure out what they are like. One thing is for sure: it is not just entering a highway and only having to think about the exit close to our destination.

These roads are newer and somewhat promising of a better ride, but vastly unknown. They are less traveled and are essentially being built as we go along. There are several choices along the way, many of which take us back to bargaining. Indeed, there are few signs and fewer people around to give us directions. The landscape changes all the time and the choices are not so intuitive. These empty and unknown roads can be scary as they feel unfamiliar.

Why would anyone use roads like that? Being unexpected, they offer us **no false sense of security and keep us sharp** to make the many choices along the way. We stay alert and are less likely to sleep at the wheel. They give us **choices**; when one road has problems, we can always take another to reach our destination. They also give us **flexibility**; as interesting sights or locations appear unexpectedly, we may decide to take a detour or stop to enjoy them.

All win-win strategies bypass the bargaining tension and enable optimal-value outcomes. They are dynamic processes that consider the reality and particularities of each negotiation to come up with the best decision. They emphasize good communication and proactivity. They fully explore and combine the potential of all seven negotiation elements to avoid limiting our choices and possibilities.

Win-Win Processes

Win-win strategies, due to their increased complexity and possibilities, can take many forms. Despite their many similarities, shifts in emphasis and nuances render them different. Some of the most well-known strategies are:

- **Interest-based** – Emphasizes rejecting positions for the benefit of focusing the negotiation on interests.
 - *Risk* – After discussing interests, this process may still fall into the bargaining trap of discussing only one or two unilateral options.

- **Mutual gains** – Emphasizes parties' creative efforts to generate options that will benefit everyone involved (mutual gain).
 - *Risk* – Many mutual-gains processes create several options only for parties to end up bargaining over them.
- **Principled** – Emphasizes seeking win-win choices and thinking through strategic win-win principles before making decisions.
 - *Risk* – Many principled negotiators get overwhelmed by the amount of win-win decisions to be made that they risk losing focus.
- **Value negotiation** – A system under the principled approach, it emphasizes making decisions based on win-win strategic principles with an unmistakable focus on value.
 - *Risk* – Value negotiations can tempt negotiators to adopt win-lose moves if they fail to consider other win-win avenues towards value.

The principled approach and consequently the value negotiation approach go one step beyond the previous two approaches and other win-win variations. With the principled approach, intelligent decisions are made throughout the entire process instead of being limited to a style that concentrates on a few repetitive behaviors. The principled approach creates more choices.

But too many choices can become overwhelming and reduce the quality of our decisions. The value negotiation system is an evolution of the principled approach as it gives the negotiator:

- A stronger clarity of purpose (focus on value); and
- A practical, quick and culturally-sensitive method to apply win-win principles (risk-reward analysis).

The value negotiation process aims to give us enough choices to expand our possibilities, while giving us tools to quickly manage them before they become too many to weigh us down. The improvements made on the value negotiation approach are many: some small, all significant. What they have in common is to help the negotiator choose the most valuable win-win move within a negotiation.

More Than One?

Well, yes! Every time we negotiate there is more than just one negotiation going on. It is not like we have a choice whether they happen or not. They just will. That's why we may as well be prepared so that we can influence or lead them. Look at what happened to Lemuel Boulware, who seemed ignorant of that fact.

In the early 1950s, Boulware was responsible for labor relations at General Electric in the US. He was frustrated with how the labor management negotiations went. In typical bargaining fashion, the union asked for twice as much as it wanted. Management would reciprocate with an offer 50% below what it was prepared to agree on. Agreement always meant a compromise reached after five to seven weeks of intensive bargaining sessions over unimportant details.

The process was not only ineffective, but did little to improve relations between labor and management.

Boulware decided to change things and devised a negotiation strategy, later known as Boulwarism. His strategy had two main steps. First, he used his understanding of the parties' needs to determine, through advanced data analysis, the maximum GE could pay. Then, he would present the union leaders with his "first, last and best offer" on a "take-it-or-leave-it" basis. Noteworthy was Boulware's expressed willingness to change if anyone surfaced relevant and new information that could improve the deal for all. His offer was also made without favoritism to all unions and non-unionized employees alike.

Some argued that the offers were fair and among the best in the industry. Others accused Boulware of manipulating data and trying to bypass the unions. But all believed Boulwarism to be a rigid and inflexible, take-it-or-leave-it power play. Even after some successful agreements, the unions still hated Boulware for his approach which led to some very long strikes. Finally, in 1965, the US courts declared that GE was guilty of refusing to engage in collective bargaining. In 1969–70, the unions united on a large strike to make Boulwarism ineffective from that point onwards.

The Three Negotiations

While we will never know the truth of Boulware's intentions, it remains important to understand the reasons why Boulwarism failed. If it indeed delivered the best possible value, why did the unions fight so hard against it? In our opinion, Boulwarism failed to consider the three negotiations.

As seen before, to build our bridge we need to negotiate both relationship and communication. So on top of negotiating value, we also have to prepare for these two other simultaneous and parallel negotiations. After all, we cannot avoid communicating or developing at least a short-term relationship with the other side. Hence, we may as well make sure that we can positively influence them.

As outlined in Figure 5.3, the value negotiation definitions of the three negotiations are:

- **Substance negotiation** – Parties pursue substance value.
- **Relationship negotiation** – Parties pursue relationship value including, but not limited to, interdependence and trust.
- **Communication negotiation** – Parties attempt to create the most efficient process to negotiate.

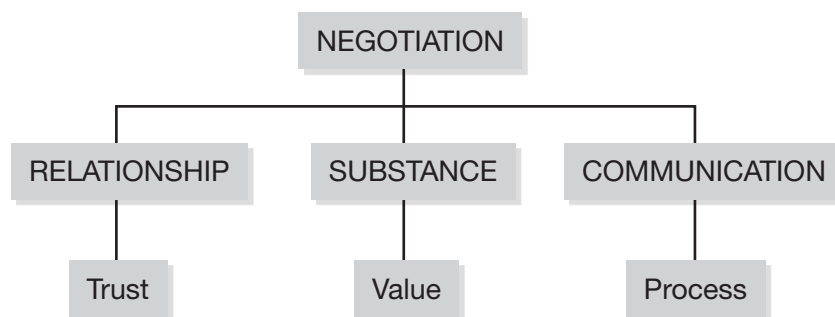


Figure 5.3 Value negotiation definitions in the three negotiations

Like Boulware, almost every negotiator is aware of the substance negotiation and of the relationship as a relevant issue. Still, few treat the relationship as a separate negotiation in itself. And even fewer negotiators are aware that the communication is negotiated at all. Boulware fell victim to his focus on the substance negotiation and disregarded the relationship and communication negotiations.



POINT OF INTEREST

Is Every Negotiation Actually Three Negotiations?

The substance negotiation is the only one that may at times be absent. In some particular situations, the parties may have no material value to negotiate. They may decide to only negotiate their relationship interests or emotional value. For example, when I negotiate for respect or for someone to stop a behavior I dislike. On the other hand, every negotiation has the relationship and the communication negotiations.

By offering maximum value for both sides, Boulware thought that the negotiation was solved. However, his lack of a relationship negotiation strategy deepened the lack of trust that customarily plagues labor management negotiations. He never listened to or engaged the unions as partners in finding the so-called “best possible deal.” He named it the “first, last and only offer.” And though he invited new information after the offer was made, his invitation was never taken seriously by the unions. Even his extension of the offer to non-unionized employees could have been perceived as an attempt to bypass the unions.

His lack of flexibility or openness generated distrust, suspicion, fear and resentment. His behavior was in direct contradiction with his message of the best deal for all. In sum, Boulwarism’s unilateral approach created a power play perception which ruined it.

Had Boulware engaged the unions early in better understanding their interests and in analyzing the data to craft the “first, last and only offer,” would they have responded differently? Had he posed this offer as GE’s first attempt to find the best possible solution and openly invited the labor unions to improve on it, would they have reacted differently? We believe he would have succeeded had he worked equally hard on all three negotiations.

The Three Win-Lose Negotiations

Boulwarism is a great example of how win-lose strategies approach the three negotiations. If Boulware had a win-win mentality, as some argue, his choice of the take-it-or-leave-it process was utterly inconsistent. Together with his sole focus on the substance negotiation, Boulwarism turned into a version of bargaining.

Win-lose strategies do not approach the three negotiations as one, but rather treat each as a different power source (Figure 5.4).

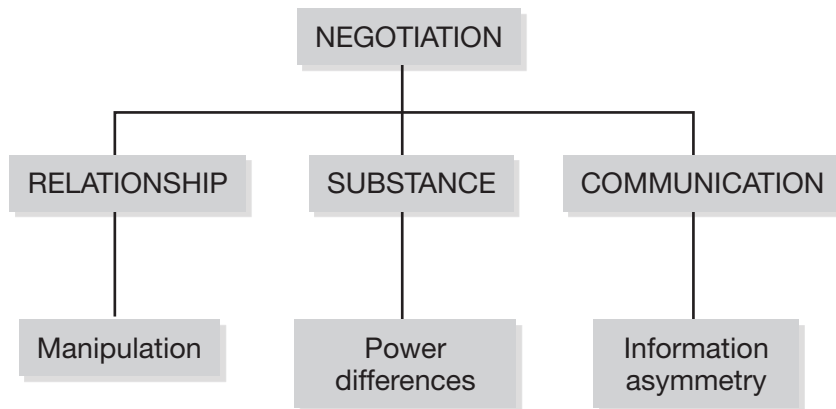


Figure 5.4 Win-lose strategies in the three negotiations

1. **Substance negotiation** is a search for power or resource differences to be used against one another in a competition for value.
 - *Boulwarism* – We are the only ones with all the data and who understand all the detailed analysis behind our “first, last and only offer.”
 - *Example* – Since we are much richer than them, we can pay our lawyers to keep this in court for years. Even if they might win, can they wait that long?
2. **Relationship negotiation** is an opportunity to manipulate the parties’ emotions and relationship (past, present or future) to extract value from one another.
 - *Boulwarism* – We will address the employees directly to make them feel valued but also obliged to accept our proposal as a goodwill gesture.
 - *Example* – Since we are friends, could they give us a discount?
3. **Communication negotiation** is an opportunity to use information asymmetry, the differences of information between the parties OR impose a communication process to take advantage of one another.
 - *Boulwarism* – We cannot reveal all the data from the GE side as some of it is confidential. OR, Here are the rules of the game. Take it or leave it!
 - *Example* – They have to bid for this company before we give them access to the books. OR, They can submit their bid within this format and deadline.

Interesting enough, the hard and soft win-lose processes choose one negotiation over another. The hard bargainer, of which Boulware is an example, concentrates on the substance negotiation. They might derive power from their higher status or deeper pockets. The soft bargainer, such as the negative stereotypes of a used car salesman or a phony politician, concentrates on the relationship negotiation. They might derive power from their charisma, false compliments or gifts.

Few concentrate on the communication negotiation as they seem to be unaware of it. That may be one of the reasons why bargaining is not a very creative process. The different forms are all variations of a take-it-or-leave-it process.

Nonetheless, both hard and soft styles do take advantage of information asymmetry through lies, threats, sweet talk or empty promises.

Bargaining does not seem to fully explore all three negotiations. Instead, it corners itself into a preferred negotiation and exercises power almost exclusively from there. As seen with the Boulwarism example, it is more likely that they will concentrate their efforts on one negotiation at the expense of the other two.

The Three Win-Win Negotiations

Win-win strategies explore all three negotiations to unlock their value potential. The value negotiation process believes that all three negotiations deserve important attention. For example, the substance negotiation will likely fail in the absence of the relationship and communication negotiations (no bridge). The three negotiations are independent, simultaneous and parallel negotiations that can happen even with the negotiator's ignorance like in Boulwarism. But they are also interconnected, so:

- Though **all deserve attention**, the relationship and communication negotiations' ultimate purpose is often to pursue better value for the substance negotiation.
- Though **independent**, a move in one negotiation may impact the others.
- Though **simultaneous**, they move at a different pace and at different times, but if well managed usually in the same direction.
- Though **parallel**, their boundaries are not always clear, and they do not remain separate by their own right.
- Though **they just happen**, nothing guarantees that they will happen in ways that help us.

A value negotiator proactively monitors, advances, separates and leads the three negotiations to ensure that all are moving forward as desired. For example, we may be talking about value for a long while. We may decide to stop and run a routine check on the relationship and the communication: "So how are we doing so far? Is this negotiation going the way we want?"



POINT OF INTEREST

Relationship and Communication: Elements of Negotiation?

For clarification purposes, relationship and communication are two negotiation elements but also full-blown negotiations with their own seven elements. For example, the relationship negotiation can have a relationship interest: "I want them to trust me more!" The communication negotiation can, for example, have a communication option and legitimacy: "Since I patiently listened to you, I believe it would be fair if you could now reciprocate [legitimacy] and listen to me for a few minutes [option]. Is that okay?"

How does a value negotiator approach the three negotiations? Below, we make strategic recommendations to manage the three negotiations. These recommendations are not meant to be rigid, but serve as directives with the potential for high rewards at low or manageable risks.

Any strategic directive requires trade-offs. So while these directives can help us succeed, they also limit our ability to engage in certain win-lose behaviors. However, since they do not eliminate our ability to act opportunistically, there will always be temptations to make win-lose moves. Falling for these temptations may destroy our win-win investment so far, as they generate resistance that reduces the value of the final outcome.

To help us be aware of the choices we are making, we will elaborate on the strategic directives, trade-offs and temptations of each of the three negotiations (Table 5.1).

	The win-win directive to	makes it harder to	and tempts us with	so we persistently
Substance	Focus on value	Focus on power	Easy power opportunities	Promote the dialogue pattern
Relationship	Negotiate three negotiations autonomously	Manipulate	Relationship over value	Avoid trading between negotiations
Communication	Promote learning	Exploit information asymmetry	Complacency	Proactively diagnose

Table 5.1

Strategic directives, trade-offs and temptations of the three negotiations

Substance Negotiation

In substance negotiation,

- The **strategic directive** is: Focus on value. Every move is directly committed to increase value, not power.
- The **trade-off** is: Focus on value reduces the negotiator's ability to make a unilateral power move.
- The **temptation** is: Identifying easy power opportunities. As the parties talk about value and their guard is down about power, easy power-grabbing opportunities may arise.

Focus on Value

When Boulware tried to impose his deal, the unions reciprocated with long strikes and lawsuits against GE. As Boulwarism illustrates, even a perceived power move will invite reciprocation and initiate a fear-based power race. Most negotiators believe that without power they will be unable to secure the best deal for themselves. The weaker side will feel the need to catch up for fear of falling behind. The parties may get so deeply entrenched in the power race that they lose sight of value and destroy it.

Indeed in a bargaining process, we may as well go home if we lack power. We will get nothing at the end of the day. But if we do have power, we can always guarantee our share of the pie. Power is bargaining's insurance policy against fear. But insurance policies are not free. Translating power into value is not a given or even an easy task.

Most people may prefer not to invest in such an insurance policy if they perceive it may not be needed. In such a process with no significant power difference, no one needs to be excluded. Everyone is guaranteed a share of the pie. If no one fears a race for power, why not just invest all our resources into securing value instead? Our focus on value demonstrates to the other party that there is no need to initiate the power race. Our focus on value early on demonstrates that they will likely get what they want too.

Keeping our focus on value can be remarkably hard in two situations:

- When despite our best efforts, the only thing they concentrate on is power; or
- When easy power moves continuously present themselves to us.

It is precisely in these more difficult situations where the focus on value will make the most difference. Our task is to persist in making the negotiation independent of competitive power to avoid destroying or unilaterally allocating value. And before we think that this advice is too naïve, remember that we are aiming to be positive, not naïve. To help us do that, we recommend promoting the dialogue pattern.

Promote the Dialogue Pattern

Every move a negotiator makes can be perceived as a value or a power move. Power moves are unilateral moves to benefit one party at the other's expense. Boulware could have avoided the power imbalance by reducing or eliminating his unilateral moves. He could have invited the unions to work together and give him feedback before his "first, last and only offer." These moves would have promoted a dialogue pattern.

The dialogue pattern promotes a balancing effort where no power difference is felt or created during the negotiation. To move away from power and towards value, the dialogue pattern turns every potential unilateral move into a bilateral one. The dialogue pattern can be summarized as proactive positive reciprocation: "If something goes their way, something should come our way and vice-versa." Some examples of how to promote it:

- If we talk, we want to give them time to talk so that we also learn. If they talk, we want to make sure that we talk so they can have the benefit of our information.
- If we ask questions, we want them to ask as well so they perceive that it is okay to continue answering our questions, just as we will continue to answer theirs.
- If they offer or demand a concession, we suggest something in return (trade).

A well-implemented dialogue pattern reduces or eliminates unilateral moves. When we reciprocate value-focused moves, **we reward good behavior** and inspire similar moves in the future. The balanced reciprocal moves enhance the sense of interdependence and fairness among the parties and prevent extreme behaviors. A negotiator promoting the dialogue pattern would hardly embark on a monologue without listening or fire off an interrogation without sharing. As they work together, the mutual control and inclusion eases the fear of losing and desire for power. A virtuous cycle initiates where power becomes harder to implement, while value becomes increasingly the focus.

But what if we find ourselves in Kumar or Ananda's shoes as in the dialogue below?

Thanks for listening, Ananda.
Would you like to share your story now?

Not really? I can't do it. It's confidential! Sorry!

But I just told you my story!

I know! And thank you for that. I never told you I was going to tell you mine. You just started telling your story so I listened to it. Very interesting indeed!

What is likely to happen next? Kumar stops sharing information, but the damage is already done. Though Ananda now knows Kumar's story, his power move limited future information flow and consequently the potential for further value. But it is not all Ananda's fault. This power move was made possible because Kumar blindly jumped in first and then hoped Ananda would follow his example. Such unprotected moves usually end up in frustration and disappointment. So if we were in their shoes, what could we do? Actually, either of them could have taken responsibility for the dialogue pattern.

Before his story, Kumar could have proactively introduced the dialogue pattern:

I will be glad to share my story first if that works for you.
But before I do it, can I also expect to hear your story after I am done with mine?

Kumar would learn that Ananda cannot share his story; he could then stop and decide what to do next. Through the dialogue pattern, he created a safe step-by-step approach that allowed him to be positive while protecting himself. Ananda, on the other hand, could have anticipated that Kumar wanted reciprocation. So Ananda could say:

Kumar, I appreciate you are telling me your story, which I believe to be important and helpful to the negotiation. Before you continue, I want you to know that I am not authorized to share my story. Is that a problem for you? What should we do?

Rejecting such an easy power move is not an easy thing to do. However, Ananda's statement reduces any perception of a powerful move since the story was not yet shared. With no damage done, there is no need for a power race. His move demonstrates honesty and concern for Kumar while inviting him to work together towards value.

Relationship Negotiation

In the relationship negotiation,

- The **strategic directive** is: Negotiate the three negotiations autonomously. The negotiator seeks independent solutions for each of the three negotiations.
- The **trade-off** is: By negotiating substance and relationship separately, the negotiator limits the ability to mix, manipulate or trade elements of one negotiation for the other.
- The **strategic temptation** is: Relationship over value. As the parties attentively improve the relationship, they say "yes" more quickly or are afraid to say "no," even to the wrong requests.

Negotiate the Three Negotiations Autonomously

In 1998, guerrillas and para-military groups abounded in Colombia with the Revolutionary Armed Forces of Colombia (FARC) leading the way. In that year, Andrés Pastrana was elected president backed by strong public support for his peace platform.

The FARC, however, imposed a condition to participating in the process. It required the government's previous demilitarization of a particular region roughly the size of Switzerland. Once demilitarized, it was clear the FARC could invade and control the region without resistance. The president decided that a goodwill gesture was a small price to pay for peace. Unfortunately, after the demilitarization, the FARC did not honor its commitment and demanded further demilitarization. Pastrana then rejected the new demands.

Pastrana made a mistake that negotiators around the world repeat on a daily basis: he **mixed the three negotiations**. He gave away a piece of land (substance) in the hopes of starting a relationship or at least a communication process. Surely, his substance concession seemed small if his move were to succeed. But the odds that the demilitarization would have succeeded in bringing the FARC to negotiate were quite slim.

Even if the FARC had honored their commitment, the president had established a negative negotiation pattern of unilateral substance demands. If Pastrana resisted the smallest of demands, they could just threaten to leave the process. The demilitarization signaled a willingness to give tangible, substantive value in exchange for no substance but only a relationship promise. And the demilitarization did nothing good for the relationship either. After the perceived weak or desperate move, the FARC probably lost any respect they may have had for him. Unfortunately, throughout his four-year mandate, Pastrana made little advances in peace and the FARC occupied more territory.

This example demonstrates how mixing the three negotiations only **rewards bad behavior** and invites more of it. It does not improve any negotiation and it still unilaterally costs us money. However, negotiating the three negotiations

autonomously is not an easy concept to put in practice. Not only are their boundaries hard to identify, but they are also hard to respect. After all, most of us have been trained for years or even all our lives to do just the opposite. To help us keep the three negotiations autonomous, the best thing is to remember to persistently avoid trading between them.

Avoid Trading between Negotiations

Consider that the three negotiations, like different countries, have their own currency each. Although a currency has value in its country and abroad, in negotiations there is no official exchange rate among them. Therefore, trading elements of one negotiation for another can be done but is a risky move. The negotiator would be better off avoiding trades between them altogether.

Conglomerates normally hold different accounts to better control and understand their separate companies. If instead they held a single account, they would not know which company makes money and which does not. As a result, we would never know if a particular move resulted in an absolute value gain or loss. Threatening to walk away to one's BATNA is such an example. It may get us more money today, but at the expense of a future relationship and potentially more money tomorrow.

All three negotiations are important and are better satisfied when handled separately. Value negotiators separate people concerns (trust, respect, emotions, etc.) from value or substance ones (price, product, service, contract duration, etc.). The value negotiator satisfies relationship interests with relationship options, substance interests with substance options and communication interests with communication options.

At times, this could even mean separating meetings for the relationship or substance negotiation to clearly distinguish their boundaries. Separate meetings create the appropriate environment to reduce the temptations to mix the negotiations.

But what if Ananda and Kumar continue with their negotiation?

Come on Ananda. We've known each other for years now. Can't you give your friend even a small discount?

Sorry Kumar, I can't. But because of our relationship, I am ready to spend more time and effort to explore transaction cost reductions that can help you.

That's good. But Ananda, you did not share your story with me, remember? The least you can do now is give me a discount here.

Dear Kumar, if my inability to communicate my story is hurting this deal, I am glad to add whatever other information I can to improve it. Can we try that?

Notice how Kumar first insisted on mixing relationship and substance and then communication and substance. Ananda avoided trading between the negotiations. However, because Kumar's arguments on long-term relationship and limited information exchange were valid, Ananda sought solutions along the same negotiations.



POINT OF INTEREST

The famous negotiation saying: "hard on the problem, soft on the person" uses bargaining terms ("hard" and "soft"), but conveys the idea of separating and treating the substance and relationship negotiations differently.

Communication Negotiation

In the communication negotiation,

- The **strategic directive** is: Promote learning. The negotiator constantly seeks to increase the amount of information available as this increases the value potential of a negotiation.
- The **trade-off** is: In negotiating for a learning process, the negotiator reduces the ability to use information asymmetry for unilateral advantage.
- The **strategic temptation** is: Complacency. As the parties start trusting each other's information, data or processes, they may become less proactive in communicating or double-checking.

Promote Learning

This is where Boulwarism probably failed the most. Boulware did try to learn as much as possible from the available data, however the data used was biased or limited. He limited himself to his own understanding of the unions' interests, thus failing to learn what they truly were. He also presented his "first, last and best offer" on a take-it-or-leave-it basis. In doing so, Boulware failed to learn the union's feedback of the proposal on the table. By limiting or biasing the data analyzed, Boulware limited value possibilities and the quality of his conclusions.

In bargaining, the decisive factor in winning is the difference in power. One source of bargaining power is information asymmetry, i.e., difference of information available to each negotiator. Since **information asymmetry can be found in different levels in all negotiations**, many negotiators try to profit from it. The presence of information asymmetry is often used as an excuse for unethical behavior.

Many negotiators rely on the other's ignorance to threaten, hide, conceal or lie about important aspects of the negotiation. Even when unintentional, information asymmetry is the origin of many misunderstandings and conflicts. This partial to total withdrawal of information clearly impairs efficient communication and good decision-making. Having guesses, biases and perceptions instead of solid data reduces anyone's ability to find the best possible outcome.

As power is to win-lose negotiations, good communication is to win-win negotiations. Hence, the value negotiator needs to proactively promote learning through the broadest possible information exchange in all three negotiations.

The learning reduces information asymmetries and bargaining temptations while enabling good value-based decision-making. The best way to promote it is to constantly and relentlessly diagnose whenever the negotiation presents ambiguities, assumptions, indecisions or lack of information.

Proactively Diagnose

Stock markets rely on the assumption of market efficiency, where reliable asset information will be efficiently distributed and priced. However, stock markets are also plagued with the information asymmetry of insider trading. Insider trading gives insiders information to buy or sell stocks at a better price than outsiders could. Since traders only negotiate stock price and quantity, they fail to recognize and defend themselves against insiders with privileged information. Because insider trading can undermine the confidence in the fairness and integrity of the trading process, most governments treat it as a highly regulated or illegal activity.

In most other negotiations, however, governments will not intervene. Unfortunately, this means that we are on our own against the negative impact of information asymmetries. Opportunely, in most negotiations we can ask for and seek further information whenever something is suspicious, unclear, ambiguous or assumed. The value negotiator has the strategic duty to diagnose which information to clarify before proceeding to a decision.

To diagnose is “to recognize by signs and symptoms” or “to analyze the cause or nature of.” For negotiation, it is how we learn as much as possible about the situation and the parties in the negotiation. Good diagnostics allow negotiators to fill communication gaps with as accurate information as possible to negotiate the best possible outcome. And now, Ananda and Kumar return to illustrate this with their negotiation:

Dear Ananda, I understand you cannot share your story. Can you tell me why?

Well, some of it is confidential. Don't you trust me?

Because I do trust you, I am not challenging it. I just want to know more, because not hearing your story may make it harder for us to reach an agreement. Is it okay to at least say why it is confidential?

Because it contains sensitive information our competitors would die to learn.

I would never want that. Correct me if I am wrong, but since you said only some of it was confidential, do you mind sharing what's not? What I need may actually be non-confidential information. Does that work for you?

Sure! I can at least try.

Kumar did an excellent job of seeking all possible information he could while promoting a safe learning environment. He argued why learning was important for the negotiation in ways that could motivate Ananda to expand the information flow.

One risk novice negotiators run when diagnosing is to turn it into a unilateral interrogation process. To avoid that risk, diagnostics also happen under the dialogue pattern, so we share information while learning. Transparent communication rewards the openness of the other party motivates them to share more.



POINT OF INTEREST

Short of Words?

Many negotiators confess that at times in a negotiation, they are short of words. These are the times a negotiation is “telling” us not to say anything and to diagnose instead.

summary

Win-lose strategies are usually implemented through bargaining processes. Bargaining processes are widely adopted probably because they are familiar and almost intuitive. They are, however, simplistic and unsophisticated, and thus they:

- Limit negotiations to only two of the seven negotiation elements: commitments and alternatives.
- Forces the parties into zero-sum choices ("Take it or leave it!").
- Limit negotiators into two main styles: hard or soft.
- Impose the bargaining tension between substance and relationship.

Win-win strategies can be implemented through several processes such as the value negotiation approach. They do not give us a false sense of security, while also developing choices to give us flexibility.

- They attempt to explore the possibilities of all seven elements.
- They allow for positive-sum choices (value creation).
- They allow for many styles beyond hard and soft.
- They free us from the bargaining tension between substance and relationship.

Every negotiation contains three independent, parallel and simultaneous negotiations:

1. **Substance negotiation** – Parties pursue substance value.
2. **Relationship negotiation** – Parties pursue improved relationships.
3. **Communication negotiation** – Parties attempt to create the best process.

The three negotiations can be addressed in a win-lose or win-win way. If win-win, we have to make trade-offs to extract maximum rewards at minimum risk.

	The win-win directive to	makes it harder to	and tempts us with	so we persistently
Substance	Focus on value	Focus on power	Easy power opportunities	Promote the dialogue pattern
Relationship	Negotiate three negotiations autonomously	Manipulate	Relationship over value	Avoid trading between negotiations
Communication	Promote learning	Exploit information asymmetry	Complacency	Proactively diagnose

questions

Easy

1. What is the difference between win-lose negotiation, bargaining and positional bargaining?
2. Why is bargaining so prevalent and popular?
3. What are the two main styles of bargaining? Please describe.
4. What are the advantages of the value negotiation approach over other win-win processes?
5. Define the three negotiations and their likely goals.
6. What is the dialogue pattern?

Medium

1. What is the typical bargaining process like? Please describe and elaborate on its pros and cons.
2. What is the bargaining tension? How do we get out of it?
3. Which one is the most important of all three negotiations? Why? What problem does that create?
4. Is every negotiation actually three negotiations? Why?
5. What were the good and bad things about Boulwarism from a win-win perspective?
6. How does win-lose operate within the three negotiations?

Difficult

1. Does a win-win strategy limit possibilities for the negotiator? Why? Why would this be bad? Why would this be good?
2. The win-win success may eventually put us in places where we are tempted to change our course. Do you agree? What moments could these be? What are the temptations? How do we overcome them?
3. When is it hard to focus on value? To negotiate the three negotiations autonomously? To promote learning? What can we do to help us keep our focus?
4. What is information asymmetry? Is it different from the intent-impact gap? If so, how?
5. Why is mixing relationship and substance bad? Should we never do it?

scenarios

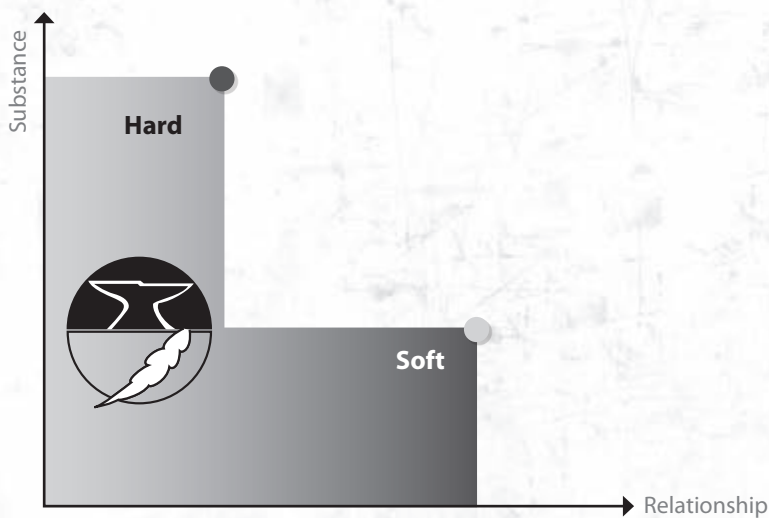
Easy

Imagine Boulware comes to you for advice when he realizes that Boulwarism is not working well as a negotiation strategy. He shares with you that he really wants to do the best for the unions and GE at the same time. He asks you to improve on his “first, final and last offer” strategy. Please prepare your best advice to give to him.

Medium

Most people negotiate win-lose, but few people are hard or soft bargainers altogether. Most people are somewhere in between and fluctuate closer to one or the other extreme as the context changes. As a result, most people compromise, which can be considered a lose-lose negotiation since both parties walk away with less value than they expected and many times with frustrated relationships as well.

- Plot the compromise point in the graphic below.
- Do you agree with the statement above? Why?
- What are the consequences?
- What needs to be done to improve?



Difficult

Thanks for listening, Ananda.
Would you like to share your story now?

Not really. I can't do it. It's confidential! Sorry!

But I just told you my story!

I know! And thank you for that. I never told you I was going to tell you mine. You just started telling your story so I listened to it. Very interesting indeed!

Imagine you are Kumar, what do you say or do now? From a win-lose perspective?
From a win-win perspective?