

Decision making and negotiation



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When it comes to organizational decision-making and negotiation, there is no defined way to predict what the outcome will be. There are many different variables, methods, and tactics that factor into decision-making and negotiation. For example, in organizational decision making, there are systems within organizations at work, different strategies and consequences of those strategies, and groups within the organization. Similarly, in negotiation, there are different strategies, tactics, and factors that must be considered before an agreement can be reached. In this paper, I plan to analyze the writings of Pamela Tolbert and Richard Hall's *Organizations Structures, Processes, and Outcomes*, William Ury's *Getting Past No*, and other various sources and apply the concepts of decision making in organizations to the process of negotiation to better understanding the outcomes of each.

Decision Making

Decision making in organization is a very complex and non-linear process, with many factors that contribute to it. One factor to consider would be Herbert Simon's idea of bounded rationality (Tolbert & Hall, 2009). Simon states " individuals are able to consider only a limited number of options in making decisions, and often select the first one that meets some minimal criteria, that are " good enough," rather than searching for the very best option." (as stated in Tolbert & Hall, 2009, p. 111). Building off the idea of bounded rationality comes the effects politics and internal conflict within the organization as well. Individuals within the organizations have goals of their

own and decisions made within organizations may not please all members involved in the decision making process (Tolbert & Hall, 2009, p. 113).

Similarly, smaller groups within organizations can fall into what is considered “group think” (Shafritz, Ott, & Suk, 2010, p. 189). Smaller groups will tend to have their own thoughts and ideas and may potentially be hostile toward outside ideas (Shafritz, Ott, & Suk, 2010). In this kind of situation, groups as opposed to individuals, focus on what is important to them or factors that they control, which can result in false assumptions and miscommunications within the organization. It must also be considered that decisions made by higher up individuals will have an impact on those below them.

James D. Thompson noted “decisions issues always involve two major dimensions: (1) beliefs about cause/effect relationships and (2) preferences regarding possible outcomes.” (as stated in Tolbert & Hall, 2009, p. 114).

There are several different strategies for determining how to handle these decisions mentioned by Thompson (Tolbert & Hall, 2009, p. 114):

“When outcome preferences are clear, but cause and effect relationships are uncertain, Thompson suggests that organizational decisions require what he calls a judgemental strategy. This typically involves bringing a group of experts together to share their knowledge and to make recommendations. Where the situation is reversed and there is certainty regarding cause and effect but uncertainty regarding outcome preferences, decision-making requires a compromise strategy...”

Another method that can be utilized to handle uncertainty is the “garbage can” method, which was introduced by Michael Cohen, James March, and

Johan Olsen (Tolbert & Hall, 2009, p. 115). This method has four main factors (Tolbert & Hall, 2009): Perceptions of current problems, potential solutions, decision making opportunities, and participants involved. This model suggests that decisions are essentially made by using a random combination of those four factors (Tolbert & Hall, 2009, p. 116).

Many strategies used in the decision making process in organizations are very similar, if not the same, as strategies utilized in the negotiation process. For example, setting the agenda is essentially the same as framing the parameters of a negotiation. Setting the agenda can be a very useful tool because items at the top of the agenda are more likely to receive more attention than those at the bottom and it can affect items below it as well. (Tolbert & Hall, 2009, p. 118). Another critical, and also similar, strategy is the control of information. Limited access of information can be a form of power in the decision making process, with those having more information having more power (Tolbert & Hall, 2009, p. 119). Not only is this important for decision making within an organization, but limiting information in the negotiation process could potentially give one party the upper hand. Lastly there is the forming of coalitions. In organizational decision making, forming coalitions would primarily be the choosing of individuals to make decisions on behalf of other members of the organization because the input of too many individuals lead to dysfunctionality (Tolbert & Hall, 2009, p. 120). This can also change the outcome of a decision because members of the coalition can use their position as a decision maker to lead the organization toward their own goals. Similarly, in multi-party negotiations, parties can form

coalitions to achieve the outcome they desire. These strategies will be discussed more later in the paper.

Negotiation

The negotiation process, while complex in its own ways, is more linear than the decision making process in organizations. The most important step in the beginning the negotiation process is understanding what is important for all parties involved at the negotiation table, and what strategies to utilize. A common acronym in negotiation is BATNA (Best Alternative to Negotiated Agreement) (Ury, 1991, p. 21). Knowing when to walk away is just as important, if not more, as coming to an agreement. Similar to limiting information in organizational decision making, a BATNA is not necessarily information that should be revealed, but if necessary it can be used as a tool to demonstrate a point (Ury, 1991). Relating to the cause and effects of relationships mentioned earlier, parties must determine their own ethical boundaries. As Richard Shell puts it “ Your personal beliefs about ethics also come with a price tag.” (as stated in Menkel-Meadow & Wheeler, 2004, p. 57). Relations with other parties and organizations must be considered when determining strategies as well. Often times it is more important to maintain relationships for future negotiations and decision (Herring, 2012, p. 213) because enduring relations can shape future decisions (Tolbert & Hall, 2009, p. 116).

Once the negotiation begins, it is important to frame the negotiation parameters. Similar to setting the agenda, framing the negotiation can give the framing party the upper hand (Ury, 1991, p. 67) because it can disorient

the strategies and plans of the opposing party or parties, “ the way to change the game is to change the frame.” (Ury, 1991, p. 80) When framing, it is important to clearly define the rules and topics (Ury, 1991, p. 98) of the negotiation be sure they are very ‘ black and white’ with no ‘ grey area’ (Herring, 2012). While the rules of a negotiation may be set at the start, the framing of the negotiation can change through out the process, shifting from one party to the other. A simple way to do this is to ask problem solving questions and “ let the problems be their teacher” (Ury, 1991, p. 80). Some examples of these questions would be: Why?, Why not?, Ask for their advice about a topic, What makes that fair?, and open-ended questions about the topic of the negotiation (Ury, 1991, pp. 81-87). These simple questions make other members in the negotiation think and could change the perspective of involved parties, if the right questions are asked.

Ultimately the goal of a negotiation is coming to a decision, whether that decision be one in which involved parties come to an agreement or one in which the parties involved decide to walk away. There are many obstacles to overcome when trying to reach an agreement. It is important to keep in mind that if there are unmet interests pushing a party toward an agreement will make it more likely that they will resist (Ury, 1991, p. 108). Common obstacles include the following: Not the other side’s idea, unmet interests, fear of losing face, and too much too fast (Ury, 1991, pp. 105-109). Often times it is easy to get around these obstacles by offering choices, even if the options given are provided by the ‘ winning’ party. By letting the ‘ losing’ party decide, it makes them feel as though they are more involved in the process and are more likely to accept the agreement (Ury, 1991). The given

choices can also satisfy some unmet interests and possibly help save face as well. (Ury, 1991). A party can also “ use power to educate.” (Ury, 1991, p. 132). This would be a situation in which revealing a BATNA would be a show that a party can walk away, and perhaps a demonstration of what might be the result of an agreement is not made (Ury, 1991, p. 138). Ury does note that it is better to aim for a mutual agreement as opposed to a victory over the other side (Ury, 1991, p. 155).

Analysis

As stated earlier, the differences between organizational decision-making and the process of negotiation are quite similar. For example, in regards to the idea of Simon’s bounded rationality, in multi-party negotiation situation some parties at the negotiation table might only focus on what is in their interests and not what would be an optimal outcome for parties involved. Not only can the bounded rationality lead to a less than optimal outcome, but in a negotiation, if parties cannot come to an agreement and cannot concede on their interests, which may result in failure due to parties walking away. Just as bounded rationality can effect the outcomes of decisions and negotiations, group think, political interests, miscommunication, and internal conflicts can have an impact as well. If there is not consensus within the party during a negotiation, that party has a high probability of failure.

Decision-making has uncertainties just as negotiation does, which is why parties develop a BATNA. Developing a BATNA should involve looking at any factors of uncertainty, such as Thompson’s ideas on cause and effect on relations and preferences of outcomes and the factors mentioned in the “

garbage can" theory (Tolbert & Hall, 2009). When preparing for a negotiation its best to know what the issues are, what potential interests can be given up, what potential combinations of solutions can be made, who is going to be at the table and how to deal with them, and what strategies should be used. As with the garbage can theory, developing a BATNA as well as a negotiation strategy can be any combination of those factors.

The use of strategies is where the organizational decision-making process and negotiation process are almost identical. Setting the agenda should be a step in both processes, and framing would come after in negotiations. As in both processes though, setting the agenda and framing the situation play a vital role in determining which individual or party gain the upper hand. In both setting the agenda and framing the negotiation, whichever individual or party can do it can ultimately choose the direction the decision making process goes, which could also effect topics that would come up later. An example of this could be in a negotiation between a labor union and a company. The company may settle on the labor union representing x% of the entire work force. After which the company could follow up with a statement such as " because of x% of representation, we will pay x amount of dollars in compensation." Limiting information greatly effects the outcomes the both decisions and negotiations as well. Just as limiting information can be a powerful tool in decision-making, it is especially powerful in negotiations. When at the negotiation table, parties won't put all their ' cards' on the table, they withhold information and base the release of information on what the other parties say. For example, when negotiating a salary, company executives may decide to have a maximum starting salary for \$50, 000

dollars for the employee they are negotiating with. They won't open with their maximum though, they will either offer lower or wait to see what the new employee suggests first. If the new employee were to suggest starting at \$45,000 the company would accept that offer, resulting in both parties satisfied. Lastly, the forming of coalitions is also a critical factor in decision-making and negotiating. As with organizational decision-making, negotiations tend to have a smaller group of people to represent the interests of the greater organization. Choosing participants in both situations can alter the outcomes depending on their personality and their own personal objectives for the organization. In the negotiation process, forming coalitions can go one step further. In a multi-party negotiation for example, several parties can come together to push out the interests of smaller parties and individuals and focus on an agreement which meets the majority of their interests.

Lastly, as with coming to an agreement in a negotiation, decision made by organizations have an impact on the rest of the organization. When coming to an agreement in both situations it's best to satisfy as many interests as possible and not force opposing members into an agreement. Ury mentions that it helps to involve a party that is on what can be considered the 'losing' side of a negotiation, because if they feel like they are the ones who developed the agreement, even if it's not the desired outcome they expected, they are more likely to accept it (Ury, 1991, pp. 110-111). Similarly, Tolbert & Hall mention that when forming coalitions to make an agreement, the more members of an organization involved in the decision-

making process, the more likely the decision will be accepted by the entire organization (Tolbert & Hall, 2009, p. 120).

Summary

Overall, many factors and strategies are similar between organizational decision-making and negotiation. While some strategies may have slightly different purposes between the two, strategies such as agenda setting, limiting information, and forming coalitions serve almost the same function in both. Ideas such as Thompson's two dimensions for decision making and Cohen and his colleagues "garbage can" theory, while originally focusing on organizational decision-making, can easily be applied to negotiating.

Similarly Ury's steps and strategies for reaching an agreement, such as involving the other side in decision-making, developing an alternative, and asking simple problem solving questions to deal with uncertainty can be easily applied to organizational decision-making. While there is no way to be able to determine the outcome of a negotiation or decision with 100% accuracy, applying the concepts from both processes can help better determine the outcomes of each.

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