

Negotiating When Relationships Matter - Principles

1. External negotiations depend on the success of internal negotiations.
2. Don't jeopardize long-term relationships by pushing too hard for short-term gains.
3. Effective cross-cultural negotiation depends upon making sure you are being understood.
4. The rewards of modest risk-taking are substantial.
5. There will always be tension between the advantages of cooperation and the need to compete.
6. Good negotiators develop a repertoire of negotiating styles to choose from.
7. You have to talk about a relationship to improve it.

LESSONS

- Preparation is critical to the success of any negotiation.
- The success of external negotiations depends on the outcome of internal negotiations.
- In a multi-issue negotiation, it is useful to view the desired agreement as a “package” that both must satisfy both parties’ most important interests.
- Trust can expedite and improve the outcome of negotiation.
- Unanticipated mutual interests can help “unlock” a stalled negotiation.

Flagship Airways - Background

- Flagship's original \$1 Billion order = 10 Jumbo (four engine) + 30 Mid-sized (three engine)
- Flagship's revenue decrease
 - * Cancel Jumbo's, expand only Mid-Size
 - * Now need 90, not 130 engines
- Mid-Size Skyline engines:
 - * Eureka to provide JX5 and new C-323 under development
 - * C-323 LT Turbine more efficient than the AT Turbine
 - * Sweetner - \$150M in free kits for aging Firebird's

Restructuring the Agreement

1. How much will Flagship spend?
2. On which engines?
3. New total \$ value of Firebird fleet upgrade?
4. What constitutes the “engine kits” to be included in that upgrade?

The Actors

Flagship

S. Gordon - V.P. Engineering

L. Ross - V.P. Maintenance

M. Langton - V.P. Finance

Eureka

P. Stiles - G.M. Commercial
Engine Operations

L. Atchison - V.P. Product
Development

A. Delling - V.P. Finance

- To be successful, you, Gordon (V.P. Engineering - *Flagship*), and you, Stiles (G.M. Engineering - *Eureka*) must

- 1) Listen carefully to the concerns of your team-mates

- 2) Find out what they would like in the restructured agreement.

- 3) Find out what they *need to know* to be precise about what options they can accept.

- 4) Show that you understand their concerns

Negotiation Timeline

	TIME
* Review General Instructions, Match-Ups	15 min
* Team Meeting as Preparation	15 min
* Negotiation	75 min
* Debrief (NEXT CLASS)	20 min

- You may break to caucus at any time, but the clock is running.

Scoring Flagship

- Your score is 16 minus the sum of *your ranks* for the particular agreement negotiated by the teams.
- If your team agrees to an alternative that is, for you, “unacceptable”, deduct twice the number of alternatives available for that issue.
- If teams do not agree, each individual gets a score equal to 16 minus the rank score assigned to “unacceptable”: $16 - 10 - 6 - 8 - 8 = -16$

Scoring of “Barely Accept”

- If your team agrees to an alternative that you can “barely accept,” assign a rank score equal to the number of possible options for that issue.
- Examples follow

Scoring of “Barely Accept”

of Options
for an issue

Rank assigned to
“Barely Accept”

3

3

4

4

5

5

Options

Example

A

Unacceptable

B

1

C

3

D

Barely Acceptable

E

2

- There are five options.
- “Barely Acceptable” = Rank of 5

Example

- Issues resolved as follows:
 - Flagship's expenditure on reduced purchase at \$700 ranks 3rd for you
 - Flagship purchases half of each JX5 and C-323's ranks 2nd for you
 - Firebird Upgrade chosen ranks "barely acceptable" for you
 - Parts included in the Firebird upgrade chosen ranks 4th for you

- Upgrade has four possible resolutions, so “Barely Acceptable” is assigned a rank score of 4.
- Your score is $16-3-2-4-4 = 3$
- If it had happened that the Upgrade alternative agreed upon had been “unacceptable” to you, your score would be $16-3-2-8-4 = -1$.

Team Leaders

- Each Team Leader's score will be equally weighted between:
 - The TOTAL TEAM SCORE
 - The team leader's individual score

CLARIFICATIONS

- Upgrade costs are different and distinct from dual maintenance costs.
 - Upgrade saves on fuel costs, not necessarily on maintenance.
- Kit 4 consists of *frames* and compressor [correction for Delling].
- For a cost *range* use the mid-point.

Your Team Number _____

EUREKA

FLAGSHIP

Your Role as Pat Stiles Lou Atchison Alex Delling Sam Gordon Lorin Ross Marty Langton

Circle the agreement reached for each issue and enter the ranking for your role in the blank. Enter your score opposite it.

1) How much will Flagship prefer to spend on the reduced purchase? (Original = \$1 billion)

	<u>Ranking</u>	<u>Score</u>
1) \$850 million	_____	_____
2) \$800 million	_____	_____
3) \$750 million	_____	_____
4) \$700 million	_____	_____
5) \$650 million	_____	_____

2) Which engines will Flagship purchase?

1) JX5 engines only	_____	_____
2) Half each of JX5 and C-323's	_____	_____
3) C-323 engines only	_____	_____

3) What will be the new total dollar value of the upgrade to the Firebird fleet engines?

1) \$150 million	_____	_____
2) \$120 million	_____	_____
3) \$100 million	_____	_____
4) \$ 80 million	_____	_____

4) What parts will be included in the Firebird upgrade?

1) Full kit	_____	_____
2) Fan, frames and compressor	_____	_____
3) Fan and turbine	_____	_____
4) Frames and compressor	_____	_____

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