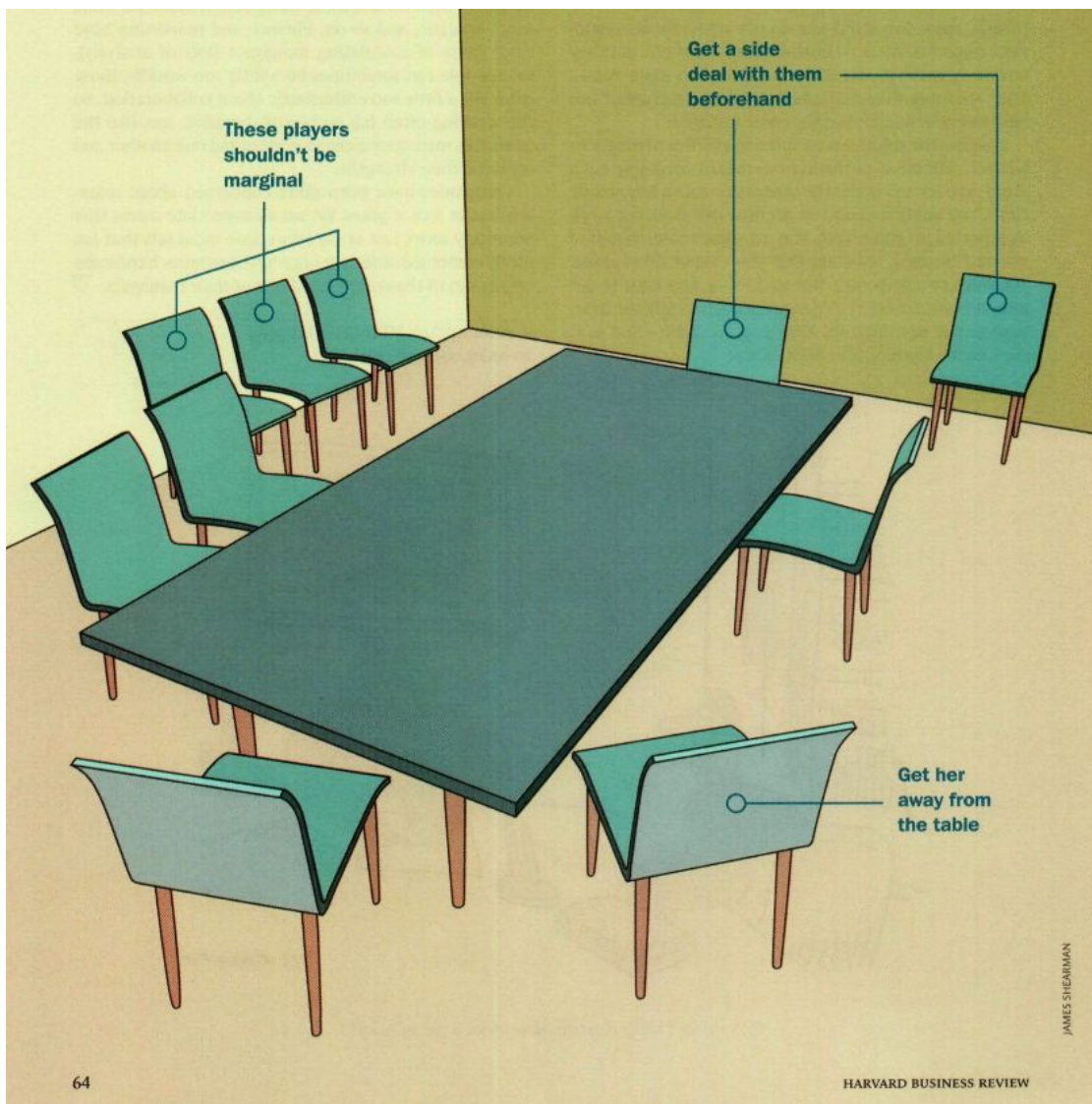


Handout

Negotiation Preparation

Negotiation Theory



The Three Dimensions of Negotiations

	Focus	Common Barriers	Approach
1-D	Tactics (people and processes)	Interpersonal issues, poor communication, “hardball” attitudes	Act “at the table” to improve interpersonal processes and tactics
2-D	Deal design (value and substance)	Lack of feasible or desirable agreements	Go “back to the drawing board” to design deals that unlock value that lasts
3-D	Setup (scope and sequence)	Parties, issues, BATNAs, and other elements don’t support a viable process or valuable agreement	Make moves “away from the table” to create a more favorable scope and sequence

1-D: TACTICS

Purpose:

Know how to act and deal with the situation at the negotiation table (front value that parties could easily see)

Content:

How to succeed in the actual negotiation situation? (as in with your bargaining power, communication skills etc.)

What are the real interactions & How you act around this situation? (Flexible, emotional, empathizing...)

What are the relationships between the parties? What kind of relationship you would like to build with other parties?

Take-away points:

Ask, listen, and learn from other parties

Know ourselves and others

Create options for all parties (Zone Of Potential Agreement)

2-D: DEAL DESIGN

Purpose:

This dimension is in between being at the table and away from the table, which creates the unlocked values of the involved parties.

Content:

Try to look further than the visible deal by moving North-East (increasing both

parties' benefits), dovetailing benefits (trying to have common points), or creating long-lasting values (meet the deal's spirit).

Take-away points:

Deal design would make room for all parties to express their positivity in order to achieve the target.

3-D: SET UP

Purpose:

Prepare best condition and understanding before coming to the negotiation

Content:

Think of the scope, sequence, and process of the negotiation.

Scope refers to the who and what of the negotiation. Map all the parties, including interest, relationship, BATNAs, potential.

Process: it is important to consider the role of third parties, special procedures and specific negotiation systems (how the process is determined, how the process is modified).

Take-away points:

Scope, sequence, and process should be consistent to achieve desired outcome

Right people, right place, right time

CONCLUSION

Order for an ideal negotiation deal: 3D (Set up) => 2D (Deal design) => 1D (Tactics)

3-D Negotiation

The Idea in Brief

Why didn't those last deals work out the way you expected? You brilliantly followed all the rules in negotiation manuals: You built enormous goodwill. You demonstrated astute cultural sensitivity. And you unlocked hidden value for all parties. But you were still left empty-handed.

Like most of us, you may have waited too long to start negotiating. We're trained to think that negotiation happens at the bargaining table—in the first dimension of in-terpersonal and process tactics—or at the drawing board—the second dimension, where the substance of the deal is hashed out. But by the time parties are sitting down to hammer out an agreement, most of the game has already been played. That's why savvy 3-D negotiators work behind the scenes, away from the table, both before and during negotiations to set (and reset) the bargaining table.

They make sure that all the right parties are approached in the right order to deal with the right issues at the right time.

3-D moves help you engineer deals that would otherwise be out of tactical reach. Rather than playing the hand you're dealt, you reshape the scope and sequence of the entire negotiation to your best advantage.

The Idea in Practice

In addition to skillfully handling tactical and substantive challenges, consider these guide-lines to 3-D negotiation:

Scan Widely

Search beyond the existing deal on the table to find complementary capabilities and value that other players might add. Ask such questions as: Who, outside the existing deal, might most value aspects of it? Who might supply a piece missing from the current process? Who might minimize the costs of production or distribution? This process will identify all the actual and potential parties and crucial relationships among them, such as who influences whom, who defers to whom, who owes what to whom.

Example:

When WebTV Networks was launching, founder Steve Perlman obtained seed funding, developed the technology, created a prototype, and hired his core team. But in order to turn the start-up into a self-sustaining company, he needed more capital and broader capabilities. So he identified potential partners in many fields: Internet service providers, content providers, consumer-electronics businesses, manufacturers, distributors.

Map Backward and Sequence

The logic of backward mapping is similar to project management: You begin with the end point and work back to the present to develop a critical path. In negotiation, the completed "project" is a set of agreements among a coalition of parties. To start, identify what you'd ideally like to happen. Then, determine who must sign on to make your vision a reality. Often, approaching the most difficult—and most critical—partners first offers slim chances for a deal. Instead, figure out which partners you need to have on board before you initiate negotiations with your most crucial partners.

Example:

Even though WebTV badly needed capital, Perlman didn't approach obvious investors immediately. He knew that VCs were skeptical of consumer electronics deals, so he mapped backward from his VC target. Since VCs would be more apt to fund his

company if a prominent consumer electronics company were already on board, he first forged a deal with Phillips and then used that deal to sign up Sony, as well. When he finally approached VCs, he was able to negotiate new venture money at a higher valuation.

Manage Information Flow

How you tailor your message to each potential partner can dramatically alter the outcome of your negotiation. Timing is vital: Decide which stages of the negotiation process should be public, which private, and how much information from one stage you should convey at other stages.

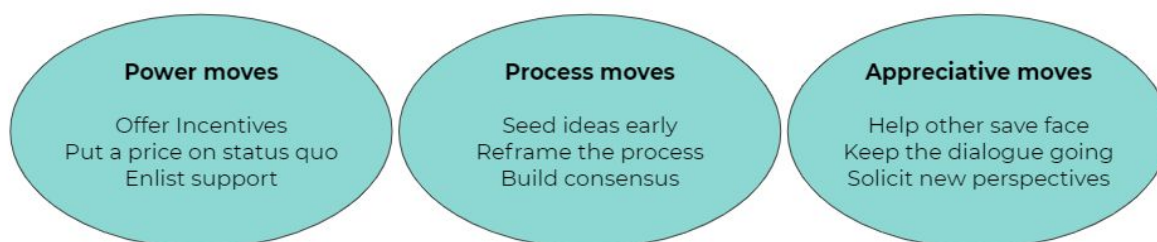
Example:

A wry story illustrates the potential of such choices to set up a linked series of negotiations. A prominent diplomat once decided to help a charming and capable young man of very modest background from Eastern Europe. Approaching the chairman of the state bank, the statesman indicated that "a gifted and ambitious young man, soon to be the son-in-law of Baron Rothschild," was seeking a fast-track position in banking. Shortly thereafter, in a separate conversation with the baron, whom he knew to be searching for a suitable match for his daughter, the statesman enthusiastically described a "handsome, very capable young man who was making a stellar ascent at the state bank." When later introduced to the young swain, the dutiful daughter found him charming, with enviable talents and prospects, and acceptable to her father. When she said yes, the three-way deal allegedly went through—to everyone's ultimate satisfaction.

Breakthrough Bargaining

How to guide shadow negotiation?

Kolb and Williams (2001) introduces the concept of shadow negotiations that determine how discussion moves forward. They occur before the negotiations themselves in informal interactions, but also between and during the negotiations. Especially when there are unequal negotiation power among the parties, Kolb and Williams' strategic moves can help a weaker negotiator to survive in his/her accomplish. Their article, Breakthrough bargaining, goes through three different strategic moves that help a negotiator to deal with the problem of shadow negotiations: power moves, process moves and appreciative moves.



Sometimes it is hard to get overall to contact with the other person. How to get heard if the other is ignoring your overall existence? According to the authors **power moves** can help with this issue. So that the other party will recognize the need for a negotiation, you must *offer incentives*. It means that the benefits of a negotiation must resonate with the other party's interests. If the parties are in a different position, *putting a price on the status quo* can help to get a negotiation. You have to explicitly give the other person a thought that is better to negotiate that to not. Give a reasoning that his/her status will harm if there will be no discussion about a subject. In addition to these, *enlist support*. Finding good allies that can contribute to power moves help to get in contact with party.

Process moves is needed when you want to influence the negotiation process itself. Although you manage to create a negotiation situation, your opinions may not be heard. So that your comments are not ignored it is a good strategy so *seed ideas* beforehand. For example, talking about the theme in informal settings early can boost the subject matter under the surface. It influenced how the other party sees views the situation and therefore reduces resistance. If you have problems with unequal positions in the negotiations setting, you should try to *reframe the process*. When the loudest people get an upper hand during a negotiation, you must try to

shift the dynamic away from personal competition. For example, suggest to the management for a new kind of disgusting setup. Although you would have seeded ideas, you should also try to *build consensus* on the matter. If possible, do already an agreement privately.

Despite these strategies of power and process moves, a negotiation might still not work for your benefit. For example, the attitudes of the other party are stubborn and the situation is only a one big conflict between you. How to build trust and create a real dialogy? The authors present therefore a third concept of **appreciative moves**. When you want to bring up your ideas, avoid embarrassing the other party, because it will only increase the resistance. In other words, *help others save face*. Sensitivity also increases trust among the parties. A delay in the negotiation is not necessarily a bad thing, as it gives extra time, for example, to the implementation of the strategic movements already mentioned. If this happens, you need to *keep the dialogue going*. If the other party sees that the timing is wrong, try to still keep a contact those concerned stakeholders. A typical problem for negotiators is pushing their own agendas. Thinking that all the other parties are always wrong. You should yourself understand and also signals to the other party, that different views of matters are important. *Solicit new perspectives*. When both sides sees that discovering something new is an opportunity, the conflicts reduces. Most importantly, the parties of a negotiation should think that they are working together - not against each other.

Example:

Fiona Sweeney was a newcomer in her company as a head of operations. The sales managers (with bonuses tied to gross sales) pursued opportunities regardless of the company's ability to deliver. Fiona's inters was that the sales and production divisions would cooperate more. However, she was invisible and with no credibility.

Fiona started to use power moves. She made adjustments to the billing process, which lowered the company's customer complaint. This way she boosted her value to the management. After that, as sales were more reluctant than production in the negotiations, she managed to increase the turnaround time. This at least got her everyone's attention among the sales people. She started to talk in the negotiations about a new bonus system that would penalize the sales division whenever it promised more than production could deliver. She suggested creating a cross-divisional task force to explore the issue. The CEO approved Fiona's suggestion and also the sales was eager to be included.

For process moves, Fiona started to build support for the changes she and the CEO had envisioned and they developed a common agenda. There were still resistance from the outside which required appreciative moves. She wanted to deeply understand the issues that sales people were confronted. Therefore, she

volunteered her operation expertise to the sales division's planning team. They developed together a pricing-and-profit-model which increased trust and dialogue among the divisions.

For Fiona it was highly important that she never wanted to lose anyone's face. She helped the sales division to see that changes were coming and that it would be beneficial in that situation to cooperate. In the end, the communication in the company was improved and the profit margins as well.

Conclusion

Try to look at the deal from a different perspective. Scan the deal widely. Check who are the most important groups involved or can be involved. Remember to consider what other parties have in mind and how you can change their minds.

Deal is not made at the table, but before you reach it. Though, when you do, it is good to know how to play the game at the table too.

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