You can't always get what you want: Strategic issues in Negotiation
Part 2

Claude Alavoine\textsuperscript{a*}, Caroline Estieu\textsuperscript{b}

\textsuperscript{a}IPAG Business School, 4 Bvd Carabacel, 06000 Nice, France
\textsuperscript{b}SKEMA Business School, 60 rue Dostoïevski, 06900 Sophia Antipolis, France

Abstract

Negotiation is a process based on strategic choices. Each participant must fix carefully its objectives and decide what are the most appropriate ways and means in order to attain those. The choice of a strategy can be influenced by many factors like the concern for the other party's outcome or even the context but as seen in a previous article, strategic issues are mostly based on three essential driving forces: the negotiator's power, the level of trust and the nature or level of stakes. In this paper our intention is to clarify the aspects and elements of the relationship between the determinants of a strategic choice within a limited number of options in a specific negotiation and the usual driving forces. This should allow uncovering new hypotheses for experimental research.

1. Introduction

Negotiation is a complex activity involving participants with different goals, interests and resources and a certain level of interdependency regarding an outcome that will produce an expected gain or effect.

One of the strategic aspects is the presence of both competition and cooperation. As shown by Lax and Sebenius (1986), any negotiation includes both "value creating" and "value claiming" features but these two dimensions cannot be expressed simultaneously. Negotiators must take care of their own interests but also have to consider their...
counterpart interests in order to find an agreement. The difficulty is in fixing objectives with certain flexibility and deciding on the best possible strategy in order to succeed.

What are the factors taken into account by negotiators when fixing a strategy? Some of the fundamental elements of any negotiation can be considered as the most important driving forces: Power, trust and stakes will generally determine the usual strategic orientations while as we will see the combination of these factors can create dilemmas in the strategic choices. In a previous paper (Alavoine, 2012) using observations from a negotiation simulation these driving forces were associated to the classic strategic choices of Pruitt dual concern model (1983) and also Cathelineau (1991). Recently, the introduction of the strategic choices exposed by Dupont (1996) to participants of the same simulation has raised many questions on the estimation of these options and the relationship with the usual driving forces of negotiation. While most of the possible strategic combinations presented by Dupont (1996) should reflect a clear positioning towards the balance of power, the level of trust and the nature of stakes, some choices are sometimes far from being rational. Our intention in this paper is to present some of the aspects of this second wave of experiments in order to discuss new paths for further research.

2. Power, stakes and trust as driving forces

2.1. Asymmetry of power

Power as a concept has interested searchers in many different disciplines with a huge variety of thoughts and can be defined in many ways. A classic definition comes from Weber (1947) who defines power as a probability for an actor to be in a position to carry out his will despite resistance. Many conceptions of power in social relations were later built on this vision.

From all the theories of power, one of the most frequently used and referenced model of social power is the one from French and Raven (1959). They were the first to identify and introduce five different bases of power that a person can exert over another one: Reward power refers to the capacity to provide others with things they desire or value, Coercive power which consists of the capacity to force someone to do something and to administer sanctions, punishments or even to take away advantages, Legitimate power refers to the capacity to impose a sense of obligation due to a role, a status, Expert power is based on knowledge and skills and is the capacity to provide another with needed or expected information, Referent power is the ability to provide others with feelings of acceptance, approval, based on their desire of identification, their admiration, their attraction to your traits, characteristics and qualities

Raven, later on, suggested that "Informational" power should be detached from "Expert" power, distinguishing therefore a sixth type of power (Raven, 1965). To Raven, the capacity to formulate a rational explanation about the necessity to comply or submit to a decision gives a power that can be considered either direct or indirect depending on its formulation. It is related to a form of persuasion and a capacity to convince with the appropriate arguments.

Negotiation is a situation involving participants with different resources and a diverse power or influence regarding the outcome and the distribution of these resources. Because power is inequitably and irregularly dispersed, the negotiators face a balance of power (or an unbalanced power) that reveals and changes during the negotiation process. This balance will evolve depending on the arguments, possible solutions but also the types and sources of power that are used. Some might have short or lasting effects, light or strong influence. One way of regarding power in negotiation is usually to consider the ways and means enabling to punish or reward your counterpart. Therefore power mainly expresses itself through tactics of pressure.

Fischer and Ury (1981) with the concept of "best alternative to a negotiated agreement" (BATNA) showed that the strength of a negotiator depends on the number and value of alternatives at his disposal. A way of evaluating an agreement is the best possible alternative. If the outcome is under this value there is no point in accepting it. But this power relies similarly on the number and value of your counterpart options.

To Bacharach and Lawler (1981), the level of dependency towards your counterpart will determine your strength or weakness in negotiation. They consider two different aspects: the existence and potential of alternatives but also the importance of interests, stakes, objectives or expectations. Participants have different anticipations regarding the interests provided by the resources that they want to exchange.

Wolfe and McGinn (2005) consider that power must not be measured in terms of alternatives but much more as a
relational construct in which each participant perception of the balance of power has an influence over the integrativeness of the agreement.

Lewicki & al (2001) assume that power in negotiation must not be considered as absolute and coercive even if it is mostly a capacity to influence or the ability to bring about outcomes that are desired. They prefer to separate the power revealed in negotiations from the influence processes used in interpersonal relations.

In that sense they join the relational definition of power given by Deutsch (1973) that emphasises the specificities of each situation. The power of an actor in a given situation (contingency approach) can be evaluated as the “degree that he can satisfy the purposes that he is attempting to fulfil”. Therefore power depends also on the relationship rather than purely on the resources of each participant. According to Deutsch (1973), some elements of power derive from the situation or the context instead of being only attributes of each actor.

According to Dupont (1996) the sources of power can be classified in two categories: those associated to the situation like latitude of choice or time and those related to the negotiator himself like skills, expertise, charisma or credibility. Baldwin & al (2009) show that possessing information about your counterpart can increase the feeling of interpersonal power leading to a more active role in the process and different expectations regarding one’s partner.

Boulding (1999), considering that power is the ability to get what we want, divides it in three major categories from the point of view of its consequences: destructive power, productive power and integrative power. The last one has a destructive and productive aspect depending on the relationship and its origin.

Finally, according to Kim & al (2005), power can be divided in four components:
- Potential power which can be defined as the underlying capacity of negotiators to obtain benefits from their agreement.
- Perceived power which can be considered as a negotiator’s assessment of his counterpart potential power in the relationship.
- Realized power which refers to the extent to which negotiators claim benefits from their interaction.
- Power tactics which are basically the negotiators’ efforts to change the balance of power in the relationship.

Altogether these elements create an integrative model which emphasizes the dynamic nature of power relations before and within the negotiation process.

2.2. Interests and stakes

Interests can be constituted of tangible but also intangible traits. Participants have different expectations and evaluation regarding the interests provided by the agreement which depends mainly on the nature and quantity of resources that they put in the negotiation process.

For Lax and Sebenius (1986) there is a clear difference between “Intrinsic” and “Instrumental” interests. While the first ones are independent of any following deals and are directly related to the object of a specific negotiation, the second ones are important for the success of subsequent deals. Intrinsic interests are objective, measurable, unemotional and deliver their effects on a short term basis while the other ones are more long-term oriented and can be totally personal and subjective.

Leroux (1992) divides between “Instrumental” and “Fundamental” stakes.

To Leroux, the visible, material, tangible part (Instrumental) constituted mostly of economic aspects is less important and influential in the decision making process than the invisible one (Fundamental) which refers to notions like self-esteem, status or reputation. The impact of this subjective dimension of stakes is unfortunately unconscious while a determining factor in a negotiator’s decision.

As Dupont (1996) shows, there is a clear link between interests and stakes. Every negotiation implies objectives with interests, expectations, risks, therefore consequences. What is at stake in negotiation is the impact of the result on the tangible but also intangible interests. No wonder whether these elements will influence each negotiator strategy by adding to the pressure of finding an agreement but also depending on the very nature of what is at stake will change the balance of power and the level of trust between participants.
2.3. Trust

As demonstrated by Olekalns & al (2007) there is a clear link between trust and outcomes in negotiation. To them trust is relative to the context and the other party but also related to the level of power of the participants.

Trust is founded on vulnerability and also expectations. You expect that your counterpart will act in a proper way without control and guarantee and that it will serve your interests and expectations. It leads you to bet on the basis of someone else (potential) comportment. Trust is “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviours of another” (Rousseau & al, 1998). Therefore risk and interdependence are two essential elements of it.

To Lewicki & al (1998) trust is a set of “confident positive expectations regarding another’s conduct” so the idea of distrust brings “negative expectations”. Trust and distrust according to them are separate dimensions. Low distrust and high trust could not compare.

For Turel and Yuan (2008), trust can be considered as a personality trait or as a state due to the situation or the context. In the first case, a predisposition to trust others should lead to different approaches and strategies than those of distrustful individuals. In the second case, trust is a momentary state of mind leading a negotiator to a specific action.

To Rousseau & al (1998), trust can be considered in three different ways: as an independent variable (cause), a dependent variable (effect), or an interaction variable (condition). Building a trustfully relationship in negotiation is not only necessary in order to find a settlement but also it is one of the most difficult task depending on each participant’ perception (cause, effect or condition), objectives and power.

2.4. Strategy models

One of the first strategic choice model, the “dual concern model” (Pruitt, 1983) displays four options from “Contending” to “Problem Solving” through “Yielding” and even “Inaction” depending on two basic variables: the concern about your own income or about the other party's outcome. For Pruitt (1983), the problem solving approach implies a high level of concern for the other party's outcome but also a certain level of trust that will lead to cooperation during the process.

For Cathelineau (1991), the two most important criteria in order to fix a strategy are the level of trust and strength (level of power). To illustrate, a defensive orientation is based on an unfavourable position in terms of power combined with a lack of trust in the other party. A favourable balance of power with the same lack of trust would lead to the use of a coercive strategy. As shown by Lytle & al (1999), interests (stakes), rights and power provide three different approaches and strategic alternatives to negotiation.

They indicated that during the process participants organise their arguments mainly through these aspects and switch from one angle to another one with a clear tendency to use power and rights at the beginning of negotiation. They recommend focusing on interests more than rights and power which lead to a more distributive outcome and a more conflictual process.

Dupont (1996) presents five main strategic orientations:

- Competition or Cooperation Tendency
- Offensive/Defensive
- Short/Long (Time)
- Imposition/Adaptation
- Open/Limited (Object)

According to him, the first choice is impossible to avoid. But while negotiation is a mix of these two dimensions, it is impossible to use both at the same time and negotiators must decide which orientation they should start with.

“Offensive” means that you take the initiatives and lead the discussions while “Defensive” refers to a “wait and see” style. “Imposition” or “Adaptation” relates to the “rules of the game” and the capacity to force your counterpart to follow your guidelines or on the opposite to adjust to your opponent’ directives.

“Short” or “Long” refers to your willingness either to reduce or extend the process in time.

Finally, “Open” or “Restricted” is linked to the negotiator’s latitude over the extension of the negotiation object or points to negotiate. Negotiators can decide to mix these orientations or on the opposite make a strict selection of
the most important aspect (including the inevitable competition/cooperation dilemma) depending on their objectives and situation regarding their counterpart. As explained by Dupont (1996), strategies are not always simple ones because they depend on many contingent factors and the evolution of the negotiation process.

Experimentation and discussion

Using a simulation derived from Brett “Cartoon” (2001) placing three groups of negotiators (two groups of sellers and a group of buyer) in a situation with both integrative and distributive potential and many possible variations in the balance of power (cf. Alavoine, 2012), our purpose was to explore the conditions in which the participants fix their objectives and strategies. The options presented by Dupont (1996) were presented together with different combinations of levels of power, trust (based on previous experiments) and different objectives (stakes) leading to a better understanding of the determining factors of a strategic choice.

2.5. Rational choices?

The first choice asked to the participants was regarding the usual integrative and distributive dimensions of any negotiation. Most of the participants involved considered that when your balance of power is favorable or your level of power high, the first and most appropriate choice in respect to Dupont’s list of strategic choices is competition more than cooperation. Power becomes a tool in order to force your counterpart to accept your priorities. On the opposite, cooperation becomes the only option when the level of power is low confirming subsequently the previous position. Competition would quickly reveal your lack of power while cooperation could be justified in many other ways.

But it becomes complicated when trust is taken into consideration as displayed in the following table:

<table>
<thead>
<tr>
<th>Power</th>
<th>Trust</th>
<th>Competition / Cooperation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Cooperation</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Cooperation</td>
</tr>
</tbody>
</table>

Why competition if your level of trust is high even if you have a favorable balance of power?

To most of the participants, power was used in order to find integrative solutions and cooperation seemed to be the proper way for strengthening a trustfully relationship. But cooperation could be interpreted as manipulation in front of a negotiator with an unfavorable balance of power leading to a decrease in the level of trust.

Why cooperation if your level of trust is low together with a low level of power?

This situation created a dilemma. While a low level of power implies cooperation, a low level of trust refrains from this choice and a competitive orientation seems difficult to apply in a front of someone more powerful.

Other factors like stakes or interests have to be considered in order to decide but the decision turns out to be even more complicated if stakes are taken into account:

A high level of stakes is considered as a determining factor for competition while a low level of stakes is driving participants to cooperate with no risk. As shown in Table 2, a high level of stakes leads participants to either competition or cooperation depending on their level of power.

<table>
<thead>
<tr>
<th>Power</th>
<th>Stakes</th>
<th>Competition</th>
<th>Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>Competition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Cooperation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>?</td>
<td></td>
</tr>
</tbody>
</table>
A situation with low stakes and low power creates an indecisive position with doubts regarding the capacity and necessity to negotiate. On the same level a situation with no trust and a low level of stakes or interests even with a high level of power questions the nature of the negotiation that is going to take place.

When stakes and power are high, participants choose a competitive approach unless a high level of trust drives them to cooperation. A high level of stakes together with trust but a low level of power force participants to cooperation.

As a result there are some "rational" choices as displayed in Table 3:

<table>
<thead>
<tr>
<th>Power</th>
<th>Trust</th>
<th>Stakes</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Competition</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Cooperation</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Cooperation</td>
</tr>
</tbody>
</table>

But also some difficult choices as displayed below:

<table>
<thead>
<tr>
<th>Power</th>
<th>Trust</th>
<th>Stakes</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Cooperation?</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Cooperation/Competition?</td>
</tr>
</tbody>
</table>

If negotiation is considered as an opportunistic situation, a high level of power together with trust but with no interests (and no risks) could lead you to cooperate in order to let stakes and interests emerge from the situation during the process. In that sense cooperation seems to be the most appropriate choice if the intention is not to profit from the circumstances and get most of the gains in a very distributive way.

When the risk is high with many stakes but with no power and a low level of trust, is competition (bluffing) the best way or would it be better to reveal your position and expect that your counterpart will be empathetic?

Some choices seem to be also impossible to make:

<table>
<thead>
<tr>
<th>Power</th>
<th>Trust</th>
<th>Stakes</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Negotiation?</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Negotiation?</td>
</tr>
</tbody>
</table>

Strategic options are not limited to the two essential dimensions of any negotiation (competition or cooperation) as described by many authors. Combinations of strategic choices are even more difficult to define due to their level of compatibility.

When the participants are questioned about the others options they usually consider the offensive and imposition approaches as linked to competition while adaptation often reflects a cooperative option; Defensive can be considered in both ways even if being defensive doesn’t reflect much a spirit of cooperation. To many participants Imposition reveals power, a lack of trust and probably a high level of stakes.

Finally short or long orientations relate to power and trust while a long (process) orientation can reveal a lack of stakes and the willingness to use time in order to create new interests. The Open and Restricted options are essentially linked in the participants’ minds to the initial level of stakes and trust.
2.6. Irrational choices?

In the situation used for the experimentation, participants were facing strategic choices based on different levels of stakes and power but also trust depending on previous experiments leading to varied outcomes. The different options presented by Dupont (1996) were offered to them and a clear strategic plan had to be expressed before starting negotiating.

Some combinations seemed obvious as displayed below but many question marks remain even in the most obvious choices.

<table>
<thead>
<tr>
<th>Level of Power</th>
<th>Level of Trust</th>
<th>Stakes / Interests</th>
<th>Best Strategy?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Cooperation / Offensive / Defensive? / Short / Long? / Adaptation / Restricted</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Cooperation / Offensive / Long / Imposition - Adaptation? / Open</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Cooperation / Competition? / Defensive / Short / Adaptation / Restricted</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Competition / Offensive / Defensive? / Short / Imposition / Restricted</td>
</tr>
</tbody>
</table>

When the level of trust is low it is probably better to display a willingness to compete. But it surely depends also on the level of power and even makes it more complicated if we consider stakes at the same time.

A low level of trust together with a high level of power leads to a necessity to dominate and force people to quickly accept your options, impose your choices in a very offensive way with small latitude. But if the interests or stakes are high isn’t it better to try to cooperate and be defensive while controlling the process?

Is being defensive compatible with cooperation? In order to collaborate, participants must display in an offensive way some information that should help strengthen or increase trust.

If adaptation is the correct answer to a situation with high trust and low stakes, a high level of power might lead to a willingness to impose some rules.

Eventually the capacity to expand and extend the object of negotiation changes the balance of power and reveals new stakes and interests as long as trust already exists.
3. Concluding Remarks

We tried in our study to show that fixing a strategy in negotiation not only depends from the object, the nature of the existing conflict or even the participants but mainly from some more influential factors that are usually considered as “driving” forces. As each negotiation situation is a new one, a contingency approach cannot be satisfactory in order to find the proper ways and means enabling to reach and fulfill one’s objectives.

There are various possible mistakes regarding strategy in negotiation. Expectations, objectives, the level of interdependency and the unpredictable dimension of the outcome together with all the contingent variables can lead negotiators to the definition of a wrong strategy. More than this, any strategy will reveal its effect during the interaction and will ask for a quick adaptation or a counter strategy if not appropriate. In order to fix the ways and means that negotiators can use, understanding which ones are the most fundamental elements can be helpful but these elements are also dynamic and evolve during the process. A complete diagnosis over these elements is necessary in order to prepare.

But while any strategy can be considered trough the usual driving forces like power, trust or interests, their evaluation and the possible combinations of these elements make the strategic decisions difficult. Not only they are difficult and rich concepts but also can be appreciated in many different ways depending on each participant perception. Understanding how negotiators position themselves before negotiating and which criteria are helpful seems essential bearing in mind that the dynamics of the interaction create new positions all along the process. After all the finality of any negotiation is to equilibrate power and create trust in order to integrate both participants’ interests in a common agreement. The appreciation of the driving forces before negotiating is essential but a capacity to adapt the strategy around the evolution of these elements might also be the key to success.

References

Deutsch Morton, (1973), The resolution of conflicts, New Haven, CT: Yale University Press.

