

POWER AND NEGOTIATIONS

Class 3

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DISTRIBUTIVE AND INTEGRATIVE STRATEGIES

CONCESSIONS

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- Do not offer more than one concession at a time
 - Silence is ok
 - Recall Cosby
- Declining magnitude of concessions is an unspoken *signal* to suggest closeness to RP without bluffing
- Use “norm of reciprocity” – label your concessions, be clear of cost to you, and wait.
- Contingent concessions? May reduce risk but formalization may hurt trust

MAXIMIZING OUTCOMES

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- To maximize your performance the best strategy may *not* be to compete/“defeat” the adversary
- We often compete by default
 - Especially in “games” like situations (incl. arm wrestling & negotiations),
 - Especially when *anxious – automaticity kicks in.*
- What if you’re the stronger party? Any advantage to cooperating in the “power game”?
- Did anyone try to “signal” to their partner their willingness to cooperate? How?

INTEGRATIVE NEGOTIATIONS: EXPANDING THE PIE

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- Avoid: “Fixed Pie Bias”
- Don’t assume interests are incompatible
- Don’t assume you know their interests
- “Compromise” may be **suboptimal**

ARE INTEGRATIVE SITUATIONS RARE?

Examples of Non-Zero Sum Situations

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- Parties have compatible interests (non-competitive similarities)
 - Want some of the same things (e.g., location of joint venture).
 - Usually “relationship” is a shared interest
- Parties have different interests
 - Are differences obstacles to integration?
 - Differences in valuations (big office versus nice view)
 - Differences in expectations about future events allow contingency contracts
 - Most negotiations have multiple issues, differences allow trades

HOW TO AVOID FIXED PIE BIAS?

TO FIND INTEGRATIVE SOLUTIONS:

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EXPLORE INTERESTS!

- How are interests different from positions?

TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

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- How are interests different from positions?
- Why do we care about interests?

TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

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- Why do we care about interests?
 - MUTUAL GAINS
 - Understanding interests essential for optimal deals.
 - KEY POINT: DON'T START WITH POSITIONS, FIRST EXPLORE BOTH SIDES' INTERESTS
- How to learn counterparty's interests?

TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

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- How to learn counterparty's interests?
 - ASK WHY WHY WHY, AND LISTEN
 - Resist fears of getting “bogged down” in their irrelevant “stuff”
 - ASK DIAGNOSTIC QUESTIONS THAT PROBE WHERE VALUE IS FOR THEM (unlike RP questions less temptation to lie)
 - RESEARCH
 - PUT YOURSELF IN THEIR SHOES (COGNITIVELY IMAGINE WORLD FROM THEIR PERSPECTIVE)
- How should you describe your interest?

TO FIND INTEGRATIVE SOLUTIONS: EXPLORE INTERESTS

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- How should you describe your interest?
 - PROVIDE **VIVID AND SPECIFIC** DETAILS
 - GET THEM TO SEE THAT THEY WOULD HAVE THE SAME INTERESTS IF THEY WERE IN YOUR SHOES
 - DON'T HIDE EMOTIONS. EMOTIONS CAN HELP COMMUNICATE IMPORTANCE OF ISSUE FOR YOU

USING INTERESTS TO CREATE OPTIONS

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- THINK CREATIVELY
- Slow Down! Efficiency \neq Speed (again, beware default mode)
 - Beware: “splitting the difference” temptation
- Ask: Given all interests, what solutions might benefit both? How to expand pie?
 - Brainstorm as many solutions as possible
 - Try to identify different valuations/priorities, and how issues may be traded.

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