

## Quadrant II - Notes

**Paper Code : COS102**

**Module Name : Negotiating Integrative Agreements**

**Module No : 13**

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Integrative bargaining is a negotiating process in which both the parties involved strive to integrate their interests as effectively as possible.

In this negotiation strategy the parties collaborate to find a "win-win" solution to their dispute. The negotiation generally strive to achieve two goals

1. To create as much value as possible for both sides
2. To claim as much value as possible for their own interests.

This technique does not, require negotiators to give in to demands made by the other party or to sacrifice any of their own objectives, but, it does require the parties to seek out creative options and not simply to focus on trading concessions.

In integrative bargaining, both the parties begin with a spirit of collaboration and seek to identify mutual gain options, i.e. "to expand the pie" as well as gain their share of the resources (or pie) Most negotiators prefer to use this technique over others not because of the fact that it generates deals beneficial to both the parties but also because the parties do usually have some common continuing relationship and therefore are not solely interested in maximizing their gain in the current negotiation.

Thompson's Pyramid can be described as both a "process" and an "outcome of negotiation. Thompson suggested a Pyramid Model of Integrative Agreements.

**Level 1:** Agreements are those in which both parties achieve an outcome that is better than their reservation point or BATNA

**Level 2:** Agreements produce an outcome that is even better for both parties in Level 1 agreements, possibly by introducing a new issue for which both Parties have a similar objective.

**Level 3:** Agreements are those for which it is impossible to improve the outcome from the perspective of both parties-the one in which any change that would benefit one party harm the other party.

Parties ideally seek to reach Level 3 agreements and do not stop at Level 1; they seek to gain the benefits of higher-mutually beneficial Levels 2 and 3.

However, in reality, it is more likely that negotiators can achieve Level 1 agreements through development of new options, that they can negotiate Level 2 Agreements that create additional value for both parties above the minimum achieved in Level 1.

Level 3 Agreements can be described as Pareto-optimal because they represent improvements above Level 2 for both parties and achieve an agreement that cannot be improved for one party without harming the other party.

## **Keys To Successful Integrative Bargaining**

### **1. Willing Participation of both Parties :**

Negotiation practitioners and researchers have discovered keys to the successful utilization of integrative bargaining.

Perhaps the most helpful would be an initial agreement by all of the people involved that an integrative process will be employed.

This agreement means that all parties will openly discuss as well as list all issues of concern to either party and be willing to explore new options.

If one party is not willing to participate in an integrative process, or if one party says it is willing but then resorts to concealing its interests or rejecting options without careful consideration, then the integrative process may not be employed as easily as if both parties utilized it.

Thus, the first key to integrative bargaining is the willing participation of both parties to openly seek mutual gains.

### **2. Recognition of the Relationship**

Integrative bargaining can be more easily utilized if the parties involved, value a long-term positive relationship.

Therefore, a second key to integrative bargaining is for the parties to openly recognize they have a valuable relationship that they seek to maintain after the negotiation process has ended.

Thus, the negotiators acknowledge that their continued relationship is of equal or even greater importance than one-time distributive gains. If this is not the case, then the negotiations will likely to a distributive process.

### **3. Collaborative Atmosphere:**

A third key to integrative bargaining is to start with a collaborative atmosphere.

First, begin by looking for all factors of importance that can be negotiated, and therefore avoid the common issue, such as price.

Second, consider the needs and concerns of the other party and don't assume they are identical to your needs and concerns.

A third way to foster collaborative atmosphere is not to assume you know the real needs of the other party.

In many negotiations, each party has both explicit needs, such as the product or service, but also has implicit needs, which might include the long-term relationship, loyalty, trust, and so forth.

### **4. Packaging the Issues:**

A fourth key to integrative bargaining is the ability to package issues for trades. Packaging generally refers to that process of combining two or more issues into one proposal that provides something or value to each party.

When several issues are identified in the first steps of integrative bargaining, the process may appear to be unwieldy.

By including several issues in a single packaged proposal, the entire negotiation process can move forward faster, as more issues are "removed from the table" when the package is agreed to by both parties.

## **LIMITATION OF INTEGRATIVE BARGAINING**

1. Negotiators may believe that they have utilized a win-win process because they showed genuine interest in the other party and negotiated an agreement in which both sides achieved some true gains.

However, a close analysis of the settlement determines that the deal failed to maximize the total gains possible.

2. The second limitation involves the perception of the balance of power between the two parties. If this balance of power is perceived by the parties to lean heavily to one side, then the integrative process may easily slide into a distributive process on each issue.

This imbalance may happen when the party with more power can ignore the possible mutual gains through integrative negotiation and instead leverage its power to gain its most desired position on each issue.

3. The third limitation is the common cognitive bias called overconfidence.

Both the negotiators feel that they know what the other party will accept on a given issue.

Due to this over confidence in their knowledge of the other party, they fail to listen carefully and learn the other side's interest.

As a result, they fail to adjust their belief of what is acceptable.