

# EXECUTIVE NEGOTIATION

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Dr. Eileen Daspro  
University of San Diego  
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# KEY TOPICS

- Negotiation Terms
- Coffee Contract Role Play
- Negotiation Types
- Negotiation Strategies
- Havana Plants Role play
- Integrative and Distributive Tactics

# NEGOTIATION

“back-and-forth **communication** process designed to reach an agreement when sides **have some interests** that are **shared** and others that are **opposed.**”

(Fisher and Ury, 1983)

# INTRODUCTION

Reflect upon a recent professional negotiation in which you participated.

- Which parties were involved and what were their interests?
- Which interests were shared? Which in conflict?
- Which resources were being distributed?
- What strategies did you employ? How effective were they?

# WHY NEGOTIATION MATTERS

What % of HR/Talent managers state that soft skills are at least as important as hard skills when hiring?



# WHY NEGOTIATION MATTERS

What % of Americans feel confident negotiating?

# WHY NEGOTIATION MATTERS

What % of a manager's time at work (on avg.) is spent negotiating?



# WHY NEGOTIATION MATTERS

How much money **won't you earn**  
over a lifetime if you fail to  
negotiate your first salary?



# NEGOTIATION TERMS



# USED CAR PURCHASE

According to Edmunds (2021) , the average nine-year-old car changed hands **for \$13,250 in June 2021--** a 30% hike over the same month in 2020.

## Buyer:

I am looking to buy a dependable, used car, such as a Honda Civic, for \$18K.



# PARTIES

- People at the negotiation table
- But not always at the table
- Person at the negotiation table may lack authority to make decision.



# ISSUES

- Topics to be negotiated
- May be 1 or many
- **May be hard to identify all of them**
  
- **Try to avoid single issue negotiations** which inherently lead to win-lose outcomes.



# POSITIONS, INTERESTS, PRIORITIES

**Position:** What negotiators state they want in a negotiation.

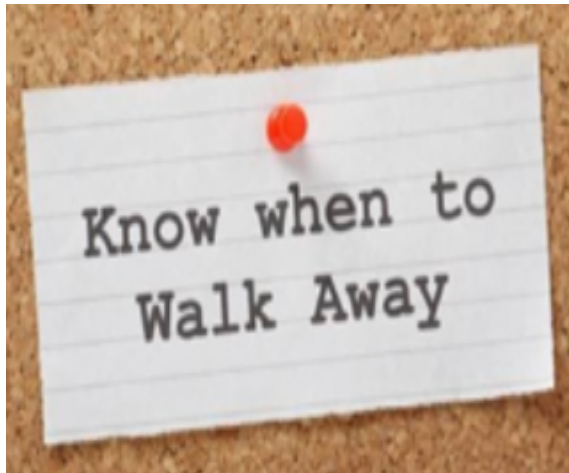
**Interests:** Why negotiators have a given position. The needs or concerns that underlie their positions.

**Priorities:** Rank issues and “prioritize” on basis of your interests.

Find out interests of other party—enhances potential for win-win agreement.

# BATNA: BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT

- One's preferred course of action in the case no deal is reached.



- **BATNA=POWER.** Identify yours and that of your counterpart.

- If you have a strong BATNA, you are in position to negotiate more favorable terms.

- If your BATNA is weak, you have little negotiation power. **“Deal taker”**

# TARGET

- What you think is **reasonably possible in a negotiation.**
- Just noticeable difference from other party's BATNA.
- Research. Know industry. Know market. Precedents. "Comps."



# RESERVATION PRICE

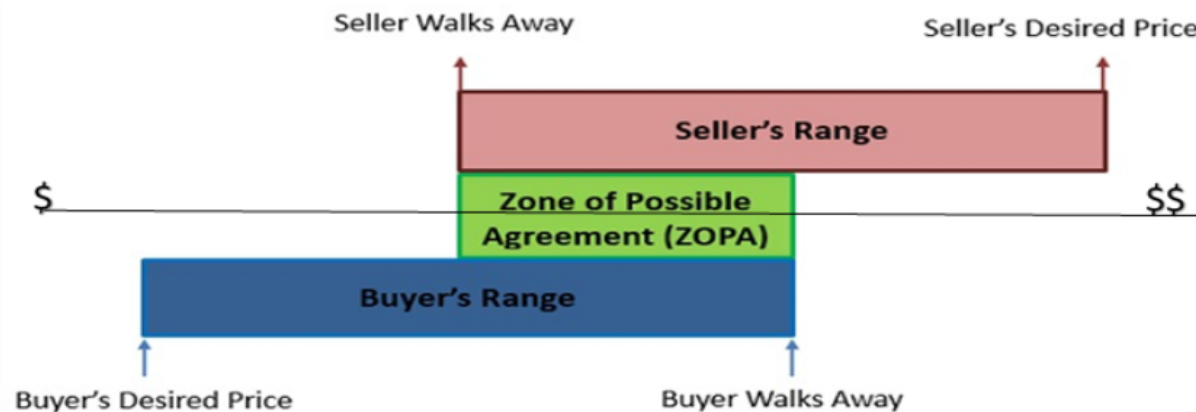
- **Least favorable point** at which one will accept the deal. Bottom line. Limit.
- **Inside the negotiation** (unlike BATNA)
- Generally different from BATNA, slightly.
- Use your BATNA to set your reservation price.





## ZONE OF POSSIBLE AGREEMENT “ZOPA”

- Range of possibilities in which a deal can occur which is satisfactory to both sides
- Range defined by two parties' reservation prices
- **If there is no overlap, then no ZOPA and no agreement is possible.**



**COFFEE  
CONTRACT  
ROLE PLAY**



# COFFEE CONTRACT

## Context

Negotiate a coffee contract for a large hotel and hospitality school.

## Roles

Sandy Grant, F & B Purchasing Statler

Pat Hammer, VP Sales Anderson Coffee

**Time:** 30 minutes

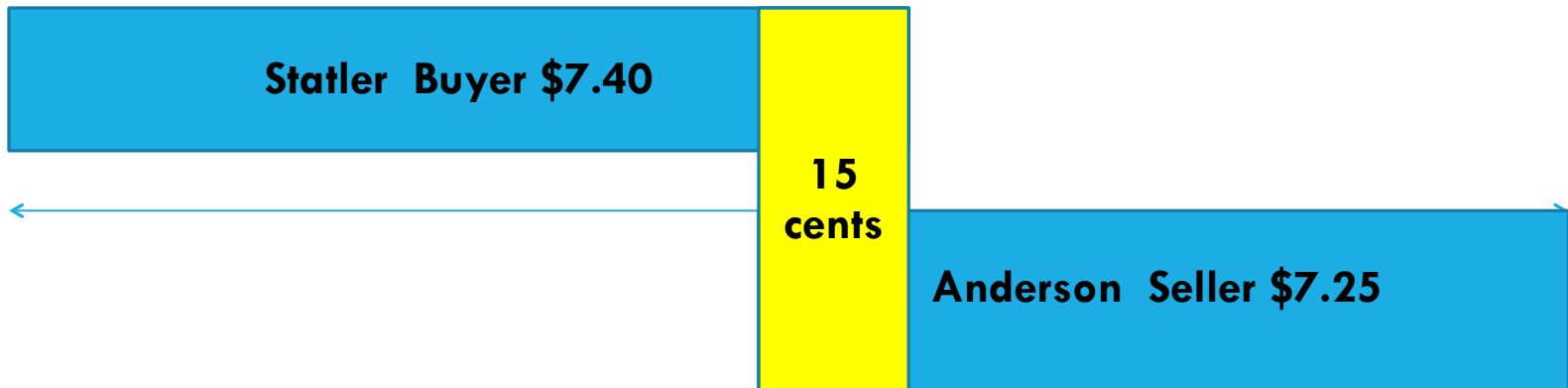


# COFFEE CONTRACT DEBRIEF

- Compare your negotiated agreements.
- What issues were negotiated?
- What were the BATNA's of each side? How strong were they?
- What were your targets?
- Was there a ZOPA? What were its limits?
- Describe the strategies you employed.

# ZOPA

- **Range of possibilities** in which a deal can occur which is satisfactory to both sides.



- In practice, negotiators may demonstrate **flexibility with reservation prices** if other values/ issues are added to the negotiation.

# COFFEE CONTRACT DEBRIEF

**Key concepts:** Position, interest, BATNA, ZOPA, reservation price

Importance of ZOPA in single issue negotiations. What if there is none?

- Can you increase the value of the deal for both parties?
- Are there any additional items of value to also consider?



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# NEGOTIATION TYPES



# DISTRIBUTIVE NEGOTIATIONS

- Parties compete **over a fixed sum of value**
- **Goal:** “Who will claim the most value?” Who will claim the biggest piece of the pie?
- **Style:** One side’s gain is the other side’s loss. Zero-sum.
- Long term relationship less unimportant.
- **Information is key.**
- Price negotiations. Single-issue.





# INTEGRATIVE NEGOTIATIONS

## Goal:

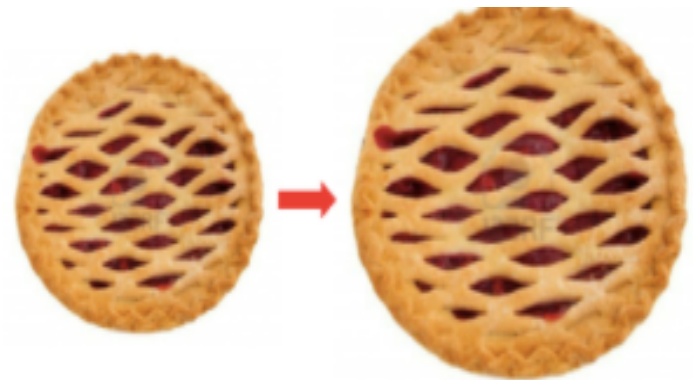
1) **Create as much value as possible for both.** Be creative!!

2) **Claim value for yourself**

- **Long term relationships matter.**

- **Style:** Cooperation

- **Multiple issue negotiations.**



# HOW TO GROW THE NEGOTIATION PIE

- Find **creative options** that satisfy need's of other side at least cost to you.
- Get something you want more and concede something you value less.
- Identify **multiple issues** What “sweeteners ” would make me pay full price?
- **Openly share information** about circumstances.
- Identify **preferences** among options.



# NEGOTIATION STRATEGIES



# PREPARATION

- The most effective strategy for effective negotiation is **adequate preparation**
- 80-20 rule.
- **Brainstorm all potential issues** to be brought to the negotiation table by you or counterpart.
- **Brainstorm all possible terms** within a single issue.  
Ex) Payment
- **Prioritize/rank issues.** Signal willingness to make trade-offs. Concede low value issues for ones you value more. Win-win often not possible.
- Identify your **BATNA** and that of other party.

# NEGOTIATION SITUATION

- Your work schedule is from 9am until 6pm. You have a 1 hour lunchbreak from 12-1pm.
- You would like to start studying your MBA at night.
- You work across the city.
- To arrive on time to classes, you would need to leave work at 5pm, two days per week for two years.
- You are a valuable employee who works for employer X.



# CONSIDER GOOD OUTCOME FOR BOTH

What is an **acceptable outcome(s)** for the employee?

What **would be an acceptable outcome** for the employer?

- What are both sides **real interests?**



# STRENGTHEN BATNA

What might be the employee/employer's BATNA be?

**How bad does each party NEED this deal?**

**Strengthen your BATNA.** Generate other alternatives. Quantify them.

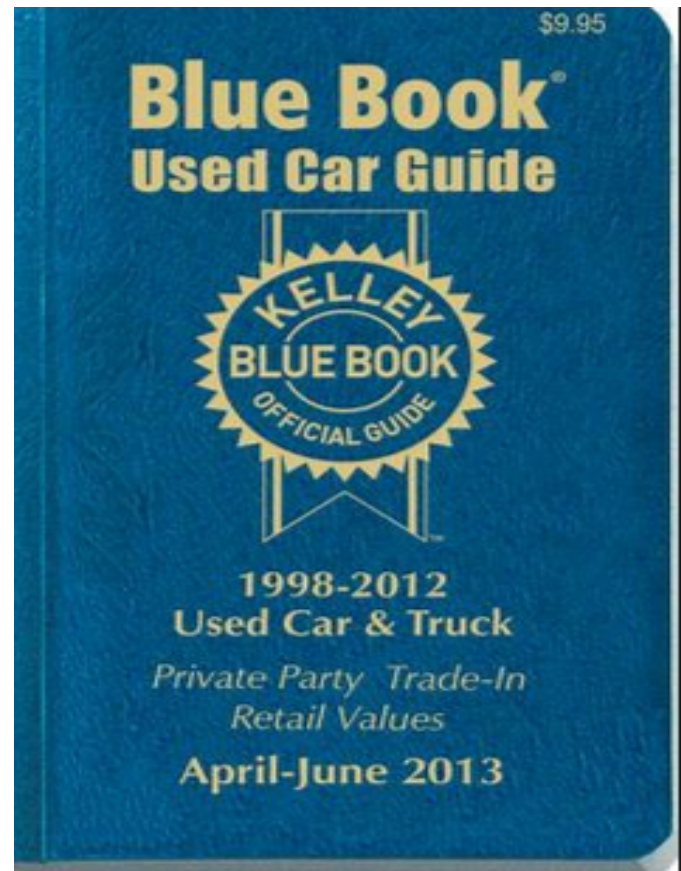
**Identify BATNA of other party** so you know: How far can I go? Research company. Industry. Ask questions.

Identify and quantify BATNA variables.

If your BATNA is strong, **set anchor offer.**

# GATHER EXTERNAL STANDARDS

- **External objective criteria** can be used to determine what is fair and reasonable.
- Research **what this criteria might be.**
- Show **why it is relevant and favorable to your case.**
- **External criteria is more difficult to reject.**





# PREPARE TO BE FLEXIBLE

- Negotiations don't always unfold in a linear fashion.
- Be prepared for changes.  
**Reevaluate positions.**
- **What if** the valued employee told you her MA was in an area of strategic importance for the company?
- **What if** you learned the valued employee is actively seeking employment elsewhere?



# ANCHORING

**A first offers is a powerful psychological anchor for the rest of the negotiation. |**

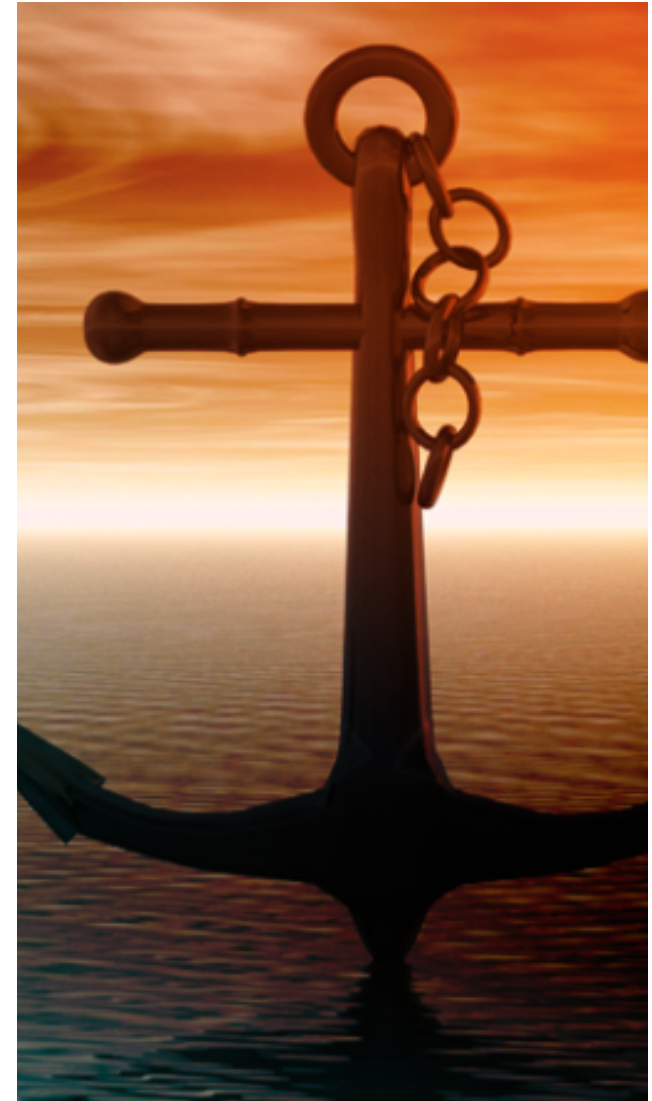
Correlates with negotiation outcomes **85% time.**

**Align with your target.** Slightly worse than reservation price of other party. **Aggressive but attainable figure.**

**Anchor if you have a good BATNA,** or an idea of other sides reservation price

**Be prepared to justify your anchor.**

**Counteranchor: If the original anchor is unreasonable, do not feel accept it.** Indicate it is unacceptable and question what criteria were used to reach it.



# CONCESSIONS

Set of **moves and countermoves** that follow an anchor, may end in agreeable price.

Plan in advance potential offers and counteroffers

**Mistake #1: Make concessions too quickly** without exploring interests first

**Mistake #2 Make large concessions** which signal willingness for future ones, weakness. Demand reciprocation.



# HAVANA PLANTS



# OVERVIEW

## Context:

Two manufacturers meet by chance in a Havana restaurant during their visit to the Tabaco Cubano Trade Show hosted by Cuban Government. Both are interested in purchasing tobacco. Cuban govt. limits amount sold as part of public bidding process.

## Roles

Representative, **El Jefe Fabrica** Honduran Textile company

Representative, **Labdien enterprises**, Latvian cigar company

How can you create value in the negotiation?

**Time:** 25 minutes



# HAVANA DEBRIEF

## **For teams who reached impasse:**

- Did you discuss positions, BATNAs, interests?
- What obstacles did you find?

## **For teams who reached a solution:**

- Describe the one reached.
- How did you create value?



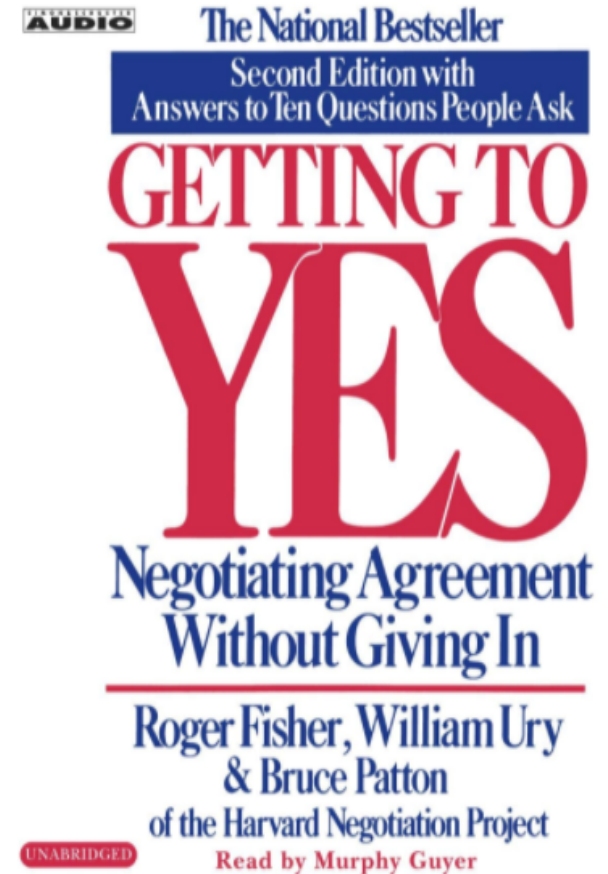
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# **INTEGRATIVE TACTICS**



# GETTING TO YES

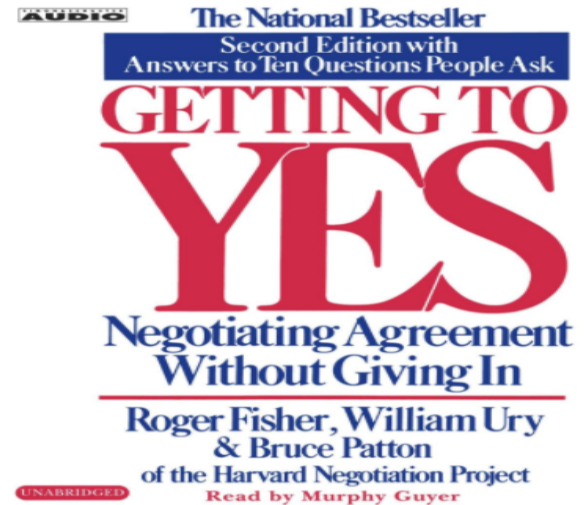
- **Soft strategies** focused on preserving the relationship may leave you unsatisfied.
- **Distributive strategies** (threats, exploding time offers, dishonesty, playing hardball) often damage relationship, exhausting, cause resentment.
- Third way to negotiate: **both hard and soft. Hard** on the issue, but **soft** on the person.





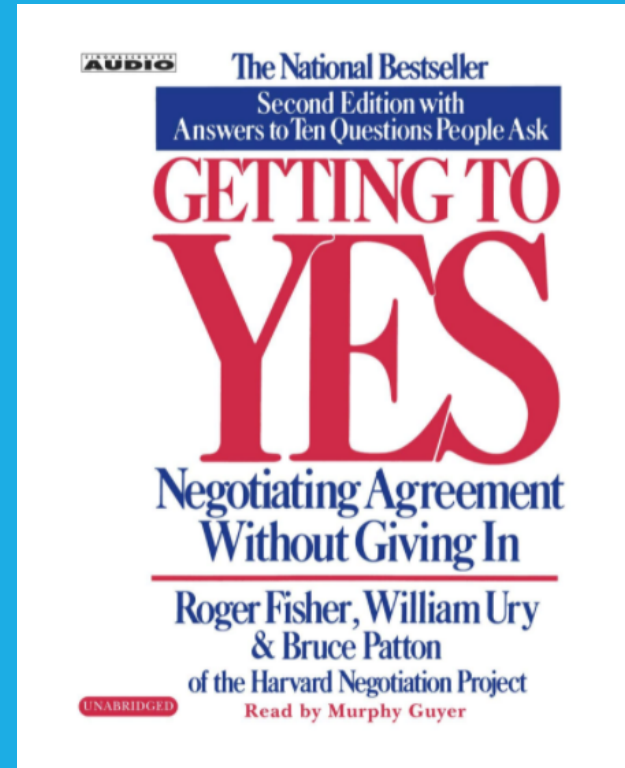
# GOAL: A WISE AGREEMENT

- Meets priority interests of each side to the extent possible
- Resolve conflicting interests fairly
- Is durable, lasting
- Better your BATNA



# PRINCIPLED NEGOTIATION

- **People:** separate the people from the problem
- **Interests:** focus on interests, not positions
- **Options:** generate a possibilities before deciding what to do
- **Criteria:** insists that the results be based on some objective standard



# PRINCIPLED NEGOTIATION: **PEOPLE**

Negotiators are people first. **People are emotional and unpredictable. Don't reciprocate.**

- Emotions cloud the objective merits of the **problem-anger, frustration, hostility**
- Listen actively and acknowledge what is being said. **Empathize, summarize and paraphrase.**
- **Deal with PEOPLE as human beings and the PROBLEM on its merits.**

# PRINCIPLED NEGOTIATION: INTERESTS

- **Focus on interests, not positions.** Interests define the problem.
- **Ask “why?” and “why not?”** Objective is to **satisfy underlying interests of parties. What are their constraints. Potential opportunities for creating value?**
- **Most parties have multiple interests.**
- **Talk about your interests. Be specific. Concrete. Reciprocity.**

## PRINCIPLED NEGOTIATION: **INVENT OPTIONS MUTUAL GAINS**

- **People go into the negotiation thinking they know the solution —their view will prevail**
- **Create an opportunity to think up a wide range of solutions that advance shared interests and creatively reconcile differing interests**
- **A wiser decision making process considers a large number of possibilities.**
  
- **No fixed pie.** Solving the other side's problem is YOUR problem.
  
- **Integrative outcomes are made possible by identifying differences:** interests, values, aversion to risk, schedules, etc.

PRINCIPLED NEGOTIATION:  
**OBJECTIVE CRITERIA**

**Criteria:** insists that the results be based on some **objective standard**

- Deciding negotiations based on a battle of wills is time consuming, unproductive.
- Instead find some evidence or precedent that **creates a fair solution without giving in to each other (expert opinion, standard)**

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# **DISTRIBUTIVE TACTICS**

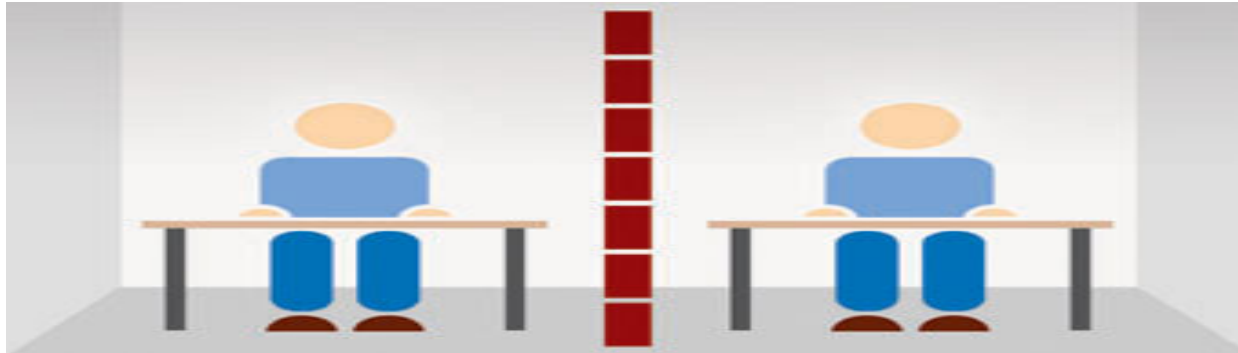


# UNWILLING TO SHARE INFO

**LOSE-WIN:** you share info, other refuses

**LOSE-LOSE:** neither side shares info

**WIN-WIN solution:** both sides share info



Integrative outcomes are derived from understanding the reasons why people hold certain positions. **Take turns reciprocating information gradually.**



# UNWILLING TO NEGOTIATE

- Investigate their interests/ constraints and generate ideas to overcome their limitations
- Quantify the value status quo
- Persuade them that they are better off negotiating than not (improve BATNA)



# HARD BARGAINING TACTICS

Low-ball offers, no concessions, puffery.

Recognize their game and **do not let it throw you off.**

Make it clear that **satisfaction of your priority interests will help them meet theirs.**

**Be willing to walk away.** Their behavior creates the risk of no deal at all.



# THREATS



Often used in distributive, single-issue negotiations to claim greater value by a more powerful party.

Act of intimidation or desperation? **-not value creating-value claiming**

Why warn them so they can prepare? **Consequences of warning.**

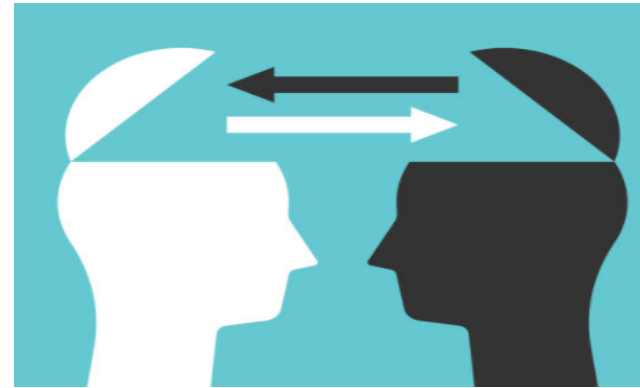
It is not a welcoming tactic-- **invites retaliation.**

Stay calm and **build your BATNA.** Generate alternative solutions, know value and probability should have to resort to it.

## PERSUASION STRATEGIES

**How make ideas, offers, proposals, requests more compelling. How to elicit a “yes”.**

### Types of Influence:



- Influence based on **changing**
- **the incentives of compliance** (threats)
- Influence based on **changing the information** available (deception, reasoning, dishonesty)
- **Psychological influence** based on how to communicate in a more compelling way to obtain a yes from other party

(Malhotra, 2008)

# STRATEGY # 1:

“In a study done by researchers at the University of Santa Cruz, a representative from the power company went door-to-door providing free energy audits. The representative would advise homeowners on investing in products that would help insulate their homes and bring down energy costs.

After completing the audit and describing the products, the representative made the pitch: *if you insulate your home, you will save X cents per day.*

**How might you make this pitch more compelling, so that a higher percentage of home-owners will buy?**

# RESPONSES

Change “X cents per day” to “Y dollars per month (or year)”

Instead of saying “If you insulate... “say” “When you insulate”

Pitch the insulation products and services as eco-friendly behavior

Offer a discount (or financing option that reduces the upfront “burn”)

Tell them what they could buy with the savings

Tell them that in Z (number of) months, the investment will pay for itself

## STRATEGY #1 LEVERAGE THE POWER OF LOSS AVERSION

- The results of the audit were described to the other half of homeowners as follows: ***if you fail to insulate your home, you will lose X cents per day.***
- A much higher percentage of homeowners said “yes” to the offer!
- Those who were **told how much they stood to lose** by not complying with the recommendation were significantly more likely to invest in insulation.
- **Information, when framed as a loss, will be more influential than when it is framed as a gain**

## STRATEGY # 2:

“An ASU profesor had his assistants walk around the city posing as workers from the county’s juvenile detention center and asked people a favor.

The detention center was organizing a day trip to the zoo, and **they needed volunteers to chaperone a group of juvenile delinquents on a day the trip to the zoo, this Saturday. The request: *would you be willing to chaperone a group of juvenile delinquents on a day trip to the zoo?***

Only 17% of those who were asked to chaperone complied with the request. **How might you make it more likely that people say “yes” rather than “no” to this request?”**



- Replace the term “juvenile delinquents” with something less threatening
- First ask the passer-by whether s/he would like to contribute to her community
- Emphasize the benefits (free trip to the zoo, volunteering, etc)
- First ask the passer-by whether s/he is free this Saturday
- Provide some justification for why the detention center is organizing such a trip

## STRATEGY # 2 LEVERAGE THE POWER OF EXTREME OPENING OFFERS

- Assistants asked for a different favor: ***Would you be willing to serve as a counselor at the juvenile detention center- this will require two hours of your time each week for 3 years? (No success)***
- Then they tried,; ***Well, if you can't do that, would you be willing to chaperone a group of juvenile delinquents on a day trip to the zoo? (50% success)***
- **Compliance increases after an initial rejection** because when the rejected party moderates its demands (and asks for something less extreme) it is seen as a concession, and therefore, they need to be reciprocated.

### STRATEGY #3

Many businesses and organizations rely on market research to find out what current or potential customers and members think. One common method of conducting market research is to send out a large number of questionnaires and **hope that enough recipients will fill out and return the survey.**

Of course, response rates are often low. How might you get more people to respond to a survey?

# STRATEGY # 3 LEVERAGE THE POWER OF TOKEN CONCESSIONS.

- One subgroup was sent the questionnaire with no financial incentive. (20.7% response)
- Another sub-group was promised a \$50 payment. (23.3% response)
- A third group received a \$1 dollar bill in the same envelope with the questionnaire. (40.7% response)
- **The \$1 dollar was a GIFT not an INCENTIVE. Reciprocity.**

# THE SCIENCE OF PERSUASION

Research shows that persuasion works best by **appealing to a limited set of deeply rooted human drives and needs.**



(Cialdini, 2001)

# THE PRINCIPLE OF LIKING

- **People are influenced more by people like them: age, politics, hobby**
- **Create bonds, commonality**
- **Praise and positive comments others generates liking or improves bad relationships**



# THE PRINCIPLE OF RECIPROCITY

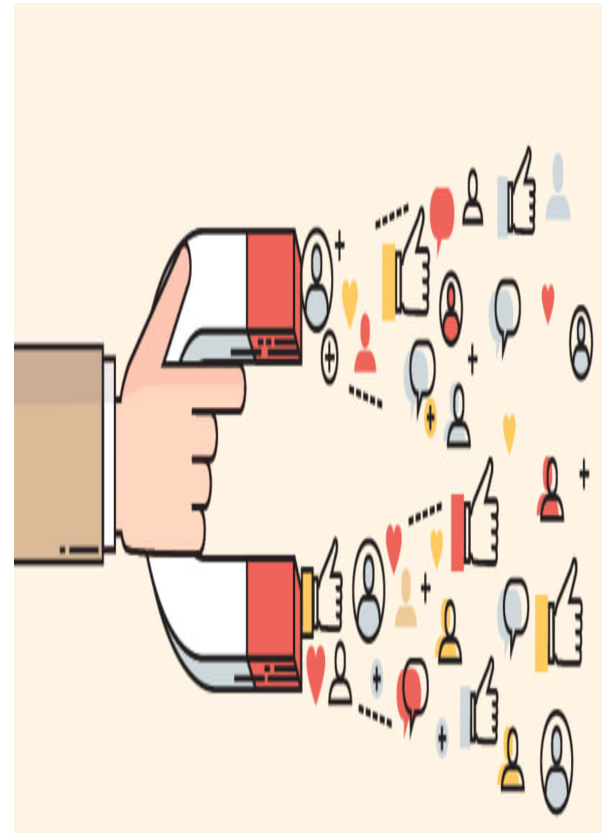
- **Golden Rule:** Treat others as you expect to be treated
  
- After having accepted a gift, people are more willing to purchase products they would have otherwise declined
  
- Gift giving generates trust, cooperation, obligation
  
- increase your chance of getting help when you need it



# THE PRINCIPLE OF SOCIAL PROOF

- People follow the lead of others.
- When there is uncertainty, people look to the behavior of others for guidance.
- **“Persuasion works bests when it is executed horizontally”**

Ex) Client testimonials





# THE PRINCIPLE OF AUTHORITY

- People defer to experts.
- Expose your expertise; don't assume its self evident.
- Influence them through expertise and valid, objective information



- People want more of what they cannot have.
- Create scarcity and enhance desirability.
- Limited time, reduced window opportunity





**THANK YOU!**

Dr. Eileen Daspro  
edaspro@sandiego.edu