

# Lecture 5

- **Present** Motivational Style Assessments
- **Discuss** Negotiating via Technology
- **Debrief** Nelson Contracting
- **Negotiate** Jessie Jumpshot

# Lecture 5 Themes

- **Where did the Internet Age Come From?**
  - What works? What Doesn't ? Good Practices?
- **Nelson Contracting**
  - Logrolling = Multiple Simultaneous Offers
  - Measuring Relative Importance
  - Outcome Efficiency =>Efficient Frontier
- **Contingent Contracts**
  - Betting Against the Future
  - Jessie Jumpshot Instructions

# Negotiation via Technology

What's new about negotiation in  
the Networked Internet Age?

# New Technology 1878

- **First level effect:**
  - Direct, intended effect→efficiency
  - Telephone as a replacement for the telegraph
  - In 1878 Pittsburgh telephone directly had 12 pages all for businesses
  - Telegraph companies emphasized the telephone as a “...recognized instrument for business purposes”
    - Sproul and Keisler *Connections: New ways of working in the networked organization* MIT Press 1991

# New Technology and the Law of Unintended Consequences

- **Second Level Effects** -> social systems are affected by new technologies:
  - 1920s-> Bell System emphasized the *social character* of the telephone: “Friendship’s path often follows the trail of the telephone wire.”
  - Today the telephone, internet and web are accepted as an automatic core of social and organizational communication
  - Technology changes social arrangements in unintended ways! Twitter, YouTube, Facebook etc.

- Best practices carry over to this medium
- Good interpersonal communication skills are ***as or more important*** when it is more difficult to judge a counterpart's interests because of the absence of face to face social cues

# Wellens (1989) Psychological Distancing Model

*Face to Face*

Kinetic, Visual, Paralinguistic, Linguistic

*Two-Way TV*

Visual, Paralinguistic, Linguistic

*Telephone*

Paralinguistic, Linguistic

*Computer*

Linguistic

# Paralinguistic

- Refers to the non-verbal elements of communication used to modify meaning and convey emotion
  - Pitch
  - Tone
  - Volume
  - intonation

# E-mail Biases-Thompson Ch. 12

- **Temporal Synchrony Bias**

- Negotiators behave as if they are communicating synchronously but are not
  - Much turn taking, back and forth dancing, schmoozing facilitates trust and rapport
  - Less of it in email negotiations

- **Burned Bridges Bias**

- Politeness rituals are missing
- Threats, demands, ultimatums are more frequent

- **Squeaky Wheel Bias**

- Counter-normal social behavior more likely
- More focus on the task content and less on etiquette
- Flaming much more likely

- **Sinister Attribution Bias**

- E-communicators (and Bloggers!) have a greater tendency to attribute diabolical intentions or malevolent motives (Kramer (1995))

# Information Technology, Negotiating Power and Risk

- **POWER!** The weak get strong
  - Traditional status cues are missing
  - Status cues are harder to read
  - The absence of cues causes people to respond more openly and less hesitatingly
- **PARANOIA!** Uncertainty increases paranoia.
  - Along with a decline in social posturing and sycophancy comes a decline in politeness and concern for others' feelings. Bluntness emerges.

# Negotiation in the Technological Age

- **Who dominates a discussion?**
  - Member status is an excellent predictor of who dominates in a face to face group discussion
  - Status cues are amazingly superficial--who sits where, dress, facial expressions...
  - High status people tend to talk more than low status

# Email & Text Messaging-- Great Equalizers!

- Static and dynamic cues about status are minimized
- Group dynamics can change dramatically:
  - In risky choice situations, groups that meet face to face are generally **risk averse** for gain choices and **risk prone** for choices that involve losses
  - Groups that decide risky choices by email are more often **risk prone** !

# IT Effects on Negotiation Outcomes (Thompson Exhibit 12-3)

E-Negotiation  
vs. Face-to-face

Enhanced vs. Not  
Enhanced E-Negotiation

Impasse Rates

Brief personal disclosure  
over email reduces  
impasse rate

Integrative  
Behavior

More multi-issue  
offers

Brief prior telephone call  
improves joint outcomes

## E-Negotiation vs. Face-to-face

Expanding  
The Pie

Mixed Results

Pie Slicing

Computer –mediated leads to  
more equal pie slices than  
face-to-face

E-Negotiation  
vs. Face-to-face

Enhanced vs. Not  
Enhanced E-Negotiaton

Distributive  
Behaviors

Negotiators concerned  
about group reputation use  
more aggressive strategies  
that lead to worse outcomes  
than negotiators focused on  
their own reputation

Trust  
& Rapport

Less rapport

Brief prior telephone call  
increases cooperation &  
relationship quality

# Keys to Successful e-mail/text IM Negotiation

- **Make your message concise and clear!**
  - Don't overestimate other people's ability to understand your message
  - It is hard enough in face-to-face negotiation
- **Fit your message on a single screen**
  - *Screen loading (long messages)* annoy us
  - A greater number of small exchanges is preferable
  - Permits rectification of misunderstandings: you can rectify misperceptions quickly

# Keys to Success (cont'd)

- **Watch your Temper!**
  - Face-to-face groups have behavioral norms that inhibit flaming
  - The absence of social context creates a feeling of anonymity
  - People react to one another with less politeness, empathy and inhibition if they cannot sense the others social presence

# Flaming

- “To speak incessantly and/or rabidly on some relatively uninteresting subject or with a patently ridiculous attitude”
- “To attempt to denigrate others’ character, intelligence and grammar”
- Be careful!
  - It’s easy to send a message that is misunderstood:  
Humor doesn’t always work

# Keys to Success (cont'd)

- **If possible, deliver bad news or negative feedback *face-to-face***
  - Ambiguity, doubt and uncertainty afflict e-mail exchanges
  - Often, frustration arises.
  - Frustration may seemingly be offset by an attempt to control by issuing threats

“.... e-mail negotiations often move at an unpredictable pace, since people can respond (or not respond) when they like. In group negotiations, those who check their e-mail most frequently can end up controlling the discussion. Those who never have a chance to contribute may choose not to abide by the agreement, to the detriment of the group.”

“When facing an important e-mail negotiation with someone you’ve never met, do whatever you can to meet in person beforehand—or, if that isn’t possible, talk on the phone—with the goal of building rapport. In her research, professor Janice Nadler of Northwestern University found that when pairs of participants engaged in a short, informal phone call prior to negotiating the hypothetical sale of a car, they were four times more likely to reach agreement than pairs who didn’t have the chance to “schmooze” in advance. Even a little friendly banter at the start of an e-mail message can help negotiators work together more creatively.”

“Set ground rules for your e-mail negotiations. If consensus is a worthy goal for your group, you might agree to wait 24 or 48 hours for everyone to have time to weigh in on a decision. When finalizing an agreement, arrange a conference call or a face-to-face meeting to make sure everyone is on board.” *In the Program on Negotiation Newsletter **The Negotiation Insider** November 9, 2010 “Adding Value to e-Negotiation” (web access)* 21

# Effective Email & Text Messaging Strategies

- MBA course at Northwestern
- Approximately 50% of pairs reached the Pareto efficient frontier. This group used:
  - Multiple offers of the same value in a single message
  - Invited suggestions to decrease hostility and encourage mutual exploration
  - Shared information about priorities
  - Thompson and Kurzberg “*Information technology and the negotiator*”  
*Northwestern working paper*

# What went wrong?

- Groups that did not do as well:
  - Indulged in offer avoidance: wrote long paragraphs with sweeping general statements that did not contain crisp clear offers
  - Let past issues resurface
  - Loaded the screen with irrelevant information
  - Made accusations of lying, misrepresentation
  - Short fuse: “Take it or leave it” not supported by a good BATNA

# Nelson Contracting

“Logrolling,” Relative Importance  
& Dealing Off the Top!

# Wikipedia on “Logrolling”

“ A practice common in the US Congress in which two or more legislators agree for each to trade his vote on one bill he cares little about in exchange for the other’s vote on a bill that is personally much more important to him.

Logrolling is especially common when the legislators are relatively free of control by their national party leaders and are trying to secure votes for

... bills that will concentrate sizable benefits on their own home districts while spreading most of the costs out over taxpayers in the rest of the country. Local projects such as Federally funded dams, bridges, highways, housing projects, VA hospitals, job training centers, military bases and the like are often pushed through by logrolling.”

See **Pork Barrel Legislation, Appropriation Bill**

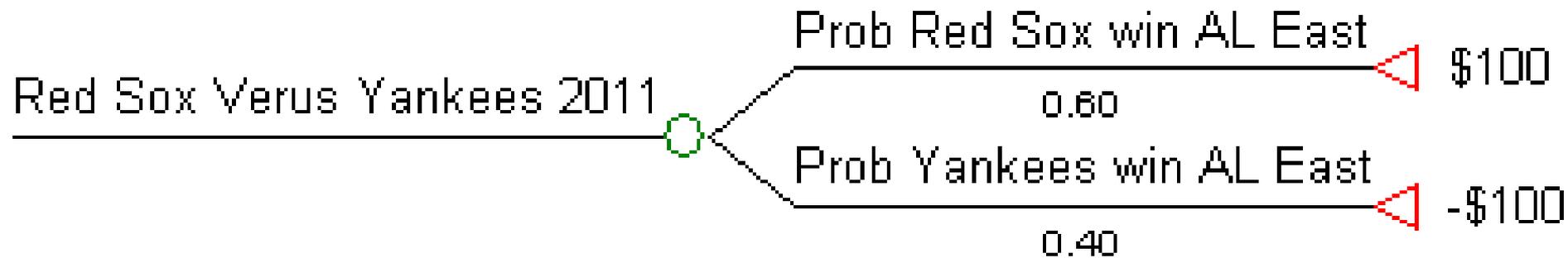
# Contingent Contracts

Bets Against the Future!

# What is a Contingent Contract?

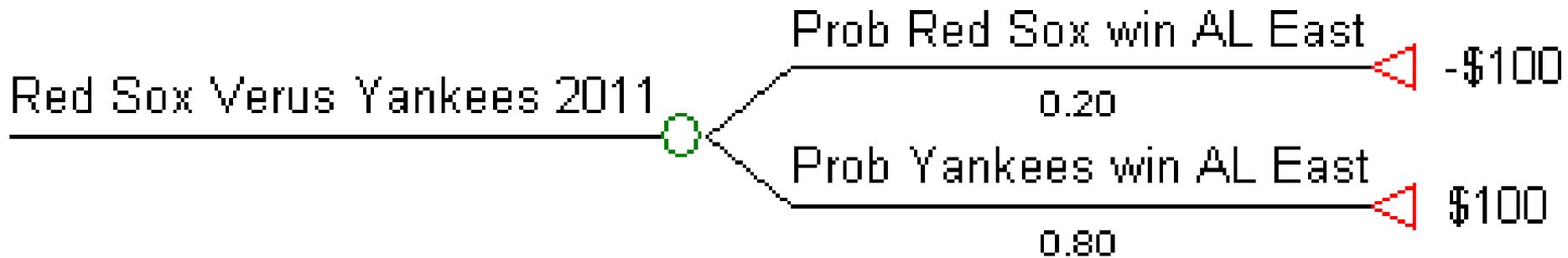
- I believe that the odds are 6 to 4 that the Red Sox will finish ahead of the Yankees in the American League East this season
- You say “Gordon, you are nuts! The Yankees will dominate the Red Sox. The odds that the Red Sox will finish ahead of the Yankees are only 2 to 8.”

# Gordon's Assessment



**Expected Value to Gordon = \$20**

# Your Assessment



**Expected Value to You = \$60**

# Differences of Opinion Can Create Ex Ante Joint Gains

- Differences in Valuation
- Diagnosing Deceit
- Reducing Risk
- Motivating Performance
  
- Bypassing Biases
- Leveling the Playing Field

# Bypassing Biases: Over-confidence

- SIC Europe and CED formed a US joint venture
  - Market each other's product in Europe & US?
  - According to SIC ,CEDs announcement of what it can sell in US is, *“Much too optimistic!”*.
  - According to CED ,SICs announcement of what it can sell in Europe is, *“Much too optimistic!”*.

*See Bazerman HBR Sept Oct 1999*

# SIC+CED Contingent Contract

- Key per cent ownership on 1<sup>st</sup> year sales
- IF both hit targets or both undersell, each gets  $\frac{1}{2}$
- IF one side under-sells & the other hits target, under-seller forfeits a fraction of equity

*See Bazerman HBR Sept Oct 1999*

# Information Asymmetry—Leveling the Playing Field

- **L-TEK Case**

- Audio Division owns a magnetic technology best commercialized by its Magnets Division
- The two are negotiating technology transfer terms
- Magnets has deep market info; claims annual profits of \$14-15 M.
- Audio Division is enamored with its technology but lacking magnet marketing info, claims \$40 M
- Magnet discloses its information
- Audio suspects Magnet has skewed announced profits downward

- **Arguments and a long delay ensue**

*See Bazerman HBR Sept Oct 1999*

# Solving the Dispute

- Magnets pays an initial sum for the technology; e.g. \$5 M
  - Magnets gets profits up to \$15 M
  - Audio is credited with 50 % of profits above \$20 M
  - IF \$40 M happens
    - Audio gets \$5 M + \$10 M = \$15 M.
    - If Audio believes its forecast, this looks fair
- See Bazerman HBR Sept Oct 1999*

# Put Your Money Where Your Mouth Is!

- **Uncovering deceit!**
  - Your counterpart claims that it is almost certain that the profits of the company you are negotiating to buy from him will be “At least \$10 M”.
  - At \$10 M profit both agree the company is worth \$18 M.
  - You reply, “OK. If profits are at or above \$10 M we will pay you a bonus of \$1 M. If not, you reduce the purchase price of \$18 M by \$5 M”  
*See Bazerman HBR Sept Oct 1999*

# Reducing Risk

- **Catalogue Retailing**

- Long lead times for retail goods
- Consumer demand patterns may shift dramatically between catalogue entry of product and arrival at consumers' homes.
- Retailer agrees to purchase  $N$  units
- Producer delivers a fraction  $f$  of  $N$  prior to catalogue mailing;  $1-f$  is backup
- After an agreed on time period for observing sales, retailer has option on the remaining  $(1-f)N$ 
  - Option is at an agreed on price
  - If retailer cancels remainder, she pays an agreed on penalty to the manufacturer

*See Bazerman HBR Sept Oct 1999*

# **Jessie Jumpshot**

## **Restrictions & Instructions**

# Restrictions

Jessie and the Sharks each have an opinion about the size of merchandizing profits if the Sharks win the title and if they lose the title:

**The case numbers are to be regarded as FIXED.**

You negotiate salary, bonus, merchandizing profits only

**No other “Side Payments” are allowed.  
No “negative” salaries, bonus or merchandizing profits**

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