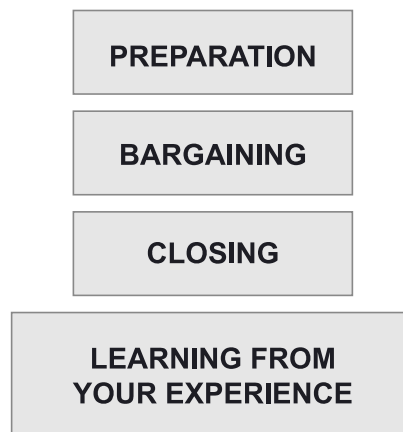


Negotiation Mastery

Module 1 Introduction to Negotiation Analysis: Finding the Zone of Possible Agreement

In this module, you saw that even simple one-time negotiations, like Bridport, are more complex than they might first seem. In crafting your strategy, you had to set goals and weigh your Plan B. Once you were negotiating, you had to interpret your counterpart's offers and assess how much room there was—if any—to reach agreement. You also had to consider how much information to share and whether fairness was a concern. These tasks and the concepts noted below are central to all negotiations—those you'll encounter in upcoming Modules and in your personal or professional life.



Key Concepts and Techniques

1. **BATNA: Best alternative to a negotiated agreement.** You negotiate in hopes of achieving a better outcome than you could on your own (or that you can negotiate with another party). But you can achieve that goal only if what you propose to your counterpart is *better than what they think they* can obtain without having to deal with you. Effective preparation thus requires a clear view of non-agreement alternatives. Having attractive options strengthens your bargaining hand; poor ones weaken it. (Though as you saw in the Theodore Roosevelt case, that need not always be true.) Pick the best of your various options, then strive to improve your back-up plan.

Then estimate your counterpart's BATNA, but be sure to test your assumptions. Their options may be better or worse than you think. Moreover, circumstances may change during negotiation for each of you. For example, another party may

make you a better offer than you had anticipated. On the flip side, an attractive competing offer that was your backup may be withdrawn. In short, be sure to assess best- and worst-case scenarios.

2. **WALKAWAY.** Your BATNA influences your WALKAWAY, though they aren't the same thing. For example, if the market value of your used car is \$15,000, there would be little reason to accept much less than that from a stranger, but you might give a discount if the buyer were a friend or neighbor. Or, if you have an insurance claim, you might settle for less than you expect to win in court in order to get paid now and avoid the cost of litigation.

Calculating a tentative WALKAWAY *before* going to the bargaining table is a must. It's fine to adjust that number (up or down), depending on what you discover during the negotiation, but having an initial benchmark will protect you from making hasty decisions.

3. **ZOPA: The zone of possible agreement.** Some people call this the "bargaining range," but a one-dimensional image cramps creativity (as is explained in the next Module). The walkaways of the respective parties set boundaries for the area in which agreements can be reached. It can be large or small. Stalemate occurs when the very most that one party can offer doesn't satisfy the minimum requirements of the other.

Subjective valuations and personal attitudes towards risk can cause people in identical situations to set different walkways. You saw that in the Bridport debriefing. Some sellers were more demanding than others in the same role. (Likewise, buyers differed in how much they would pay.) As a result, ZOPAs for some pairs were bigger than for others. Entering negotiation, you'll only be certain of your own walkaway. The more accurately you can sense how far your counterpart is prepared to move, the better you are likely to do.

4. **YOUR STRETCH GOAL.** Naturally your goal in negotiation is to do better than your WALKAWAY, as that's your minimally acceptable deal. Yes, you need to have a realistic floor, but you must define a ceiling, as well—something to aim for. Low aspirations can easily become self-fulfilling.

Preparing to negotiate, imagine a best-case scenario—an outcome that is probably beyond your reach, but still might have a one in ten chance of being achievable. Take into account your counterpart's likely interests and options. What could induce them to be particularly generous to you in this case? Even if this target proves to be outside the ZOPA, going through this assessment will help you develop persuasive reasons for your proposals.

5. **OFFERS AND COUNTEROFFERS.** You heard two of our expert practitioners take opposite positions in regard to first offers. Literary agent Jim Levine gave an example of how waiting allowed his team a deal that was 100 times better than it had hoped for. By contrast, GE's Mike McIlwrath explained how he often prefers making the initial offer to frame the negotiation.

In deciding which approach to take, remember the advice of Harvard Business School Professor Max Bazerman: If you're confident about the boundaries of the ZOPA, it's often wise to go first. (Research demonstrates how the first offer can anchor the other party's expectations.) But when the ZOPA is unclear, as it was in the Levine case, waiting may be wiser.

Keep the end game in mind. Results tend to converge (roughly) between the first two numbers. Also remember that the individual you're dealing with may have a different attitude about how much to ask for than you do. Some people have no qualms about making extreme demands (or low offers), while others aim to be reasonable. As a result, a first offer may not reveal how much a particular person is prepared to move.

6. **POWER.** Recall how the Bridport results strongly tended to favor Easterly (the buyer) rather than Brims (the seller). Most of the agreed prices were much closer to the seller's minimum than the buyer's maximum. That tendency reflected an information advantage for the buyers, as it was easier for them to estimate what the seller would accept. (While it was obvious that the buyers seriously wanted the property, the sellers couldn't know how much a buyer could afford.)

The punchline: information is power in negotiation. That's why negotiators are typically hesitant about revealing their BATNAs and WALKAWAYS. On the one hand, if nobody puts a number on the table, no one gets exploited. On the other hand, if there's no disclosure, it's hard to imagine a deal being made.

If you do your analytic homework before your next negotiation and apply the tools noted here, you'll be well prepared for success.