Negotiation Theory & Practice I

Professional Development and Skill Building in Medical and Life Science: Management Fundamentals

January 28, 2010
Overview of Module

• Today
  • Introductions and overview
  • Negotiation simulation: WIN
  • Fundamentals of Negotiation

• February 4th
  • Bargaining styles: MODE
  • Negotiation simulation: New Recruit
WIN

• Objective
  • Maximize your individual absolute ten-round total, not your group total or your relative score

• Preparation
  • Mark one card X and the other Y
  • We will form groups of 4 players

• Each round
  • Hold cards close to vest prior to play
  • Play card simultaneously with counterparts
WIN Rules

• Bonus rounds
  • Bonus factors in rounds 5 (3X), eight (5X) and ten (10X)

• Rule of silence
  • No pre-play communication
  • Rule of silence in effect after quartet formation, except 2” before bonus rounds
Summary Points

• Analyze the structure, people and context of a negotiation
• The past can cast a long shadow
• Be forthcoming, provocable, forgiving and clear
• Don’t assume that maximum individual results must come at the expense of others’ results, trust, relationships and ethical principles
Summary – cont’d

- Strive for sustainable cooperation
  - Elicit reciprocity
  - Trust: hard to earn, easy to lose
  - Negotiate with deeds, not just words
  - Trust with care, but take care to make yourself trustworthy
  - Avoid ambiguity – it complicates trust and cooperation
  - Create compliance mechanisms to cement trust
Win As Much As You Can

- When does cooperation make sense?
  - Power relatively balanced?
  - One-shot deal?
  - Repeat deal, with certain end?
  - Repeat deal, with uncertain end?
- What is most of professional practice?
  - With colleagues?
  - With regulators?
Tournament of Champions

- What does Tit for Tat require?
  - Not envious
  - Forthcoming
  - Provocable
  - Forgiving
  - Unambiguous
How do you get others to play?

- Give your word, get theirs
- Act simultaneously
- Name the game “community”
- Signal your cooperation
- Check incentives
How can you recover from a breach of trust?

- Getting even/catching up
- Blame the situation
- Small incremental steps
- Apologize
Negotiation Fundamentals

- **PREPARATION**
  - Map the PARTIES (actual & potential, internal & external, principals & agents)
  - Anticipate INTERESTS (economic and non-economic, short-term & long-term)
  - Evaluate ALTERNATIVES, identify the BATNA
  - Sketch possible OPTIONS
  - Assess OBJECTIVE CRITERIA to evaluate options
  - Consider OPENING frame and process
Goal: Create and Claim Value for the Long Term

3-D Negotiation*

- 1st dimension: Tactics “at the table” - focus on people and process
- 2nd dimension: Deal design “on the table” - focus on value, substance, outcomes
- 3rd dimension: Setup “away from the table” - focus on architecture

First Dimension

- Psychological, interpersonal, tactical and stylistic moves that focus on the interaction among the parties and the process of engagement
  - Watch the other side’s problem
  - Improve communication
  - Build trust
  - Counter hardball ploys
  - Bridge cross-cultural divides
Second Dimension

• Diagnosing the economic and non-economic, short term and long term interests that underlie the substance of agreement
  • More than price and positions
  • Exploit differences in preferences, expectations, abilities, resources, risk tolerance, reputational needs
  • Monitor BATNAs
Third Dimension

- Shaping the architecture of the negotiations
  - Parties
  - Issues
  - No-deal alternatives
  - Process
- Influencing the pace and shape of negotiation by sequencing approach
Example: Clean Tech

- CleanTech invented technology to detect leaks in underground gas storage tanks that was 100 times more accurate, faster and cheaper than competing technologies.
- Potential customers all were impressed, but only one purchaser...
- What is the view from 1D, 2D and 3D?
Great Negotiator

• “You have to know what you want, and be able to articulate [it] in your own mind with precision. This sounds self-evident, but you’d be surprised how many people don’t actually know what they want with the kind of precision that a negotiation demands. Then, you have to think of the 2000 ways to get where you want to go: what the trades might be, what the arguments might be, what the moves might be on the other side. And you watch carefully, and listen carefully, talk less, and remain persistent.” Charlene Barshefsky
New Recruit Set up

- Two party negotiation: Recruiter and Candidate
- Prepare role:
  - Learn your confidential facts
  - Enter target, walk-away & opening bid on prep sheet
  - Sketch out opening strategy
- 30” to negotiate on February 4th
- Debriefing
- ALSO: complete MODE survey and tally answers