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Day 1: Lecture 1 – Conflict Basics

- Why people avoid conflict – conflict may have negative (objective & relational) outcomes and make people feel uncomfortable (emotional) so people may avoid it

Origins of Conflict

1. **Substantive** – divergence of interests between two parties
e.g. employer wants to maximise profits, employee wants to maximise wage
2. **Psycho-social differences** – divergence of perceptions. Two people see the same situation differently due to values and emotions.
E.g. tenant may see rent as too high and the apartment needs painting. Landlord sees that rent has not increased for a long time and tenant causes excessive wear and tear
3. **Ethical differences** – different ethics are used to make moral judgements
On the progressive left: Harm is used to decide whether something is right or wrong
e.g. gay marriage poses no harm towards someone else (appeal to harm)

On the conservative right: divinity is used to decide whether something is right or wrong
e.g. gay marriage is an impure act (appeal to divinity)

Conflict Resolution

- Force – use of power
e.g. war, voting, strike
- Litigation – use of rights
e.g. courts
- Negotiation – interactive communication process based on interests
Advantages:
 - Cheaper
 - More timely
 - Improves relationship (and future outcomes)
 - Better objective outcomes
 - More information about other party

Multi-faceted approach to understanding success (outcomes)

- **Objective outcomes** – what were your payoffs relative to how well you could have done [\[LINK ZOPA\]](#)? Did you negotiate efficiently?
- **Emotional outcomes** – what emotions were created after the negotiation (how did you feel)?
- **Relational outcomes** – was the relationship preserved or enhanced?

Fairness of Outcomes

- **Distributive fairness** – were resources distributed so outcomes are viewed as equitable?
e.g. Capuchan monkeys receiving grapes & cucumbers
- **Procedural fairness** – was the decision maker seen as being biased, inconsistent or unethical?

[\[LINK relational and emotional outcomes\]](#) Both distributive and procedural fairness affect the emotional and relational outcomes experienced by all parties after the negotiation

Outcomes will be perceived as fair when:

- Objective outcome is in the ZOPA
- Treatment during negotiation was respectful – input listened to
- Appearing transparent

Day 1: Lecture 2 – The Psychology of Negotiations & Decision Making

- Rational decision making requires cognitive energy and is time consuming
- Our brains look for shortcuts and heuristics to make decisions
- Our decision making is biased by how we process and remember information and how we feel when we are making the decision

Cognition in Negotiation (Role of Psychology)

- **System 1: Automatic (autopilot)** – non conscious attention that influences our system 2.
 - Based on visual cues
 - **Heuristics** or decision making rules are formed and used to save energy and help make decisions without using too much energy
E.g. Gestalt Heuristics of Perception

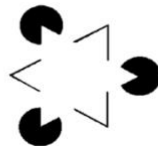
– Continuity



– Similarity



– Closure



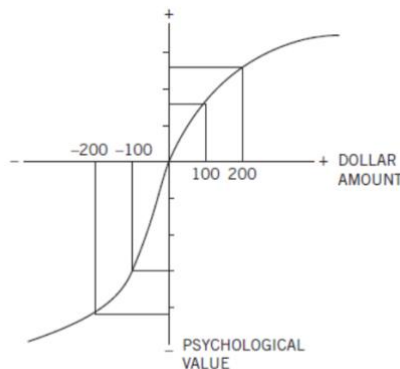
- **System 2: Controlled** – conscious attention. Used to follow rules, compare objects on multiple attributes and make rational decisions.
 - Limited capacity and depletes when concentrating

Biasing Factors

1. Bad is stronger than good (loss aversion)

Based on **loss aversion** – we assign more psychological value on losses compared to gains

- **Status Quo Bias** – additional value placed on status quo (due to perception of potential loss from changing)
- **Endowment Effect** – we assign more value to things we possess. We need more money to sell something we own rather than buy it off someone else.



Negativity bias - bad emotions have a stronger intensity than good emotions. Feedback is remembered for longer and with greater accuracy. Bad impressions and bad stereotypes are quicker to form and more resistant to disconfirmation.

2. Easy is better than hard

The easier something is to conceptualize, the more likely you are to believe it is true or common. When something is hard to understand we tend to discount the message.

- **Availability bias** – the easier it is to consider instances of an event, the more frequent we think it is. If something is:
 - Easy to think of examples
 - Emotionally charged
 - Something we already think or believe

We are more likely to believe it is true.

E.g. beliefs about the causes of death such as terrorism are more emotionally evocative therefore more common

- **Confirmation bias** – we search for information that supports our preconceptions or current beliefs and discounting information that contradicts beliefs

E.g. if we hold a stereotype, information that we see that confirms the stereotype will reinforce the view and be accepted while other information will be discounted.

3. You and I are different (Attribution Theory)

We perceive the causes for actions and outcomes differently depending if it is yourself or someone else

Dispositional attributions – skill, intelligence, character, etc.

Situation attributions – environmental, luck, events, etc.

- **Self-serving bias** - we attribute our own success to disposition (we are hardworking, etc.) and attribute our own failures to the situation (e.g. bad luck). It is the opposite when evaluating others.
- **Fundamental attribution error (FAE)** - we underestimate the influence of situations on ourselves and overestimate the influence of disposition on others

4. Emotions and moods (Affective Bias)

Affect influences the content of what we think (what we remember). Our feelings, mood and emotions are associated with what we are dealing with in a certain moment.

- **“Aboutness” principle** – We assume what’s on our mind is a cause but moods last longer than their causes! We will process information differently depending on mood

- Positive mood "it's great, let's explore"
- Negative mood "it's bad, stop and look"

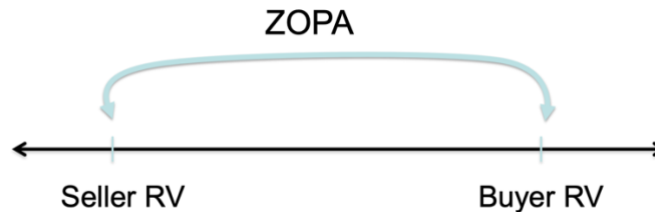
- **Theory of Positive Emotions** (Fredrickson 2000) – Broaden and Build

Positive Mood	Negative Mood
<ul style="list-style-type: none">▪ Top down▪ Open and creative▪ Rapid decision making with less precision	<ul style="list-style-type: none">▪ Bottom up▪ Analytical and critical▪ Longer decision making with more elaborate processing

Day 2: Lecture 1 – Fundamentals of Negotiation

1. Identify your BATNA
2. Calculate your reservation value
3. Assess other party’s BATNA
4. Calculate other party’s reservation value
5. Evaluate the ZOPA and set a target

- **BATNA** – Best alternative to negotiated agreement. High BATNA increases confidence and allows you to make aggressive offers
- **Reservation Value** = BATNA +/- transaction costs. This represents the walkaway point based on an alternative offer (so you don't accept a deal that is worse than no deal).
- **ZOPA** – Zone of possible agreement. Any deal within this range is acceptable by both parties. Objective success is determined by how close the agreed deal is to the other person's reservation value.



- **Target** – determined by the other party's reservation value i.e. where you want to end up. Updated based on new credible information.

Making the First Offer

Making a first offer:

- Should be made just outside of the ZOPA near the other party's reservation value [\[LINK Concessions\]](#)

Responding to a first offer:

- Do not ask for justification – this enforces the anchor
- Make a strong counter offer

Advantages	Disadvantages
<ul style="list-style-type: none"> • Opening offer has the highest correlation with the final offer. The opening offer creates an anchor which is hard to eliminate. • First offers serve as information to the other party on what you are willing to accept 	<ul style="list-style-type: none"> • Can undervalue your offer • Can damage credibility if it is too aggressive

Strategies to Claim Value: Concession Making Strategies (PELL)

- Provide a rationale for asking for each concession
I want a higher price due to ____
- Ensure opening offer allows room to give concessions
- Label concessions and ensure concessions are reciprocated
- Large concessions should be made first and smaller concessions should be made closer to the end as a **SIGNAL** that you cannot move any further

Strategies to Claim Value: Interpersonal Influence Strategies

1. Reciprocity

Definition: We want to repay, in kind, what another person has provided us
E.g. if a mint is given at the end of a meal, tips increase by 3%

Implication: Ensure you are the first to give and make sure the gift is unexpected

Techniques: