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BARGAINING THEORY

Negotiation Analysis: A Characterization and Review, by James K. Sebenius (Harvard University)

"Negotiation analysis" seeks to develop prescriptive theory and useful advice for negotiators and third parties. It generally emphasizes the parties' underlying interests (as distinct from the issues on the table and the positions taken), alternatives to negotiated agreement, approaches to productively manage the inherent tension between competitive actions to "claim" value individually and cooperative ones to "create" value jointly, as well as efforts to change perceptions of the game itself. Since advice to one side does not necessarily presume the full game-theoretic rationality of the other side(s), negotiation analysts often draw on the findings of behavioral decision analysts and economists. Further, this approach does not generally assume that all the elements of the "game" are common knowledge. Thus, the negotiation analytic approach tends to de-emphasize the application of game-theoretic solution concepts or efforts to find unique equilibrium outcomes. Instead, to evaluate possible strategies and tactics, negotiation analysts generally focus on changes in perceptions of the "zone of possible agreement" and the (subjective) distribution of possible negotiated outcomes conditional on various actions. This approach is especially sensitive to potentially unrealized joint gains. It has been used to develop prescriptive advice for the simplest bilateral negotiations between monolithic parties, for negotiations through agents or with linked "internal" and "external" aspects, for negotiations in hierarchies and networks, as well as for more complex coalitional interactions. *Management Science*, Vol. 38, No. 1 (January 1992), pp. 18-38. (Reprinted with permission of *Management Science*).

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