

Skillbook

Negotiation Skills

Communication
Skills



Mindtools

Negotiation Skills

Skillbook

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1. Introduction

When some people hear the word “negotiation,” they think of bitter arguments, where one side emerges victorious and the other suffers defeat. Or, they imagine situations where slick salespeople get what they want, at the expense of customers.

So, if you get what you want, does that mean that the other person doesn’t get what they want? Or, if you both give up something to reach an agreement, does that mean that neither party is truly satisfied?

If you’ve used “distributive negotiation” in the past, you might answer “yes” to these questions. Distributive negotiation is a classic “fixed pie” approach: it starts with the assumption that anything one party wins, the other loses. In other words, if Jacinda gets more of the pie, Loris gets less. This type of negotiation is unpleasant, which can explain why few people like to negotiate.

However, in many cases, negotiation doesn’t need to be like this. When you negotiate with another member of your team, or with someone you want a good relationship with, it doesn’t pay to crush them, because they’ll likely hold it against you. You can reach much better agreements with others by learning how to make the process more positive.

In this **Skillbook**, we’ll explore the fundamentals of “win-win negotiation.” This is where both parties leave feeling satisfied and enthused by the outcome. In around one hour, we’ll look at:

- How win-win negotiation works.
- How to prepare for win-win negotiations.
- How to negotiate a win-win solution.

By the end of this Skillbook, you’ll have learned the skills you need to negotiate a solution that all parties can support. With these techniques, you’ll be able to demonstrate that negotiation doesn’t have to be confrontational or adversarial. Instead, you can preserve and even build relationships through successful negotiation.

2. Identifying Negotiation Strategies

Negotiating isn't just for political leaders, business executives or striking unions – it's a basic human function. And, while the stakes may vary greatly, almost everyone negotiates. For example, you might negotiate a work agreement, a salary increase, or who washes the dishes at home.

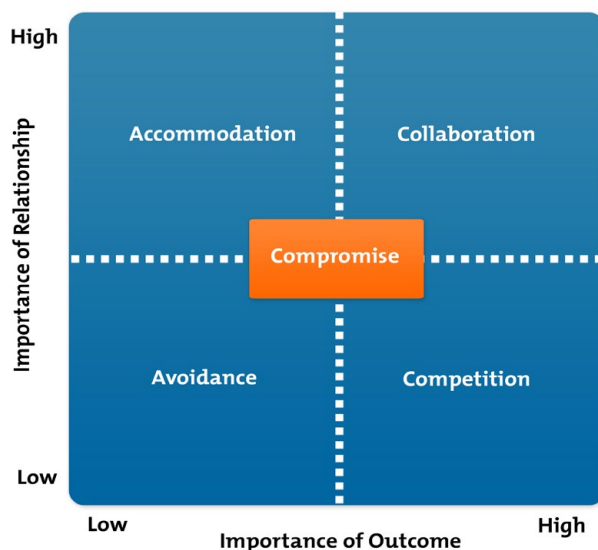
The most successful negotiations are “win-win,” where both sides' needs are met. When negotiators believe in this type of bargaining, they will search for – and find – options that satisfy everyone involved.

However, there are other negotiation strategies that you can use in different situations. The type of negotiation you should use depends on the importance of the relationship, compared with the importance of the outcome.

Lewicki and Hiam's Negotiation Matrix

The Negotiation Matrix, shown in Figure 1, below, was developed by Roy Lewicki and Alexander Hiam, and published in their 2010 book, “[Mastering Business Negotiation](#).” You can use it to choose the best negotiation approach for your situation, based on how important the outcome and the relationship are.

Figure 1 – Lewicki and Hiam's Negotiation Matrix



From “Mastering Business Negotiation: A Working Guide for Making Deals and Resolving Conflict,” by Roy J. Lewicki and Alexander Hiam. © 2010, Jossey-Bass. Reproduced with permission of John Wiley & Sons, Inc.

The matrix shows the negotiation styles that can be appropriate in different circumstances. Let's look at each quadrant in more detail:

- **Outcome important, relationship important:** here, you approach negotiation sensitively, in a win-win way. You seek to preserve and improve the relationship, while collaborating to help one another get what you both want.
- **Outcome important, relationship unimportant:** these are win-lose situations. You'll likely never see the other person again, but you absolutely want to achieve your desired outcome. Think about buying a used car or a house – these can be tough, unpleasant negotiations.
- **Outcome unimportant, relationship important:** here, you can comfortably accommodate the other person's needs and maintain the relationships with no real loss to yourself.
- **Outcome unimportant, relationship unimportant:** it may not be worth negotiating in these situations.

The following questions will help you think about the negotiation style that's best for your situation.



Action:

Think about an upcoming situation where you'll need to negotiate. Write it down below.

Negotiation Situation:



Action:

Using the matrix on the previous page, answer the following questions for your negotiation situation.

Question	Yes	No
Can you meet your needs without negotiating?		
Is the outcome worth the effort of a full-blown negotiation?		
Is there more than one acceptable solution, without having to negotiate?		
<i>If you've answered Yes to any of these, avoidance may be an appropriate strategy. Here, neither the relationship nor the outcome is particularly important.</i>		

Question	Yes	No
Is a good outcome more important than maintaining an ongoing relationship?		
Is this a “fixed-pie” situation, where either you get what you want or the other party does?		
Is this a one-off negotiation?		
If you have answered Yes to any of these, competition may be the best strategy. This is a “win-lose” situation, where you really need to win.		

Question	Yes	No
Is preserving or enhancing the relationship very important?		
Are you willing to lose in order to maintain the relationship?		
Will you negotiate over a period of time for a number of different things?		
If you have answered Yes to any of these, Win-Win or accommodation may be acceptable strategies. Instead of win-lose, accommodation is “I lose, you win.” When there are a number of items on the table, sometimes accommodation is used to take a sacrificial loss, so that you can ask for something else that’s important to you.		

Question	Yes	No
Is the outcome just as important as the relationship?		
Do you need to do more than split the difference to ensure that everyone is satisfied?		
Do you have the time needed to find creative solutions that meet both parties’ needs?		
If you have answered Yes to any of these, collaboration is key. This is the preferred method and represents a win-win approach. You need to plan and prepare vigorously for collaboration, and come up with joint agreements that leave everyone feeling that they have what they want.		

Question	Yes	No
Are you seeking a quick and easy end to the negotiation?		
Is the solution intended to distribute resources or other items of value?		
Is it difficult to decide whether to compete or accommodate?		
If you have answered Yes to any of these, compromise may be the answer. This is still a win-lose strategy, as each party gives something up and actually feels like they lost something. It’s important to remember that compromise is not collaboration, and you can often do better than just compromising.		

In a negotiation situation, it's also important to consider the **other person's perspective**. If your interests are the same, that's fine. However, if you're playing win-win while the other person is playing win-lose, you may be the one who loses.

In the rest of this Skillbook, we'll focus on how to find win-win solutions.



3. Integrative, Win-Win Negotiation

With integrative, win-win negotiation, one party doesn't gain at the other's expense. For example, when one side pursues its goals, it doesn't necessarily mean that the other side won't be able to meet its goals too.

In these situations, both parties may start by believing that they're in competition, and that a win-lose outcome is inevitable. However, by using "integrative negotiation," you can often reach a win-win solution quite easily.

The integrative negotiation process has three steps:

1. Problem identification.
2. Solution generation.
3. Solution selection.

Let's look at each step in more detail.

1. Problem Identification

This is the most difficult step, and it becomes increasingly complex when more parties are involved. You begin by identifying all parties' interests and needs, and uncovering the underlying concerns that each brings to the table. For instance:

- What need is driving the negotiator?
- What do they fear?
- What motivates the negotiator to take their current position?

Action:



Think of a negotiation that you're about to enter into (choose one with no more than three parties). Answer the following questions to explore each party's underlying interests, including your own.

What outcomes do people expect? Are there any precedents that you should be aware of?
Does a relationship already exist? How will this impact these negotiations? Are there any existing issues that may surface during the negotiation?
Who holds what power in the negotiation? Are there resource-control issues? If you can't reach an agreement, who has the most to lose? What is your BATNA (Best Alternative To a Negotiated Agreement)?

What is the opening position? What would the perfect result be?
Your Own:
Party 1:
Party 2:

Your Interests
What do you want from the negotiation?
What do you REALLY want? Why is this important to you?
What will achieving your objective help you to do?
What will happen if you don't achieve your objective?

Other Parties' Interests (As you prepare for the negotiation, and during it, probe for answers to these same questions. Look for verbal and nonverbal behavior that may reveal underlying interests, fears and motivations.)
What does the other party REALLY want? Why is this important to them? (Note: you may find that your initial expectation of their position is wrong.)
What will achieving this help them to do?
What will happen if they don't achieve their objectives?

As you begin to uncover each party's needs and interests, you can put together a clear and simple problem statement that everyone agrees with and accepts.

Problem Statement Tips

Make it mutually acceptable: the problem statement should reflect all parties' interests and needs. For instance, "I want to reduce customer complaints" and "I want to improve quality" may not apply to everyone.

Make it neutral: depersonalize the definition, and take out any evaluative or judgmental terms. For example, "We want the production department to improve their quality standards" attacks the production department and lays blame.

State the problem as a goal: decide what you want to achieve and how. "Reduce customer complaints to three percent" is a more effective problem statement than "Minimize customer complaints."

Don't jump to solutions: make sure that the problem statement avoids suggested solutions. Integrative bargaining seeks to search for and examine several possible solutions, not to make concessions from a most-desired outcome. Saying, "Use new technologies to reduce customer complaints to three percent" excludes any solutions that might not use new technologies.



Action:

Using the tips above, write your problem statement below.

Problem Statement:

2. Solution Generation

This is the creative phase of integrative negotiation, and it involves searching for several alternative solutions. When you've agreed the problem and have understood one another's interests, you can identify a variety of solutions that might work. The objective is to create a list of solutions that solve the problem, and then choose the best option in the selection phase.

Here, we're going to look at how to reframe the problem, so that you can identify win-win solutions.

Thinking about the same negotiation situation as before, we'll look at five alternative integrative negotiation techniques that you can use to solve the problem.

2.1. Expand the Pie

Many conflicts center on a shortage of resources, where each party believes that it can't reach its objectives while satisfying both sides. The simplest solution is to find a way to add more resources, so that you **can** satisfy each side.

For instance, imagine that you want to decrease customer complaints in a factory. Let's say that one side wants to change the production process, and the other wants to purchase new machines. You could use both options if you found external finance for them, which would allow both parties to get what they want.



Action:

Answer the following questions for your own negotiation situation.

Is there a shortage of resources?
How can you expand resources to meet the demands of both sides?

2.2. "Log Rolling"

"Log rolling" is where both parties trade off issues. For example, one side achieves a highly preferred outcome on the first issue, while the other gets a great outcome on the second. If the parties do, in fact, have different preferences on different issues, this technique is highly effective.

The term may originate from times when neighbors worked together to gather wood for each household. One family couldn't chop down and haul trees on their own, so two families cooperated, first bringing home wood for one house and then for the other.

Log rolling often happens by trial and error, as the parties experiment with various offers.

You're able to make trades when you clearly define issues, so you fully satisfy each party and no one feels that they have compromised anything of value. (That would create a win-lose or lose-lose result.)

Using our previous factory example, the team that wants a different production process also sees value in adding a new piece of machinery to the line. It agrees to support this one piece of machinery in exchange for changing part of the process.



Action:

Answer the following questions for your situation.

What issues are of higher and lower value to you?
What issues are likely to be of higher and lower value to the other party?
Are there issues that are high priority for you and may be low priority for them, and vice versa?
Can the issue be unbundled, so that the various parts can be used to log roll?
What is inexpensive for you to give, and valuable for the other party to get, that can be used in log rolling?

2.3. Nonspecific Compensation

Another way to resolve conflict is to allow one party to reach its objectives by paying off the other party. The payoff can be unrelated to the negotiated settlement, as long as the other party thinks that it's adequate.

You can do this effectively when you know what the other party values, and you understand the implications of not reaching an agreement. However, make sure that this doesn't slip into distributive bargaining, and that the payoff is indeed perceived as a win by both sides.

So, in our factory example, the side that wants new machinery could agree to purchase machines that the other side chooses.



Action:

Answer the following questions for your situation.

What are the other party's goals and values likely to be?

What could you do to make the other side happy, while allowing you to get what you want on the key issue?

What is inexpensive for you to give and valuable for the other party to get, that might be used as nonspecific compensation?

2.4. Cost Cutting

Cost cutting allows one party to achieve its objectives and the other to minimize its costs or discomforts. This is the opposite of nonspecific compensation: although the other party doesn't get something, you relieve them of a burden or suffering. However, you have to know the other party's interests well for this to work, and you need to have an intimate understanding of the consequences of non-settlement to them.

In our factory example, the side that wants new machines could agree not to make any of the production workers redundant.



Action:

Answer the questions on the next page for your situation.

What risks and costs do you think your proposal creates for the other party?
What can you do to minimize the negative effects of a viable solution, so that the other party would be more willing to agree?

2.5. Bridging

Bridging asks you to come up with completely new options that meet the needs of each side.

Successful bridging requires a fundamental reformulation of the problem, so that the parties no longer argue for their respective positions. Instead, they reveal what they really want and come up with ways to achieve this.

During bridging, you don't necessarily have to meet the original goals. When a solution is bridged, the parties have come to understand their underlying interests, and they have reached a mutual goal that often supersedes the original one.

In our factory example, one side wants to change the production process, and the other wants to purchase new machines. The overarching desire is to reduce the number of customer complaints. Therefore, the new solution could involve using the resources they have to create a quality-control function. This would provide immediate feedback to the line, and correct defects before they reach the finished goods area.



Action:

Answer the following questions for your situation.

What are the real underlying interests and needs of the other party?
What are your own real underlying needs and interests?

What are the higher and lower priority issues for each of you?
What are your common objectives or goals?
Can we come up with a solution that meets both sides' priorities, needs and interests?

It's important to remain flexible when you generate solutions. Negotiators should be able to signal the positions on which they are firm, and the ones where they have room to move. Here are some tactics for doing this:

- **Acknowledge the other party's interests.** This shows that you're willing to entertain their issues while you have your own at stake.
- **Indicate a willingness to change your proposals,** if you can find a way to bridge your interests.
- **Demonstrate the desire to solve the problems** and reach new solutions.
- **Maintain open communication.**
- **Reaffirm what is critically important,** using language like "need" and "must." This gives the other side the ability to determine what they can give and expect in the negotiations.
- **Re-examine any areas where you suspect that you may not be considering the other party's needs.** Typically, you'll find that your basic interests are very similar.

3. Solution Selection

Finally, you evaluate the options and choose a solution. This can usually be done in one step, unless the problem is particularly complex.

In complex negotiations, it can be useful to agree the evaluation criteria beforehand, and as part of the negotiation process. Develop standards for what is fair and reasonable.

If both parties start by debating their criteria and determining which ones are most important, you'll be able to decide on the criteria independent of any particular solution.

Then, when you come to consider the possible solutions, you can pick the best one based on objective criteria, and not on either side's preferences.



Action:

For your negotiation situation, write down your criteria for evaluating a successful outcome below.

The criteria for a win-win solution are:	
1.	
2.	
3.	
4.	
5.	

4. Key Points

Integrative, win-win negotiation allows both parties to define goals that allow them to achieve their objectives and feel that their needs are being met. In other words, each party's goals are not mutually exclusive.

Win-win negotiation has three stages: problem identification, solution generation, and solution selection. At the start, all parties can believe that they're in competition, and that a win-lose outcome is inevitable. However, by following these three steps, you can often reach a win-win solution quite easily.

It's great when you can find a way for each side to win. This alleviates much of the stress involved in negotiation, and it communicates that you're as interested in the other party's needs as you are in your own. This attitude will take you far in your career, whether you are negotiating or not.

