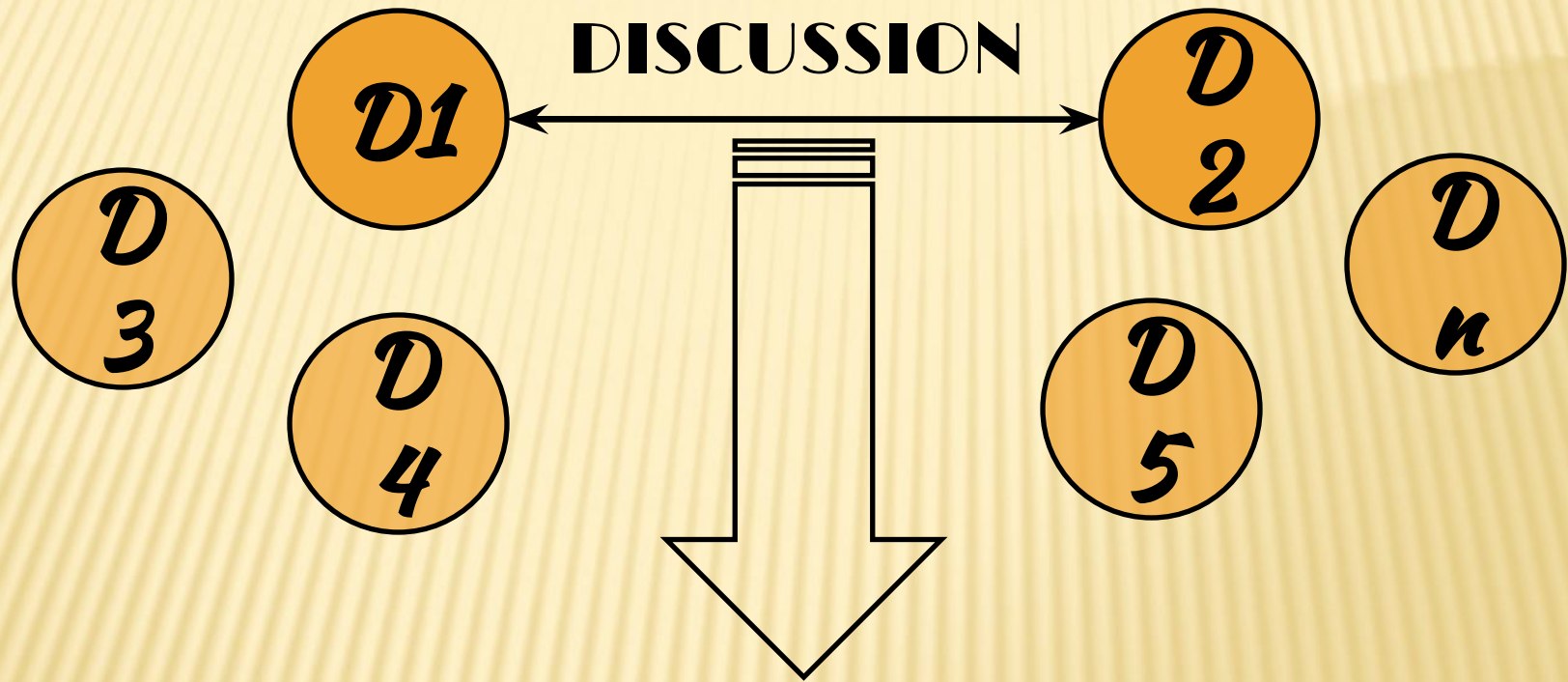


GAMES PEOPLE PLAY: NEGOTIATIONS

WHAT IS NEGOTIATION?



SOLUTION

GAME THEORY

- 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

The diagram illustrates the Prisoner's Dilemma as a 2x2 matrix. The vertical axis represents Player B's choices (Cooperate, Defect) and the horizontal axis represents Player A's choices (Cooperate, Defect). Each cell contains a pair of numbers representing the payoffs for Player B and Player A, respectively, separated by a diagonal line. The payoffs are: (3, 3) for mutual cooperation, (1, 4) for Player B cooperating while Player A defects, (4, 1) for Player B defecting while Player A cooperates, and (2, 2) for mutual defection.

TYPES OF NEGOTIATIONS

- **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

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

KNOW YOUR BATNA!

- 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

- **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?

Buyer's
Reservation
Price

250
\$

~~ZOPA~~

275
\$

Seller's
Reservation
Price



VALUE CREATION

□ **Create value = enlarge the pie**

□ **Basic principles:**

Seek out shared interests

Propose mutually beneficial trades

Secure insecure contracts

PLANNING THE NEGOTIATIONS: PRE-NEGOTIATING

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

PLANNING THE NEGOTIATIONS: NEGOTIATING

- 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

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

**THANK
YOU
FOR
YOUR
ATTENTION!**