

# Lecture 10

- **Debrief Winemaster vs. Homebase**
- **Negotiate Aerospace Investment**
  - A Balanced Concerns Negotiation
  - Instructions and Clarifications
- **Pick up confidential information for Flagship vs. Eureka**
  - **Three individual roles for a team**
  - **Two teams**

# Today's Themes

- Tactics for dealing with difficult negotiators
- Balanced Concerns
- Detection of Subtle Opportunities for Value Creation

# STONEWALLING

## TO STONEWALL

Means “to refuse to cooperate, especially in supplying information”

*(Wikipedia)*

# What Tactics Do Negotiation Gurus Recommend?

- The basic wedge is:  
“...reframe the other side’s *position* in terms of interests, options and standards”

while also dealing with their *tactics*”

“...the stone walls, attacks and tricks”

All Quotes are from William Ury’s *Getting Past NO*  
**Bantam Books 2007**

# “Go Around Stone Walls”

- “Your opponent says take it or leave it!” , takes an extreme position or sets a rigid deadline”
  - “Ignore it”
  - “Reinterpret it as an aspiration”
  - “Test it”

William Ury’s *Getting Past **NO*** Bantam Books 2007

# “Deflect Attacks”

- “Your opponent threatens, insults or blames you for something that has gone wrong”
  - “Ignore it—pretend you didn’t hear it”
  - ”Reinterpret it—Reframe an attack on you as an attack on the problem”
  - “From ‘You and Me’ to ‘We’”

William Ury’s *Getting Past NO* Bantam Books 2007

# “Reframe Rules of the Game”

- If stonewalling, tricks and attacks continue  
“Recast the negotiation as a negotiation about the negotiation!”
- Redirect a discussion of **substance** to a discussion of the **rules of the game**
  - *“Let them know you know what they are doing!”*

William Ury’s *Getting Past NO* Bantam Books 2007

# Winemaster.com

- Winemaster.com a successful online vendor of mid-range wines located in Rhode Island is negotiating with Homebase.com to sell the company
- Elimination of direct shipment laws means
  - Winemaster can broaden its customer base to the national market
  - But your competitors can go after Rhode Island!

**Winemaster.com**

# Issues

- **How many shares** of Homebase.com will Winemaster get?
  - 4.5 million outstanding
  - 0.5 authorized but unissued
- What is the **value of Homebase shares**?
  - For this transaction, **\$50/share** seems right

- **What is Winemaster.com worth?**
  - There are some typical benchmarks, but cash flow valuation is out of the question
- **Vesting:** when would Winemaster receive title to Homebase shares?
  - Homebase believes it takes two years to get its online wine project under way
  - They want to retain Winemaster personnel
  - Winemaster wants to get title as quickly as possible

- **Board Seat**

- Does Winemaster get a board seat?
- A good way to monitor Winemaster's investment

- **Lawsuit**

- A Newport customer who got seriously ill brought suit claiming the wine was contaminated in Winemaster's possession
- He seeks \$1 million for medical expenses plus pain and suffering
- Homebase has been informed of the existence of the lawsuit so is aware of this liability

# Risk Aversion, Exploding Offers, etc

- **Risk Aversion**

- *Decreases* Winemaster's BATNA

- **Exploding offers**

- *Decrease* Winemaster's BATNA

- **Prolonging the deal until other buyers make up their minds**

- *Increases* Winemaster's BATNA:

- Winemaster might reasonably walk away from an offer from Homebase if they can wait to see if A's offer is definite!

# Analysis Sequence

- **Compute share spread current deal allows**
- **Step by step improvements of current deal:**
  - Vesting
  - Board Seat
  - Liability
- **At each stage compute the largest number of shares that Winemaster can get and the least number of shares that Homebase can give while respecting BATNAS**

# **Aerospace Investment**

## **A Balanced Concerns Negotiation**

# Aerospace Instructions

- You must abide by the scoring restrictions
  - You cannot interpolate
- Do not look at your **Process Evaluation form** until the negotiation is completed
- At the end of negotiation, fill out your **Process Evaluation form** and hand it to her

# Aerospace Instructions

- There are levels of certain issues that are deal-breakers for one party or the other.
  - This means what it says! NO DEAL

# An Aerospace Themes

- Creating Value within apparently distributive issues
- What seems “fair” a priori may not be

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