

Why your negotiations are doomed (and how to rescue them)

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Negotiators, even professional ones, make surprisingly many wrong decisions that doom negotiations that should have succeeded. Many of these mistakes relate to overestimating how well they can read the feelings and thoughts of other parties in the negotiation, as well as the extent to which the other party can read their feelings and thoughts.



Source: pixabay.com

For instance, research shows that negotiators who sought to conceal their desires did a better job than they thought they did. In turn, those who tried to convey information to those they negotiated with about their preferences overestimated their abilities to communicate such knowledge. Other scholarship shows that negotiators with less power are more prone to such mistakes than those with more power.

The illusion of transparency

Scholars call this erroneous mental pattern the illusion of transparency, referring to us overestimating the extent to which others understand us and how well we grasp others. This mental blindspot is one of many dangerous judgment errors - what scholars in cognitive neuroscience and behavioural economics call cognitive biases - that we make due to how our brains are wired. We make these mistakes not only in work but also in other life areas, for example in our shopping choices, as revealed by a series of studies done by a shopping comparison website.

Fortunately, recent research in these fields shows how you can use pragmatic strategies to address these dangerous judgment errors, whether in your professional life, your relationships, or other life areas.

You need to evaluate where cognitive biases are hurting you and others in your team and organisation. Then, you can use structured decision-making methods to make “good enough” daily decisions quickly; more thorough ones for moderately important choices; and an in-depth one for truly major decisions.

Such techniques will also help you implement your decisions well, and formulate truly effective long-term strategic plans. In addition, you can develop mental habits and skills to notice cognitive biases and prevent yourself from slipping into them.

I observed a clear instance of an illusion of transparency when an electric company brought me in as a consultant to mediate in failing contract negotiations between the management and the union. Both sides believed the other party to be unwilling to negotiate in good faith, asking too much and giving too little. The union demanded substantial wage hikes, strong job protection, and better retirement benefits, and the management pushed back strongly on each request.

Areas of agreement and flexibility

Quickly, I noticed that the illusion of transparency gravely inhibited progress. My private conversations with representatives from both sides showed that all felt they communicated their positions effectively, both the areas where they wanted to stand firm and where they felt willing to compromise. Yet these same conversations showed many areas of agreement and flexibility that neither side recognised.

Why didn't both sides explicitly outline their positions thoroughly and clearly, so that the other side understood exactly where they stood? Because they were afraid that the other party would take advantage of them if they explicitly stated their true positions, including the minimum they'd be willing to accept.

So both sides tried to convey what was most important to them by arguing more strongly for certain points and less strongly for others. They believed that the other side would “get the hint.” Unfortunately, neither side “got the hint” of the true priorities of the other side.

Weighing priorities

What I asked each side to do was use the decision-making strategy of weighing their priorities. After deploying this strategy, the union negotiators assigned first priority to increased job protection, second to better retirement benefits, and third to a large wage increase. The management negotiators used the same strategy and assigned first priority to no wage increase, second to decreased retirement benefits, and last to weaker job protection.

By clarifying these priorities, the parties were able to find room for negotiation. The final contract included much-strengthened job protection, a moderate boost to retirement, and a small wage hike at just below inflation.

The management appreciated the outcome since it didn't have to spend as much money on labour; the union membership liked the peace of mind that came with job protection, even if they didn't get the wage hike they would have liked.

The key takeaway is that in any negotiation situation, you're very likely to be overestimating the extent to which you explained your position to the other party. You're also probably too confident about how well you understand the other party's perspective. The other party is most likely making the same mistakes regarding you.

An easy way to address these problems is to use the decision-making strategy of weighing your priorities and having the

other party do the same. Then, trade off your lowest priorities against their highest ones and vice versa. You can come to a win-win agreement where both parties realised the biggest gains and experience the least losses.

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