

# Lecture 4

- Debrief Oil Price Game
- Intro to Integrative Bargaining
- Negotiate Nelson versus Amstore

# Nelson vs. Amstore Forms

- Please fill in your responses to:
  - The KUHLMAN AND MARSHELLO  
MOTIVATIONAL STYLE ASSESSMENT FORMand the
  - Amstore vs. Nelson RECORD FORM

- **Pick up confidential information for your role in the Jessie Jumpshot negotiation**

- Jessie Jumpshot
- Boston Sharks Manager
- Jessie's Agent

We will negotiate in the next class meeting

# TODAY'S THEMES

- **Oil Price Game**
  - The central role of **TRUST!**
- **Win-Win!**
  - What it is, What it is NOT
- ***Power & Persuasion***
  - *Key Information*
  - *Interests versus Positions*
- ***Negotiation tactics*=>**
  - Relative Importance
  - Indifferent packages

# Oil Price Game

# Trust in Negotiation

- **Rendering oneself vulnerable with the expectation that your counterpart will not take undue advantage and will reciprocate with an offer that benefits both of you.**

## TRUST TAXONOMY- Thompson Table 6-2

<b>TRUST</b>	<i>Personal</i>	<i>Business</i>	<i>Embedded</i>
<i>Deterrence Based</i>	<ul style="list-style-type: none"> <li>•Lack of Trust</li> <li>•Prenuptial</li> <li>•Surveillance</li> </ul>	<ul style="list-style-type: none"> <li>•Theory X</li> <li>•Threats,sanctions punishments</li> <li>•Surveillance</li> </ul>	<ul style="list-style-type: none"> <li>•Threats, punishments, sanctions</li> </ul>
<i>Knowledge Based</i>	<ul style="list-style-type: none"> <li>•Sympathy for the other</li> </ul>	<ul style="list-style-type: none"> <li>•Assessment of clients' needs</li> <li>• Customer- driven focus</li> </ul>	<ul style="list-style-type: none"> <li>•Understand, appreciate partners</li> </ul>
<i>Identification Based</i>	<ul style="list-style-type: none"> <li>•True empathy for the other</li> </ul>	<ul style="list-style-type: none"> <li>•Theory Y</li> <li>•Employees fit in corporate culture, share values</li> </ul>	<ul style="list-style-type: none"> <li>•Empathy</li> <li>•Develop social identity</li> </ul>

# How does Mistrust Arise?

- Breach or defection
- Miscommunication
- Dispositional Attribution
  - Calling into question another person's intentions or character as a device for attributing cause to an incident or behavior

# Reciprocity

- “...we feel obligated to return in kind what others have offered or given to us.”

Thompson Ch. 6 p. 134

# Reciprocity

- My concessions met with concessions on your part
- I share information expecting that you will too
- What I say is truthful and subject to validation

# Reputation

- “Negotiators act much tougher when dealing with someone who has the reputation of being a liar
  - Tough or manipulative tactics are most often used in a defensive fashion with liars and tough negotiators
  - Or in an opportunistic fashion with “creampuffs”

# Building Trust

- **TRANSFORM** personal conflict to task conflict
- **AGREE** on common goal, shared vision
- **CAPITALIZE** on network connections
- **FIND** shared problems, shared enemies
- **FOCUS** on the future!

# Repairing Broken Trust

Thompson Ch. 6 Box 6-2

- Suggest Personal Meeting
- Focus on Positive Relationship
- Apologize
- Let other side vent
- Don't get defensive

- **Ask** for clarifying information
- **Test** your understanding of the other side
- **Discuss** ways to avoid future problems
- **Get feedback** with relationship “checkup”

# Win-Win!

Expanding the Pie to be cut

# What is Win Win?

- It is **NOT**:
  - Compromise
  - Even Split
  - Feeling Good
  - Building a relationship

# Win Win

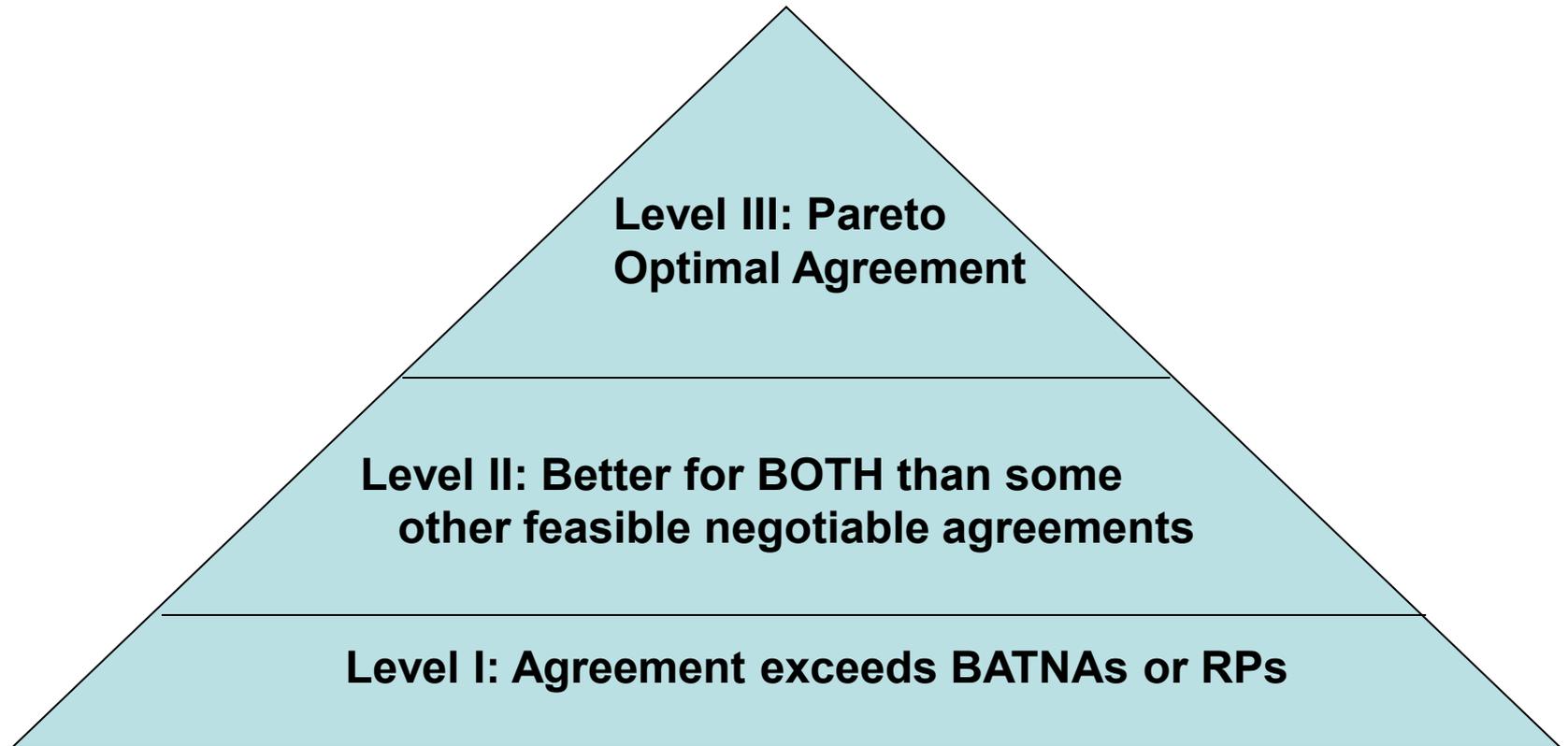
- A negotiation in which
  - ALL creative opportunities are surfaced and exploited
  - NO resources or payoffs available to negotiating parties are left on the table

# Win-Win Potential

Do parties have *different*

- **Valuations** across issues?
- **Probability beliefs**?
- **Risk Preferences**?
- **Time Preferences**?

# Pyramid Model



# Is Level 3 Easy?

- Sounds easy but Hundred of negotiation simulations with executives reveals that:
  - Fewer than 25% reach Pareto Optimal agreements
  - Approximately 50% of those who *do*, do so by chance!
  - “This data is based on executives’ performance in negotiation simulations that involve (integrative) win-win potential” Thompson p73

# Strategies That Don't Really Work

- ***Commitment*** to a Win-Win Deal
  - No guarantee
  - False sense of security
  
- ***Compromise***
  - Agreeing to equal concessions or “splitting the difference” can block expanding the pie
  - Focus is then on *slicing* not *expanding* the pie

- **Focus** on Long term Relationships
  - Absolutely key in some settings
  - BUT this ***does not directly translate*** into Win-Win in a current negotiation
  - It does often smooth the path
- **Cooperative Orientation**
  - Nice BUT
  - Don't let this detract from focus on eliciting/sharing the right information at the right time
  - Pruitt and Carnevale (1993) Dual Concern
    - Concern for both other party & own interests

# What DOES Work?

- ***While SHARING information***
  - Police yourself against the ***illusion of transparency***
    - You believe you reveal more than you really are
    - You believe others have access to information about you that they don't
- ***Avoid Haggling***
  - Avoid haggling over a single issue—a tug of war!
  - This lures you into compromise agreements

# Positions vs Interests

- **Distinguish *Positions* from *Interests* or *Priorities***
  - *Position = Stated Demand*
  - *Interests = Relative Priorities of issues*

# Make Multiple Offers Simultaneously

- Devise multiple issue offers
- Structure these offers so that they *are of equal value to you!*
- *Make them all at one time*

# Why?

- **Avoids** sequential ‘split the pie’ bargaining
- **Often works** with an uncooperative counterpart
- **Helps avoid *substantiation***:
  - *Arguments in favor of one’s position or against your counterpart that interfere with Win-Win*

- Gains better information
  - Allows parties to exchange information and unilaterally deduce counterpart's true interests and where joint gains lie
- More persuasive
- Signals priorities more effectively

- Overcomes concession aversion
  - If your counterpart perceives that she has more choices—as opposed to only one—she may be more likely to comply

# Contingency Contracts

- **Create Value by Building on Differences** in:
  - Valuations
  - Probabilities
  - Time preferences
  - Risk attitudes
- Contingency Contracts must be:
  - Enforceable
  - Clear, measurable and readily evaluated

# CLAIMING

- **Do not forget about CLAIMING!**
  - Just expanding the pie is not an effective strategy
  - You must also be prepared to claim

# Metamorphosis

Old Fashioned negotiator



Flower Child negotiator



Enlightened negotiator

# Opening Gambits and Useful Tactics

# Which do you Prefer and Why?

- **First Gambit:**

- Open by asking for a lot on issues that are important to you
- Hold the fort! Don't give in
- Don't immediately reveal the relative importance of issues to you
- Modify the pot with issues that are not very important to you to keep the negotiation going
- But do this slowly

- **Second Gambit:**

- Introduce less important issues first and offer early concessions on these issues as a lever to:
- Try to discover the relative importance of issues to your counterpart *before* establishing a public position on issues that are important to you
- Give some, not all information on which issues are really important to you
- Then insist on a “fair deal” on your important issues

# Developing a Negotiation Style

Thompson Chapter 5 –  
Nice Discussion!

# Does Style = “Tough” vs “Soft”?

- **TOUGH**

- “Unflinching, makes high, concedes little, holds out until the very end, and often rejects offers within the bargaining zone”

- **SOFT**

- “Offers too many concessions, reveals his or her reservation point, and is so concerned that the other party feels good about the negotiation that he or she gives away too much of the bargaining pie.”

*Thompson Ch. 5 pp. 96-97*

# MOTIVATIONAL STYLES

A Broad Taxonomy

*See Thompson Ch. 5 pp 99*

# INDIVIDUALISTIC

- **Her /His Objective**  
= *SELF-INTEREST*
- **View of others**  
= *They are also SELF-INTERESTED*
- **Situations that trigger this orientation**  
= *external incentives to*  
*MAXIMIZE OWN GAINS*

# COMPETITIVE

- **Her /His Objective**

= *VICTORY!*

- **View of others**

= *They are COMPETITIVE*

- **Situations that trigger this orientation**

= *GROUP COMPETITION:*

*Interpersonal Comparisons are Salient*

# COOPERATIVE

- **Her /His Objective**  
= *JOINT WELFARE*
- **View of others**  
= *SOME COOPERATIVE, SOME  
COMPETITIVE, SOME  
INDIVIDUALISTIC*
- **Situations that trigger this orientation**  
= *Social Identity & External Goals*

# Thumbnail Summary

- **INDIVIDUALISTIC**

- Maximize one's own gain. Indifferent to how much one's counterpart gets

- **COMPETITIVE**

- “Beat the other side” by maximizing the difference between one's own profits and those of your counterpart

- **COOPERATIVE**

- Seeks to minimize outcome differences

*Thompson Ch. 5 page -99-*

# Assess YOUR Style!

Motivational Style Assessment Test

Kuhlman & Marshello (1975)

*J RES PERSONALITY Vol. 9 240-251*

*Cited in Thompson Ch 5 Exhibit 5-4 p 100*

# Nelson Contracting

## Issues and Comments

# Issues to Negotiate

- Price
- Design Type
- Targeted Completion Time
- Installation

# Objectives

- Maximize your payoff as measured in points
- Do so in a fashion that engenders respect from your negotiating partner
  - Does she want to negotiate again with you?

# Relative Importance

- How do you discover the “importance” of an issue to you relative to all others?
- How do you discover the “importance” of an issue to your negotiating counterpart relative to all others?

# Experiment with Multiple Offers

- Discover counterpart's ordinal ordering of preferences by putting two or more offers on the table
- Structure these offers *so that you are indifferent among them!*

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