



15.965

Power and Negotiation

Professor Michele Williams



15.665 Announcements

Next week:

1. **Journal Assignment A is Due**
2. Take the **FIRO Element B assessment** on-line (note: you will receive the results in class)
Think about your professional interactions.
3. Take the **self-scoring MBTI** and enter scores using the SloanSpace Survey (see Kiersey Sorter)



Agenda

- Integrative Bargaining
- “Getting to Yes”
- Negotiation Exercise
- Discussion, part I
- Take Aways



Advice

- Be Constructive and Specific
 - Identify a strength, its impact, and additional potential
 - The way you revealed personal information really made me sympathize with your needs and want to compromise. I think this would be very effective when negotiating in team situations and for inspiring subordinates to go the extra mile. It might not work when negotiating with superiors.
 - Identify an area for improvement, a goal, and suggestions for achieving that goal.
 - I think you need to be a little tougher. If you had pushed backed even a little I would have been willing to give you a more. When you made an offer, you immediately backed down. I would suggest waiting for a counter offer before lowering my demands.



Integrative Bargaining

(Win-Win Agreements)

When parties have different strengths of preferences across multiple negotiation issues an integrative, win-win agreement is possible.

Negotiators must devise a means of satisfying each party's most important needs while inducing them to make concessions on less important issues.



Negotiation Traps to Avoid

- **Illusory conflict**
- **Fixed-Pie Perception**
- **Premature concessions**
- **Overconfidence**



Getting to Yes Overview



Getting to Yes

The Method Of Principled Negotiation
(solves the problem of *positions*)

Analytic Framework

- Separate the people from the problems
- Focus on interests, not positions
- Invent options for mutual gain
- Insist on using objective criteria



Position vs. Interest

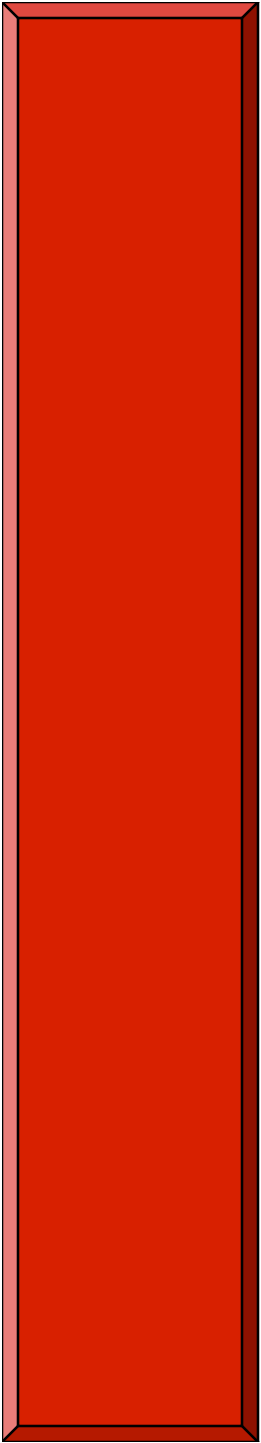
Position-what you say you want

Interests- why do you want what you want?



Good Negotiators ...

1. Never take positions for granted
2. Look for underlying interests



Negotiation an exercise in Influence

Changing someone else's mind



Single most important skill

Put yourself in the other person's shoes.

- Ask why?
- Ask why not?



Interests in Sum

Look behind positions for the underlying interests

Ask “why?” “why not?” questions

Put yourself in the other person’s shoes



Purpose of Negotiation

Satisfy your interests and the other side's interests too.



Options

Refer to the way the underlying interests might be met.

An option is a possible agreement or part of one.

An option is not a commitment, but brainstormed idea

Explore options before making any decisions

No commitment at this stage

No judgment, criticism-just invent



Power of Options

Invent options to meet both sides interests-a stronger position the more options you have

Brainstorm first, evaluate later



Independent Standards: When

A sword and a shield

No creative options to satisfy both sides

A distributive situation in which the relationship or perceived fairness matters.



Independent Standards: What

A sword and a shield

1. Market value
2. Precedent
3. Industry standard



Independent Standards

A sword and a shield

1. Find standards that apply.
 - Relevant
 - Widely accepted
2. Think about the standards the other side will use. What is their best argument.



The Power of Standards

Standards help the other side persuade their constituents

Use independent standards to persuade both parties that an agreement is fair.



In Sum,

Keys to Integrative Negotiation

- Interests
- Options
- Standards
- People (next week)



EL-TEK

1. DO NOT show your counterpart your payoff schedule.
2. You may add additional issues to close the deal, but your primary score will be based on the option you choose (1-11) and the transfer price you negotiate.
 - For the purposes of your score other aspects of the agreement will be considered intangible.
3. If you are uncertain about adding an element to the deal, ask one of us.



Negotiation Exercise

1. Negotiation
2. Hand in Agreement
3. Debrief in pairs
4. Break



Negotiation Exercise

- Why were there so many different settlements?

What negotiators do matters!



Negotiation Exercise

- What do you know about the preferences of the other party? How did you find out?

Ask direct questions?

Reveal information to trigger reciprocity?

Make proposals and counterproposals?

Make Multiple simultaneous proposals?



Integrative Bargaining

Thompson (2001)

Three levels of Win-Win Agreements

1. Agreement exceed parties' BATNA
2. Agreement is better for all than other possible agreements, but could be improved.
3. Agreement is along pareto-optimal frontier.



It's not easy to win Thompson (2001)

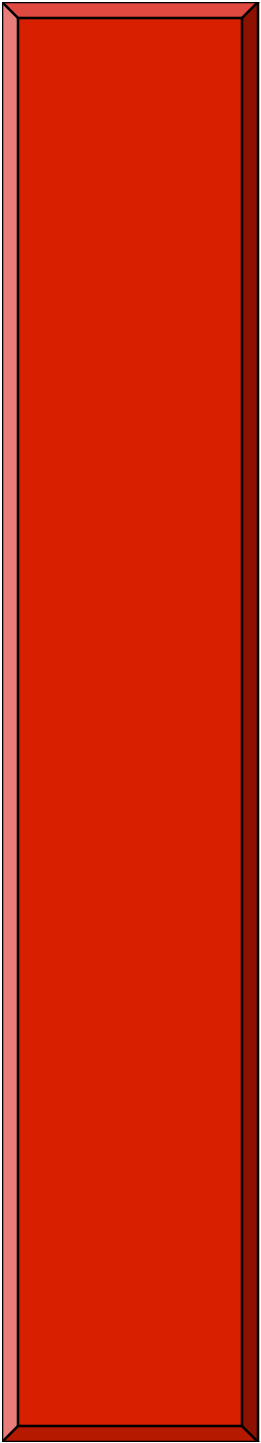
- less than 25% of executives in negotiation simulations reach the pareto-frontier (an agreement that cannot be improved for any party without making another party worse off).

•and 50% of them do so by chance!



Negotiation Exercise

- Build Trust and Share Information
- Ask Questions
- Strategically disclose information
- Make Multiple Simultaneous Offers
- Search for a Post-settlement settlement



Getting to Yes and other Win-Win Tactics

Strategies that Work

- **Separate the people from the problems**
- **Build trust and share information**
- **Focus on interests, not positions**
- **Ask diagnostic questions**
- **Make multiple offers simultaneously**
- **Invent options for mutual gain**
- **Capitalize on differences (valuation, expectations, etc.)**
- **Principled Negotiation (objective criteria, legitimacy)**



Take Aways

- 1. Creating value requires work**
- 2. Look for Pareto Improvements**
- 3. Avoid Negotiation Traps**
- 4. Pay attention to claiming the Value you have created.**