

Lecture 7

POWER

Introduction to Stakes of Engagement

THEMES

- The *Rashomon* nature of POWER in negotiation
 - Epic 1950 Film by famed Director Akira Kurosawa about “multiple versions of the truth”
- Subjective value in mixed motive bargaining
- Balancing subjective value and objective outcomes
 - Complementary or substitutable?

POWER

POWER in Negotiation

- More than just a good BATNA
 - Having one doesn't mean much if you are not prepared to walk away from a poor deal
 - "...A manifestation of complex situational factors..."
 - Power can be turned upside down!
- “Owe the bank \$10,000 and you have a problem.
Owe the bank \$10,000,000 and the bank has a problem”

- Strength can be weakness and weakness can be strength
 - Teheran 1979->Carter administration negotiations with Revolutionary Guards, religious leaders,.....
 - “...The Iranians could threaten the United States knowing that its demands would be rationally considered; by contrast, the United States was constantly frustrated by not knowing where to aim its efforts.”

ON CONFLICT

- “Conflict is inevitable, but combat is optional.” -- *Max Lucade*
- “Speak when you are angry and you will make the best speech you will ever regret.”
-- *Ambrose Bierce*
- “Don't wrestle a pig in a mud hole. You both get all dirty, and the pig enjoys it.” --
--*Anonymous*

The Roles of Subjective Value in Negotiation

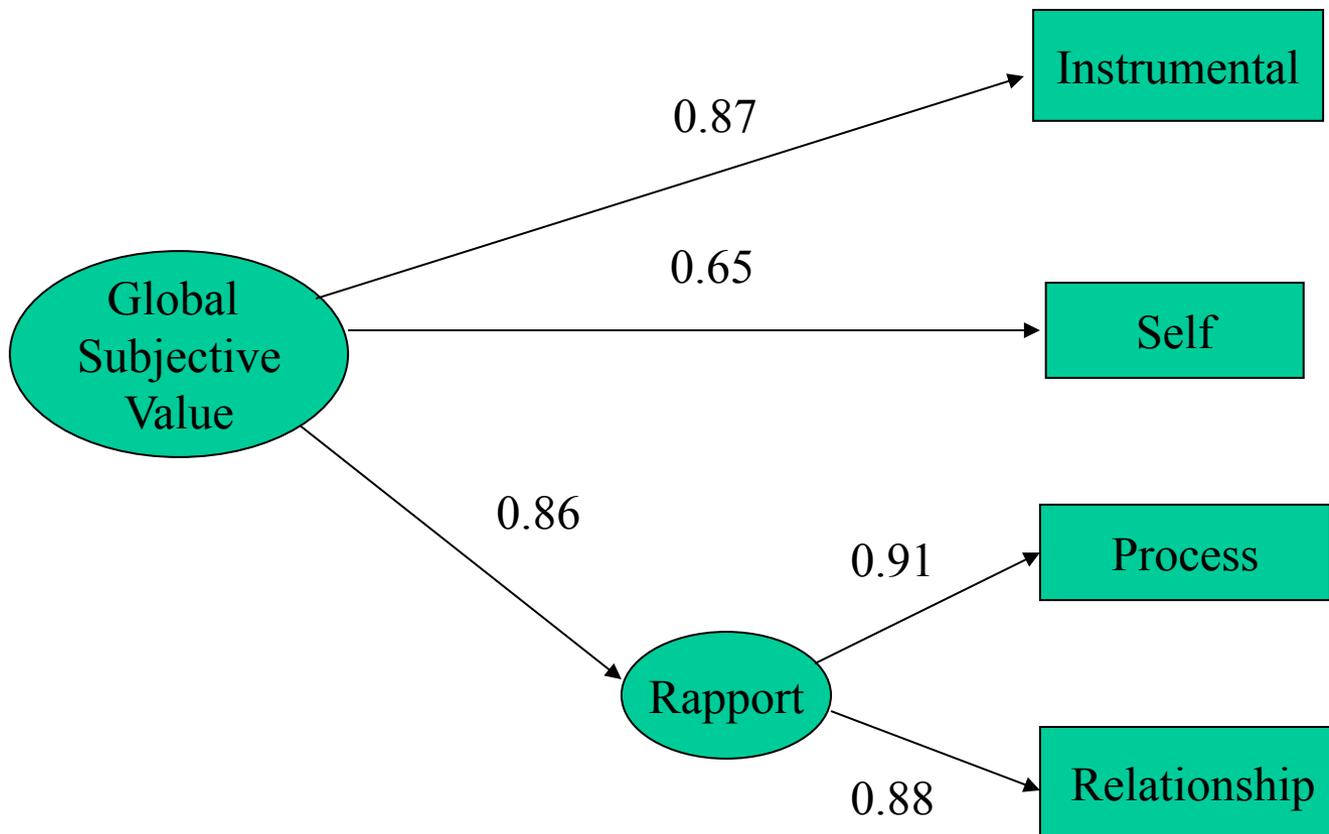
Curhan, Elfenbein & Xu (2006)

Subjective Value Inventory (SVI)

“A research instrument used to measure feelings and perceptions concerning the instrumental outcome, the process, the self, and the relationship in negotiations.”

Curhan, Eiftenbein & Xu *Journal of Personality & Social Psychology* 91, 493-512 (2006)

Curhan et al SVI Factor Structure



Structural Equation System

Y = Global Subjective Value

X₁ = Instrumental

X₂ = Self

X₃ = Process

X₄ = Relationship

Z = Rapport

$$\mathbf{Y} = 0.86\mathbf{Z} + 0.87\mathbf{X}_1 + 0.65\mathbf{X}_2 + \boldsymbol{\varepsilon}$$

$$\mathbf{Z} = 0.91\mathbf{X}_3 + 0.88\mathbf{X}_4 + \boldsymbol{\delta}$$

Recursive Structure

$$\begin{bmatrix} 1.0 & -.86 \\ 0 & 1.0 \end{bmatrix} \times \begin{pmatrix} Y \\ Z \end{pmatrix} = \begin{bmatrix} .87 & .65 & 0 & 0 \\ 0 & 0 & .91 & .88 \end{bmatrix} \times \begin{pmatrix} X_1 \\ X_2 \\ X_3 \\ X_4 \end{pmatrix} + \begin{bmatrix} \varepsilon \\ \delta \end{bmatrix}$$

Motivation

“Subjective value is “A good in itself”

- O. Henry’s *The Gift of the Magi*: “One dollar and eighty-seven cents. That was all. And sixty cents in pennies...”

“It is a judgmental guide to performance”

- We often judge how well we did based on how we feel about the negotiation

“It is a predictor of future objective value”

“It establishes reputation and social capital”

Rationale

- In many negotiation situations you **MUST**:
 - **Assess the relative importance** of objective stakes and relationships in planning negotiation strategy
 - **Assess perceived disagreement** over objective stakes against the importance of a future relationship
- Both objective and subjective outcomes are affected by how the relationship evolves during negotiations

**Perceived
Importance
Of Future
Relationships**

Situational Matrix

Perceived Conflict over Stakes

HIGH

LOW



HIGH	<u>Balanced Concerns</u> (Business Partnership, diplomacy, prenuptial)	<u>Relationships</u> (Friendship, Work Team)
LOW	<u>Transactions</u> (Divorce, House Sale, Market Transaction, Financial Negotiation)	<u>Tacit Coordination</u> (Driving, Airplane Seating)

G. R. Shell: *Bargaining for Advantage: Negotiation Strategies for Reasonable People*. NYC Penguin Books 1999

Reciprocity Code of Conduct Norms

- **Individuals owe one another**
 - because of what has been previously given to them
- **Be trustworthy and reliable**
 - You have no right to ask of others what you cannot be yourself
- **Be fair to those who are fair to you**
 - This sustains most productive bargaining relations
- **Let others KNOW when you think they treated you unfairly!**
 - Unfair treatment, left unnoticed or unrequited breeds exploitation—followed by resentment and collapse of the negotiation

From Shell & Nicholas E. Sabin 2005 PON

Dealing with Difficult People

“Diplomacy is the art of letting someone have *your* way”

Daniel Vare, Italian Diplomat

“The fellow who says he'll meet you halfway usually thinks he's standing on the dividing line...”

Orlando A. Battista

William Ury's *Getting Past **NO!***

William Ury, Bantam Books (1993) Paperback

Ury's Strategic Advice

- **“Don't React: Go to the balcony”**

- O. Henry again: *The Ransom of Red Chief*

- “*It looked like a good thing...when this kidnapping idea struck us...during, as Bill expressed it, ‘a moment of temporary mental apparition’; but we didn't find that out until later.*”

- “*Gentlemen, I hereby make you a counter-proposition, which I am inclined to think you will accept. You bring Johnny home and pay me two hundred and fifty dollars in cash and I agree to take him off your hands. You had better come at night, for the neighbors believe he is lost, and I couldn't be responsible for what they would do to anybody they saw bringing him back.*

- Very respectfully, Ebenezer Dorset”*

- “Don’t Reject: Reframe—Change the Game”
 - Redirect attention away from positions towards identifying interests, fair standards, inventing creative options
 - Ask for advice
 - 1979 Salt II arms control treaty—Gromyko versus Biden

*Getting Past **NO** (Op. cit)*

- “Don’t Push: Build them a golden bridge”
 - “Build your opponent a Golden Bridge to retreat across” *Zun Tsu*
 - Ask for and build on their ideas
 - Help them back away without loss of face
 - Help write their victory speech
 - The Cuban missile crisis: John Kennedy and Khrushchev

*Getting Past **NO** (Op. cit)*

“A distanced view of close things”

Miyamoto Musashi

1584-1645

STAKES OF ENGAGEMENT

A Dual Concerns Negotiation

BATNAS & OUTCOMES

- **BATNA for marriage to take place**->Minimum points stated in case
- One or both **parties don't meet his/her minimum** BUT there is agreement on division of goods:
 - No marriage but each gets

Objective + Process points

- **No agreement on division of goods:**
 - No marriage and each party gets his/her

Objective + Process Points

Stakes of Engagement

- **Read** General Instructions as background
- **Study** Confidential Information and prepare
- **Counterpart Evaluation Form:**
 - **DO NOT OPEN IT** until your negotiation is concluded
 - **Then open it, fill it out** and give it to your counterpart
- **Results Due tonight at 9 pm**
 - Each team member must submit results
 - No late submissions will be accepted

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