

# Negotiation



A Newsletter from  
Harvard Business School Publishing  
and the Program on Negotiation  
at Harvard Law School

Decision-Making and Communication Strategies That Deliver Results

---

ARTICLE REPRINT NO. N0311A

## The Mythical Fixed Pie

BY MAX H. BAZERMAN

## Related Material

*Here are some other products you might find useful:*

### **Winners (Don't) Take All**

eLearning CD  
June 2003  
Product # 368XC

### **Betting on the Future:**

#### **The Virtues of Contingent Contracts**

*Harvard Business Review* article  
September 1999  
Product # 99501

### **Negotiating the Spirit of the Deal**

*Harvard Business Review* article  
February, 2003  
Product # R0302E

### **Negotiation**

*Business Fundamentals Series*  
Herminia Ibarra; Deborah M. Kolb;  
Robert J. Robinson; James K. Sebenius;  
Lyle Sussman; Michael D. Watkins; Michael A.  
Wheeler; Judith Williams; George Wu  
October 2001  
Product # 1771

### **Harvard Business Essentials: Negotiation**

Harvard Business School Press book  
June 2003  
Product # 1113

---

For a complete list of Harvard Business  
School Publishing newsletters:  
<http://newsletters.harvardbusinessonline.org>

For reprint and subscription information  
for *Negotiation*:  
Call 800-988-0866 or 617-783-7500  
<http://hmu.harvardbusinessonline.org>

For customized and quantity orders of reprints:  
Call 617-783-7626 Fax 617-783-7658

For permission to copy or republish:  
Call 617-783-7587

This document is authorized for use by **Miguel Unzueta**, from 12/1/2014 to 4/30/2015, in the course:  
Mang 286 - Negotiations Behavior - Prof. Unzueta (WINTER 2015), University of California, Los Angeles.  
Any unauthorized use or reproduction of this document is strictly prohibited.

# The Mythical Fixed Pie

**If you believe victory always comes at the other party's expense,  
you may leave real value on the negotiating table.**

BY MAX H. BAZERMAN

**I**N THE BUSINESS WORLD, why is competition so often the norm, while cooperation seems like an impossible goal? Why do we fail to recognize opportunities for creative problem solving that would develop joint gain, settling instead for “better than nothing” compromises?

One of the most destructive assumptions we bring to negotiations is the assumption that the pie of resources is fixed. The *mythical-fixed-pie* mindset leads us to interpret most competitive situations as purely win-lose. Of course, the pie of resources *is* limited in some cases—in athletic competitions, admission to academic programs, and some corporate promotion systems. A small percentage of negotiations are *distributive*—the parties are restricted to making claims on a fixed resource. For instance, if price is the only issue on the table, your gains come at the expense of the other side's and vice versa. Haggling over a piece of jewelry in a bazaar is one type of distributive negotiation.

But in organizational negotiations, far more issues than price are involved, including delivery, service, financing, bonuses, timing, and relationships. For those who recognize opportunities to grow the pie of value through mutually beneficial tradeoffs among issues, the complexity of such negotiations is an asset. Tradeoffs allow you and your negotiating partner to achieve more than you would if you merely compromised on each issue.

Finding tradeoffs can be easy when negotiators know to look for them, yet our assumptions about the other party's interests often keep us from this search. The problem is, we tend to apply the fixed-pie mentality too broadly, assuming that any gain for the other side comes at our expense. When I ask executives why they failed to make mutually beneficial tradeoffs in a simulated negotiation, they tell me they didn't know such tradeoffs were possible. The fixed-pie assumption limited their options.

Some compromises are unimportant. When planning a night out with friends, settling for your second or third restaurant choice won't cause you long-term harm. But if you get into the habit of compromising, you'll miss out on important opportunities when the stakes are higher. Consider this Cold War-era quote from Congressman Floyd Spence regarding a proposed nuclear agreement between the United States and the Soviet Union: “I have had a phi-

losophy for some time in regard to SALT, and it goes like this: the Russians will not accept a SALT treaty that is not in their best interest, and it seems to me that if it is in their best interests, it can't be in our best interest.” Such overly simplistic reasoning has contributed to many unnecessary conflicts.

## Expanding the pie

While claiming resources is important, you can often find much greater value by expanding the pie of resources. A buyer and seller negotiating a purchase might both be satisfied by increasing the order size and slightly decreasing the price per unit. In business development talks, there are many issues on the table. Far too often, partners in an alliance compromise on each one, rather than growing the pie by trading across issues. When the other side asks you for “just one more concession,” she sets you up for a difficult choice between saying “Yes” (and losing value) or “No” (and risking losing the deal). Here's an alternative response: “I'll grant that request, if you'll accept a tradeoff on an issue more important to me.”

This strategy is ideal when negotiators value issues differently. But what if you have identical preferences on the same issue? Imagine a company that wants to increase employee training to increase work flexibility, while its employees want to be better trained to increase their employment security. Even when both sides want the exact same outcome—in this case, better employee training—negotiators will compromise on a lesser outcome, writes Leigh Thompson, a professor at Northwestern University's Kellogg School of Management who specializes in dispute resolution. “If I want more training,” an employee might reason, “management probably won't want to give it to me.” The assumption that the other side has directly opposing interests is known as the *incompatibility bias*.

In a negotiation simulation involving eight issues, Thompson included two that were compatible—the parties had the exact same preference. Rationally, there was nothing to negotiate; no conflict existed. Yet 39% of negotiation pairs failed to agree on their shared preferred outcome for at least one of these two issues. Even when they did agree, they often erroneously believed that they “beat”

## **Mythical Fixed Pie** *(continued)*

the other side on that issue, not realizing the other party had also come out ahead. The danger of such misperceptions is that they can falsely inflate your confidence in your persuasion and bargaining abilities.

Another negative effect of the mythical-fixed-pie mindset is the tendency to downplay any concession your adversary makes. In a 1990 study, Lee Ross, a psychology professor at Stanford University, and Connie Stillinger asked two groups of people to assess how favorable an arms reduction proposal was to the United States and to the U.S.S.R. In one group, the interviewer correctly attributed the proposal to President Gorbachev. In the other group, the interviewer implied that President Reagan had made the proposal. Fifty-six percent of those who believed the proposal originated with Gorbachev thought that it dramatically favored the Soviet Union, 28% thought it favored both sides equally, and just 16% felt it favored the United States. When participants believed that President Reagan had initiated the proposal, 45% thought it benefited both sides equally, 27% thought it favored the U.S.S.R., and 27% thought it favored the United States.

Clearly, the terms that your side is proposing might seem suspect to you if they had been proposed by your competitor. And as soon as an opponent concedes on an issue, you may be tempted to devalue its worth: "If they're willing to give it up, it must not be so important." This faulty reasoning is consistent with the mythical-fixed-pie perception that "what's good for them is bad for us."

### **Finding trades**

Once negotiators have broken the assumption of a mythical fixed pie, the search for value can begin. To create value, you need to learn about the other party's interests and preferences. The five proven strategies that follow will increase your likelihood of uncovering value in the negotiation process.

#### **1. Build trust and share information.**

The most direct way for parties to create value is to share information in an open, truthful manner. But even in negotiations within companies, parties fail to follow this strategy. The value created by sharing information with your most trusted customers will often outweigh the risk of having that information misused. If the two parties can put their tendency to claim value on hold, they may well be able to share valuable information about how much each side cares about each issue. "On-time delivery is critical to us," you might tell a representative of a technology consulting firm in a negotiation over new business. "Our old contractor did good work, but couldn't meet deadlines. Now tell me some of your key concerns."

#### **2. Ask questions.**

Your goal is to understand the other party's interests as well as possible, yet both parties may be unwilling to fully disclose confidential information. What should you do next? Ask lots of questions! Many executives, especially those trained in sales persuasion tactics, view negotiating primarily as an opportunity to influence the other party. As a result, we do more talking than listening. And when the other side is talking, we tend to concentrate more on what we'll say next than on the information being conveyed—a tendency that only assists the other party in collecting information from you. Listening and asking questions are the keys to collecting important new information. "What mechanisms does your firm have in place to make sure you meet our deadlines?" you might ask the consulting rep.

#### **3. Give away a bit more information.**

What do you do when trust between parties is low? Give away some information that focuses on the trades you are willing to make. Doing so can enable you and the other party to expand the pie of outcomes. Plus, behaviors in negotiation are often reciprocated. When you yell, the other party will yell back. When you apologize, he may do the same. And when you share useful information, he may return some of his own. This strategy can turn interactions between antagonistic parties in a positive direction. The key is to give away information that will inspire wise tradeoffs, rather than simply slice up the pie. In your negotiation over the technology consulting contract, this might mean saying, "Let's talk about how referral incentives might benefit us both."

#### **4. Make multiple offers simultaneously.**

Most negotiators tend to put one offer on the table at a time. If it's turned down, they learn very little that will help move the process forward. Instead, imagine making three offers that are very different but all equally profitable to your side. If the other party rejects all the offers but is particularly negative about the first and the last, you have learned what's most important to them and where potential trades are located. For example, after you learn what's most important to a consulting firm you're talking to, present three preemptive offers that demonstrate your flexibility and your commitment to sealing the deal.

#### **5. Search for postsettlement settlements.**

Even after negotiators have reached an agreement that pleases them both, there's often ample opportunity for contract improvement. If you aren't confident that you've uncovered all the value in a negotiation, negotiation ana-

## Mythical Fixed Pie *(continued)*

lyst Howard Raiffa recommends you propose a “post-settlement settlement” process. Under this approach, negotiators hire a third party to help seek out a superior agreement—one that’s even better for both sides. Each negotiator reserves the right to veto any new settlement proposed by the third party and revert to the original agreement. This process offers a last, low-risk attempt to discover new trades. “Let’s revisit this contract in three months, after the initial project is up and running,” you might tell the technology consulting rep after you’ve hammered out a contract. “I’m sure we’ll find room for improvement.”

The mythical fixed pie is just one bias that stands in the way of mutually satisfactory outcomes. In this issue of *Negotiation* and in future ones, you’ll read more about the benefits and techniques of creating value. ✧

---

**Max H. Bazerman** is the Jesse Isador Straus Professor at the Harvard Business School and the vice-chair for research at the Program on Negotiation. He is completing a book, *Predictable Surprises* (with Michael Watkins), to be published by Harvard Business School Press. He can be reached at [negotiationeditor@hbsp.harvard.edu](mailto:negotiationeditor@hbsp.harvard.edu).

**Reprint # N0311A:** To order a reprint of this article, call 800-668-6705 or 617-783-7474.