Zone of Possible Agreement (ZOPA)

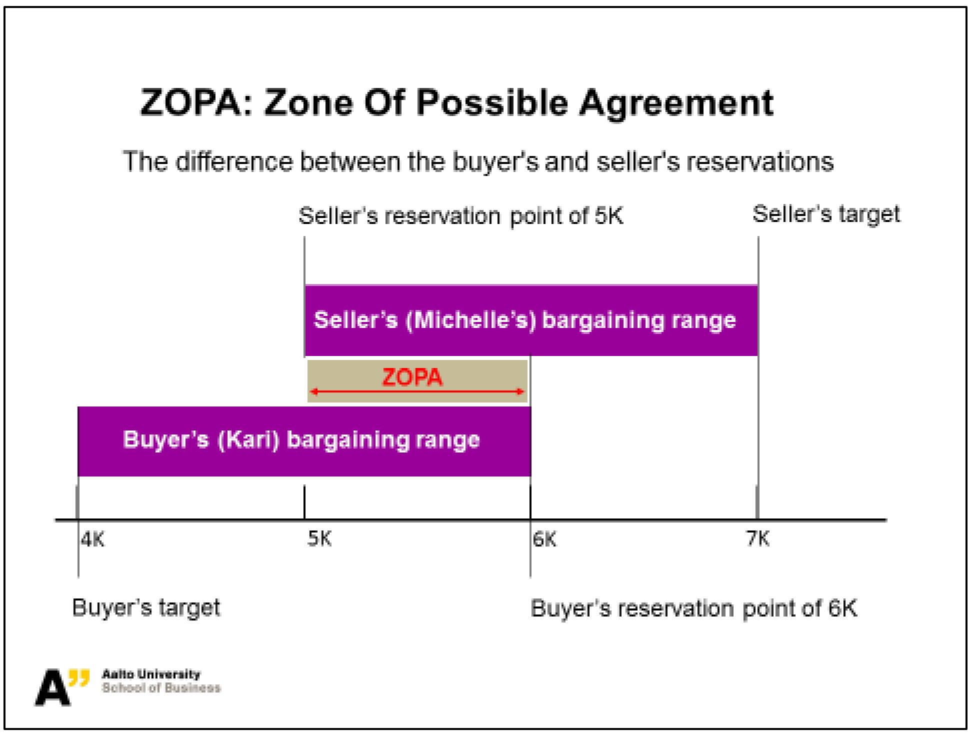
Based on adapted extracts from Spangler, Brad. "Zone of Possible Agreement (ZOPA)." Beyond Intractability. Eds. Guy Burgess and Heidi Burgess. Conflict Information Consortium, University of Colorado, Boulder. Posted: June 2003, updated in June, 2013 by Heidi Burgess <http://www.beyondintractability.org/essay/zopa>. Retrieved. November 2016

What is a ZOPA?

Imagine a typical buyer-seller situation. Kari, the buyer, wants to buy a car for €6,000 or less. This maximum of €6,000 is his 'reservation price' or 'walk away' position.

Michele, the seller, wants to sell one for €5,000 at least. This minimum of €5,000 is the least amount she will accept, so it's her 'reservation price' or 'walk away' position.

When, as in this case, there is common ground or an overlap between the buyer's and seller's reservations - the respective low and high of both the seller and buyer - we have a Zone of Possible Agreement (ZOPA).



However, if Michele (seller) will not go below €6,000 and Kari (buyer) will not go above €5,000 they have a negative bargaining zone and there is no ZOPA.

A ZOPA only exists if there is a potential agreement that would benefit both sides more than their alternative options do.

Use BATNAs to identify the ZOPA

In order for disputing parties to identify the ZOPA, they must first know their BATNA (Best Alternative To a Negotiated Agreement). The BATNA is the best course of action that a party can pursue if no negotiated agreement is reached.

For example, Michelle might have another potential buyer for her car, Alex, who is willing to pay $6,950 (Michelle’s BATNA). If Kari will pay more than Alex, she will sell to him. If Kari won't pay that much, she'll sell to Alex. Likewise, if Kari has found another car he likes for $6,000, then he won't pay more than that for Michelle's car...maybe even a bit less. So Kari's BATNA is $6,000.

If both sides know their BATNAs and walk away positions, the parties should be able to eventually identify the ZOPA. However, parties often fail to access their own BATNAs, and are even less likely to have accessed the other side's possible BATNAs.

ZOPAs in Distributive and Integrative Negotiations

The nature of the ZOPA depends on the type of negotiation.

In a distributive (competitive) negotiation, in which the participants are trying to divide a "fixed pie," it is more difficult to find mutually acceptable solutions as both sides want to claim as much of the pie as possible. Distributive negotiations over a single issue tend to be zero-sum -- there is a winner, and a loser. There is no overlap of interests between the parties; therefore, no mutually beneficial agreement is possible. The best one can do--sometimes--is compromise by splitting the desired outcome in half.

For example, two people may be competing for one job. In the simplest case, there is no ZOPA because both people want the full-time job and either they or the boss is unwilling to offer them each a half time job instead. So, this is the typical win-lose outcome: one person wins, the other loses. Or, if they do both take a 1/2 time position, each wins half of what they wanted and loses the other half.

Integrative (collaborative) negotiations involve creating value or "enlarging the pie." This is possible when parties have shared interests or are dealing with multiple issues. In this case, the parties can combine their interests and trade off among multiple issues to create joint value. That way both parties can "win," even though neither gets all that they originally thought they wanted. In the example above, if rewriting the job description could create an additional job, then the distributive negotiation would change into an integrative negotiation between the employer and the two potential employees. If both applicants are qualified, now they may both get jobs. The ZOPA, in this case, exists when two jobs are created and each applicant prefers a different one of the two.