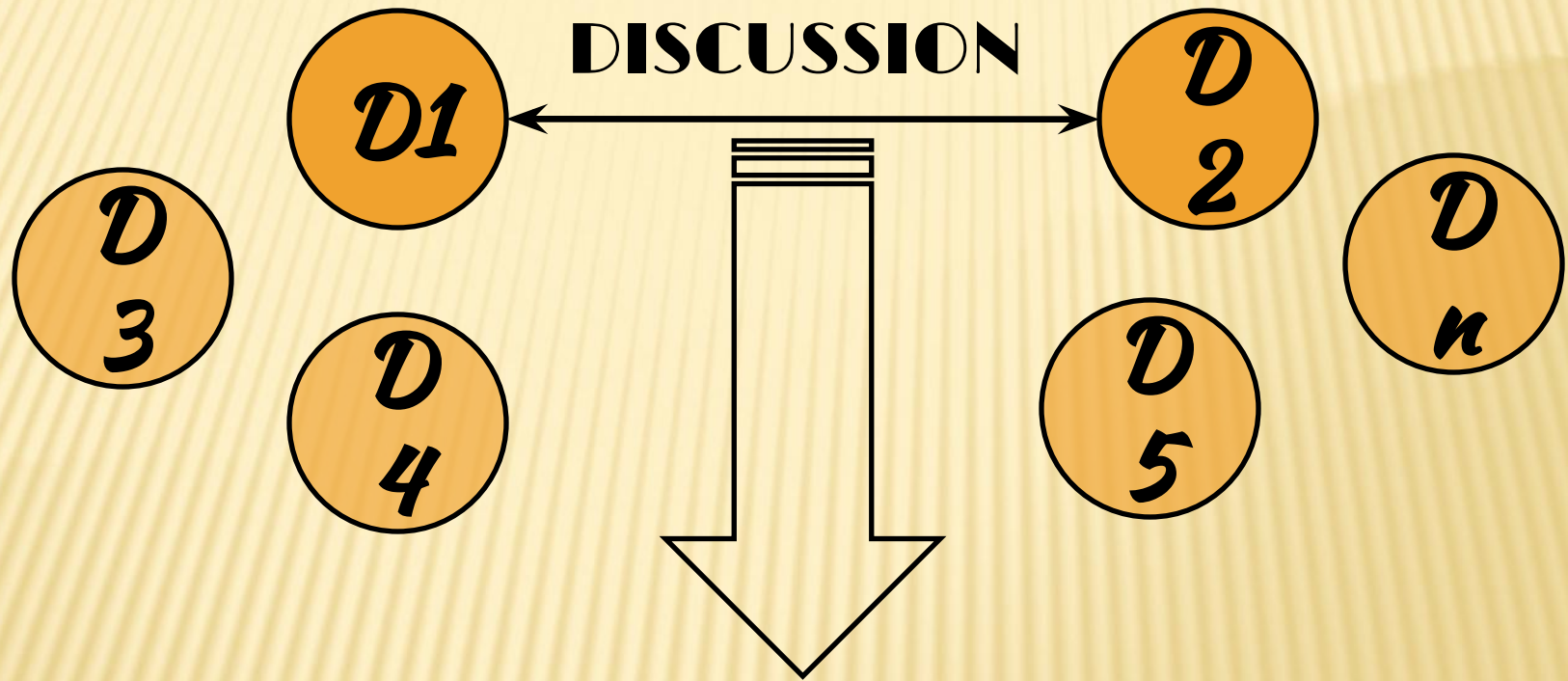


# **GAMES PEOPLE PLAY: NEGOTIATIONS**

# WHAT IS NEGOTIATION?

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# GAME THEORY

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- Game simulates real life
- Includes 5 elements:

**Players = decision makers**

**Strategies available**

**Rules**

**Outcomes**

**Payoffs**

# AN EXAMPLE OF GAME THEORY: THE PRISONER'S DILEMMA

		Player A	
		Cooperate	Defect
Player B	Cooperate	3 / 3	1 / 4
	Defect	4 / 1	2 / 2



# **TYPES OF NEGOTIATIONS**

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- **DISTRIBUTIVE**

**Involve win-lose, fixed-amount situations wherein one party's gain is another party's loss**

- **INTEGRATIVE**

**Involve joint problem solving to achieve results benefiting both parties which can lead to win-win or lose-lose outcome**

# FOUR KEY CONCEPTS

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- **BATNA**
- **Reservation Price**
- **ZOPA**
- **Value Creation**

# KNOW YOUR BATNA!

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- Best Alternative to a Negotiated Agreement (BATNA)
- Typical example: negotiate or go to court
- Improving your situation

**Improve your BATNA**

**Identify the other side's BATNA**

**Weaken the other party's BATNA**



# RESERVATION PRICE

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- **The least favorable point at which one will accept a deal**
- **The “walk-away”**
- **Example: you are looking for larger office space. You set your BATNA at \$20/SF and your Reservation Price at 30\$/SF**



# ZOPA

- Zone of Possible Agreement (ZOPA).
- The difference between the Seller's Reservation Price and the Buyer's Reservation Price



# QUESTION:

- What will happen if we change points of buyer's and seller's reservation price?



# VALUE CREATION

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- **Create value = enlarge the pie**

- **Basic principles:**

  - Seek out shared interests**

  - Propose mutually beneficial trades**

  - Secure insecure contracts**



# **PLANNING THE NEGOTIATIONS: PRE-NEGOTIATING**

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- Objectives**
- What is involved? (+extremes)**
- Goals of opposition**
- NOT the costs => what is VALUABLE**

# **PLANNING THE NEGOTIATIONS: NEGOTIATING**

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- ▣ confidence and power**
- ▣ keep the negotiation in your control**
- ▣ aim as high as you feel necessary**
- ▣ remain flexible**
- ▣ know your business**

## **COMING TO AN AGREEMENT**

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- Write down the terms**
- Discourage the other side from seeking further concessions**
  - Be happy =)**



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**THANK  
YOU  
FOR  
YOUR  
ATTENTION!**