INTEGRATIVE BARGAINING

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UNIT 4

TOPIC: INTEGRATIVE BARGAINING
Integrative = Win Win
✓ INTEREST-BASED BARGAINING
✓ WIN-WIN BARGAINING

• INTEGRATIVE IS A NEGOTIATION STRATEGY IN WHICH PARTIES COLLABORATE TO FIND A "WIN-WIN" SOLUTION TO THEIR DISPUTE.

• FOCUSES ON DEVELOPING MUTUALLY BENEFICIAL AGREEMENTS BASED ON THE INTERESTS OF THE DISPUTANTS.

• INTERESTS INCLUDE THE NEEDS, DESIRES, CONCERNS, AND FEARS IMPORTANT TO EACH SIDE. THEY ARE THE UNDERLYING REASONS WHY PEOPLE BECOME INVOLVED IN A CONFLICT.

• INTEGRATIVE REFERS TO THE POTENTIAL FOR THE PARTIES' INTERESTS TO BE COMBINED IN WAYS THAT CREATE JOINT VALUE OR ENLARGE THE PIE.

• POTENTIAL FOR INTEGRATION ONLY EXISTS WHEN THERE ARE MULTIPLE ISSUES INVOLVED IN THE NEGOTIATION. THIS IS BECAUSE THE PARTIES MUST BE ABLE TO MAKE TRADE-OFFS ACROSS ISSUES IN ORDER FOR BOTH SIDES TO BE SATISFIED WITH THE OUTCOME.
THE NEGOTIATORS GENERALLY TRY TO ACHIEVE TWO GOALS

1. To create as much value as possible for both the sides

2. To claim as much value as possible for their own interests
Integrative bargaining is important because it usually produces more satisfactory outcomes for the parties involved than does positional bargaining. Positional bargaining is based on fixed, opposing viewpoints (positions) and tends to result in compromise or no agreement at all. Oftentimes, compromises do not efficiently satisfy the true interests of the disputants. Instead, compromises simply split the difference between the two positions, giving each side half of what they want. Creative, integrative solutions, on the other hand, can potentially give everyone all of what they want.
There are often many interests behind any one position. If parties focus on identifying those interests, they will increase their ability to develop win-win solutions.

Integrative solutions are generally more gratifying for all involved in negotiation, as the true needs and concerns of both sides will be met to some degree. It is a collaborative process and therefore the parties actually end up helping each other. This prevents ongoing ill will after the negotiation concludes. Instead, interest-based bargaining facilitates constructive, positive relationships between previous adversaries.
STRATEGIES THAT HELP NEGOTIATORS TO CREATE WIN-WIN SITUATION

1. Perspective Taking.
2. Ask questions about interests & priorities.
3. Providing information about your interests & priorities.
4. Unbundle the issues.
5. Make package deals, not single-issue offers.
6. Make multiple offers of equivalent value simultaneously.
7. Structure contingency contracts by capitalizing on differences.
8. Presettlement settlements.
Identifying Interests:

• The first step in integrative bargaining is identifying each side's interests.
• Interests are often less tangible than positions and are often not publicly revealed. A key approach to determining interests is asking "Why?" Why do you want that? Why do you need that? What are your concerns? Fears? Hopes?
• Figure out why people feel the way they do, why they are demanding what they are demanding
• Ask yourself how the other side perceives your demands
After interests are identified, the parties need to work together cooperatively to try to figure out the best ways to meet those interests.

Often by "brainstorming" -- listing all the options anyone can think of without criticizing or dismissing anything initially, parties can come up with creative new ideas for meeting interests and needs that had not occurred to anyone before. The goal is a win-win outcome, giving each side as much of their interests as possible, and enough, at a minimum that they see the outcome as a win, rather than a loss.
STRATEGIC MODEL OF INTEGRATIVE NEGOTIATIONS
FIVE TYPES OF INTEGRATIVE AGREEMENTS

- Expanding the Pie

When conflicts are caused by a lack of resources, resolution can often occur by “expanding the pie,” or expanding available resources. A famous example is the following: two milk companies were vying to be the first to deliver their product on a creamery platform. Their conflict was resolved when the platform was expanded to accommodate both companies’ trucks.
Nonspecific Compensation

In nonspecific compensation, one party gets what it wants by repaying the other party with something unrelated to the original source of conflict. The party simply “buys off” the other party’s concessions, and is able to obtain what it wants by selling something the other party has realized it wants or needs. An example of this type of integrative agreement is one of the above-mentioned milk companies paying the other one for the privilege of using the platform first.
Logrolling

In logrolling, one party concedes on issues it perceives as a low priority, which the other party perceives as having a high priority. Each party gets at least part of its demands it considers most important or most valuable. Logrolling has been considered a nonspecific compensation because in the milk company example, the company that gives up its right to deliver first because it considers the extra money more important than being first.
Cost Cutting

In cost cutting, one party gets what it wants but with no added cost incurred when the other party grants it. It results in high joint benefits, not because one party has changed its position, but because the other party suffers less by conceding to the demand. An example of cost cutting is when one milk company decides that being first makes no difference in how much milk it sells.
Bridging

In bridging, neither party gets its original demands, but they are able to come up with new solutions that satisfy the underlying reasons for their demands. Each party’s goals have become compatible, and in the process of using this method, each party’s underlying interests and positions are discovered. An example of bridging could be the following. The milk companies discover that the assumption that delivering their milk first would give them an advantage was incorrect, but for their situations, a different delivery time would provide them with the same advantage.
KEYS TO SUCCESSFUL INTEGRATIVE NEGOTIATION

- Willing participation of both the parties

All the parties should openly discuss as well as list all issues of concern to either party and be willing to participate in an integrative process in order to seek mutual gains. If one party is unwilling or resorts to concealing its interests, this process may not be easily employed.

- Recognition of relationship

The parties should openly recognise they have a valuable relationship that they seek to maintain after the negotiation process has ended. Thus they negotiators acknowledge that their continued relationship is of equal or even greater importance than one-time distributive gain.
• **Collaborative atmosphere**

  o Begin by looking for all factors of importance that can be negotiated and not just one common issue such as price.
  o Consider the needs & concerns of the other party.
  o Not assume that you know the “real” needs of the other party.

• **Packaging the issues**

  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.
THOMPSON 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 than 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, one in which any change that would benefit one party would harm the other party.
• Parties ideally seek to reach Level 3 agreements, and therefore “leave nothing on the table.” Integrative negotiators do not stop at Level 1; they seek to gain the benefits of higher, mutually beneficial levels 2 and 3.

• In reality it is more likely that negotiators can achieve Level 1 agreements in which both parties exceed their reservation points and BATNAs or, through the development of new options, that they can negotiate Level 2 agreements that create additional value for both parties above the minimums 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.
Distributive Negotiation
Vs
Integrative Negotiation
<table>
<thead>
<tr>
<th>BASIS FOR COMPARISON</th>
<th>DISTRIBUTIVE NEGOTIATION</th>
<th>INTEGRATIVE NEGOTIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>Distributive Negotiation is the negotiation strategy in which fixed amount of resources are divided between the parties.</td>
<td>Integrative Negotiation is a type of negotiation in which mutual problem solving technique is used to enlarge the assets, that are to be divided between parties.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Competitive</td>
<td>Collaborative</td>
</tr>
<tr>
<td>Resources</td>
<td>Fixed</td>
<td>Not fixed</td>
</tr>
<tr>
<td>Orientation</td>
<td>Win-lose</td>
<td>Win-win</td>
</tr>
<tr>
<td>Motivation</td>
<td>Self interest and individual profit</td>
<td>Mutual interest and gain</td>
</tr>
<tr>
<td>Issue</td>
<td>Only one issue at a time is discussed.</td>
<td>Several issues at a time is discussed</td>
</tr>
<tr>
<td>Communication climate</td>
<td>Controlled and Selective</td>
<td>Open and constructive</td>
</tr>
<tr>
<td>Relationship</td>
<td>Not a high priority</td>
<td>High Priority</td>
</tr>
</tbody>
</table>
**Positional Bargaining**

- disputants are adversaries
- goal is victory
- demand concessions
- dig into position
- mislead, use tricks
- insist on your position
- apply pressure
- look for win for you alone

**Integrative Bargaining**

- disputants are joint problem-solvers
- goal is wise decision
- work together to determine who gets what
- focus on interests, not positions
- be open about interests, use fair principles
- insist on objective criteria, consider multiple answers
- use reason, yield to principle, not pressure
- look for win-win opportunities
LIMITATIONS 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 overconfidence in their knowledge of the other party, they fail to listen carefully & learn the other sides’ interests. As a result they fail to adjust their belief of what is acceptable.
THANK YOU!