Applied Negotiation Seminar

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1 theory

1.1 preferences

rational prefences
totality (a < b ˆ b < a)
transitivity (a < b & b < c ⇒ a < c)

intransitive preferences
can be used as a money pump
"give me 1\$ so I accept a > b"
"give me 1\$ so I accept b > c"
"give me 1\$ so I accept c > a"
...

condorcet paradox
if indivial preferences are transitive
collective preference might not be transitiv

arrows impossiblity theorem
when voters have three alternatives
no voting system can convert into collective preference

agenda setting
discussion set depending on first introduced themes
vote $option_1$ vs other options

three-vote strategies
sincere voting (vote always for most preferred solution)
strategic voting (vote such in the end win)

alternatives
look for alternative solutions
but probably have to reevaluate mandate

1.2 cognitive bias

used in decision making instead of strict totality & transitivity
lot of different biases exist

anchoring effect
irrelevant information used to estimate unknown value
while not being aware of it
bc depending on value, thinking of different aspects
like "cars & 100k → ferrari" vs "cars & 30k → renault"

realistic start value
creates environment in which bargaining unfolds
if honest bargaining, leaks your zone of agreement
might want to avoid making the first move

random start value
when completely unclear in which area offer will be
can get other party to cling to this number
bc under (wrong) assumption other side has reasoning
defend self by being well prepared, wiping number from mind
like initial price offer as reference
like higher price estimated for owned goods than reasonable

framing
if formulated as loss, prefer more risky option
to avoid loss at any cost, risk-seeking
if formulated as gain, prefer more save option
to guarantee payoff, risk-averse

1.3 automated negotiation

unknown utility function of other parties
too many combinations to simply calculate all
but potential to simulate coarse grained
then with additional information, improve models

1.3.1 libratus (pocker AI)

too many states to calculate all possibilities

needs to adapt to individual player's style

before the game
pre-calculate NE of simplified version of game
like permutation of suits, fewer denominations

during the game
calculation of endgame strategies "on the go"
exactly postcompute probabilities after choices of players

overnight
adapt strategies to actions of players

1.4 fairness

distribute continuous good over members

distributions
total equality (each gets same absolute share)
mainmonides rules (each same share, but max investment)
equal losses (each suffers same absolute loss)
proportional to claim
proportional to utility
lottery proportional to claim

sharpley value
each party takes until claim fulfilled or empty
try out all combinations
each party gets mean over all combinations

CO_2 application
equity (each state gets same amount)
grandfathering (each state gets same share as now)
capability (each state gets inv. proportional to GDP)

1.5 rationality

complex, many different forms
the neoclassical orthodoxy
on nature of rationality
on economic theory

neoclassical economy
distribution of goods in market through supply/demand
mediation by maximizing utility by income contrained individuals
homo economicus (rational, defined preferences, maximises own benefit)

rationality
substantive (what decisions are taken)
procedural (how decisions are tkane)

decisions
some preferences are revealed through past decisions
some seemigly irrelevant alternatives may has effects (like moral)

probability interpretations
physical probability (like dice rolling)
evidential probability (p assigned to hypothesis & test)

small worlds
the limited environment in which games of game theory work
but enough if all players successfully predict other strategies

1.6 prospect theory

certainity effect (risk averse sure gains, risk seeking unsure gains)
reflection effect (risk seeking sure losses, risk averse unsure losses)
isolation effect (shared components between options ignored)

editing phase
prospects are reformulated and reorganised
coding (evaluated relative to reference point)
combinations (probability of equals are combined)
segregation (separate risky and riskness components)
cancellation (specifics evaluated, isolation effect)

simplification (simplify probabilities / options themselves)
dominance detection (high probability options detected)

evaluation phase
value of prospect = weight of probabiliy $*$ subjective value of x
overall highest valued prospects is selected

probability weighting function pi(p)
higher p perceived lower than real
overweighting low probabilies
subcertainity (two certain outcomes together are still perceived as
uncertain)
subproportionality (smaller p perceived as closer together than high)

value function v(x)
value perceived in terms of changes it introduces
hence deviation of reference point perceived
concave for gains (smaller values overproportionate)
convex for loss (stronger slope than gains)

interpretation
for value function, reference point is very relevant
like framing used in marketing, sales, insurance, ...
coding of options might changes perceived value
like reformulating loss to gain, small to high probability, ...

1.7 negotiation science

1.7.1 at the table

to negotiate or not
continue talking if constructive effects / sideeffects
some external changes might make agreements more pressing

dual effects of alternatives
more alternatives lead to more creative solutions
but many options expensive to develop thouroughly

information exchange
might prefer to work with information available
as more info could lead also to new incompatabilities

on flexible bargaining
quick concessions could lead to suboptimal agreements
even for both parties (and even for if mutually agreed upon)

on emotional expressions
usually rational expressions preferable
but anger (targeted at tasks) could lead to better outcomes
first stance at first, then later concessions
too many compliments may lead to manipulation fears

1.7.2 around the table

representative
inform masters but keep them away from the table
as less concessions can be reached
more involved ⇒ easier to get to agree to result afterwards
but less involved ⇒ easier to actually get a result

on risk perception
publicity surrounding (pressure to finish vs no concessions)
time pressure (increase risk perception)

on the medium
over internet more effective if task specific
but empathy of negotiatiors lower
mediation equally more effective but not perceived positive

configuration of furniture
archive more agreements when talking without tables
(but not observed in the real world)

third party inputs
view from outside might help develop options
but bias must be avoided

1.7.3 away from the table

context
matters at lot
broader conflict affects process / durability of agreement

mutual pain
might be important to get parties to negotiate
but might only lead to "cease-fire" rather than long-term solution

power imbalance
low-powers have been found to threaten more

but high powers can actually escalate and force settlement

equality
long-lasting agreements generally follow adhere to equality

2 turkey vs armenia case study

2.1 mediation partner

helps to solve conflicts two sides can not
powerful states with economic & other powers
less powerful states that supply constructive proposals

2.2 switzerland as mediator

not in european union, not own party
too small to hurt / influence
credible statement that switzerland has no hidden agenda
one of the external politics goal is peace-keeping
money invested well

2.3 involved countries

azermbaijan AZ (mulimic country, turkish language)
armenia AR (christian country, different language/culture)
turkey TK (muslim country, allay AZ)
russia (allay AR, controls regions)

2.4 setting of conflict

turkey vs armenia
closed border to turkey, no diplomatic relations
armenian people likely not interested on solution
azerbaijan no interest to have turkey make peace

past problems
disagreement over end of ottoman emipre in april 1915
armenian claimed genocide of population
deeply rooted in national culture
turkey disagrees, percepts tragic events during war

geopolitical situation
turkey member of NATO
used to be EU candidate, wanted to solve neighbourhood problems
but not realistic candidate at the moment
armenia ex russian part

nagomo-karabach
part of azerbaijan, but armenian language/culture
armenia tried to overtake region
but azerbaijan defended, cease fire followed
but now (summer 2020) conflict escalated again

unsatisfactory situation
turkey (faced with genocide accusation, neigbourhood problems)
armenia (poor, closed border, conflict with AZ)

2.5 2007 negotiation/mediation

asked for by one party to mediate between turkey / armenia
switzerland started to be facilitator / mediator
bilaterial meetings (getting to know parties, problems, interests)

confidential trilateral meetings
bring "watchdogs" with them; they check statments of officials
before meeting, ask officials without oversign how to facilitate
good start; switzerland does not impose view
very long meeting, some shouting
in the end asked "how to continue"; checked at home
confidential talks continued four times

further meetings
further talks, at convenient locations
like WEF, berlin, ...
2. april 09 initialling (start of talks)
6. april 09 approval of USA

negotiations
bad history, bad feelings / shouting but contructive spirits
what points to address? how to frame? which formality?
armenia wants border open (turkey used it as leverage)
turks wants working group of international, independent historians

negotiation result
agreed to border opening & establishing of working group

armenian demanded first move (very well hidden in signed document)
signed in aula of university zurich
but not ratified by turkey (likely bc azerbaijan interviened)

3 business negotiations talk

3.1 trends

degree of freedom reduced due to additional rules
like WTO (world trade organisation)
like GPA (government procurement agreement)
like technical rules (interopability, standards)
like safety, disability, discrimination rules

consequences
increasingly formal negotiations with public authorities
tender process detached from relations
legal issues increasingly important
influencing tender decisions harder
instead influence at creation of tender

3.2 negotiation

culture
goal (contract vs relationship)
attitude (consensus vs confrontation)
style (formal vs informal)
communication (direct vs indirect)
like USA vs eastern countries
time and punctionality (high vs low sensitivity)
emotions (high vs low)
agreement form (general vs specific)
building of agreement (bottom-up vs top-down)
team (leader vs team consensus)
risk taking (high vs low sensitivity)

choosing a leader/senior
attitude (collaboration vs confrontation)
form (general vs specific)
building (top-down vs bottom up)
internal leader might be different

team
everyone knows their position / influence
be prepared to have escalation levels
(hence avoid senior being always present)

the others
firm (areas of business, strategy)
people (background, position in firm / negotiation team)
intangibles (flexibility, risk-averseness, decision-making)
governmental / private sector

approach
get to know other side, including personally
prefer formal at start, less formal as talks go on
have escalation levels ready (senior, ...)
dont trust too much (go by contract)

3.3 conflicts

acting
intelligent (but too smart could backfire)
dumb (but too naive unbelievable)

defending
only contract counts in the end
defend globally vs defend each critique by its own

4 free trade negotiations (FTA) talk

4.1 why FTAs useful

trade to exotic places
trading to far away places should not be difficult
artificial factors (border) make no economic sense
like licensing restrictions, discrimination

why trade is useful
lack of resorces (energy, goods, ...)
highly specialised market overproduces (watches)
niche products (specialized but only very few customers)
small domestic market (makes specialization harder)

target
FTA should remove artificial factors

4.2 swiss FTA network

contries
with basically all europe
some america (mexico, canada; but not US)
some asia (japan, china, ...)
40 countries in total

agents
bilateral with japan, china, eu, EFTA
EFTA states agreed upon the others
under negotiation with malaysia, vietnam, ... (6 more)

4.3 organisations
WHO
mostly stuck to find new regulations
unoperational by US actions
still valuable, but more and more in doubt

4.4 negotiation objectives

reliable & enforceable rules
to complement (beyond) WTO regulations
to supplement EU relations

improvable maret access
dismantle artificial obstables (discriminatory)
eliminating / lowering custom duties
reducing discriminatory regulations
protection of intellectual property rights (IPR)

compatability with sustainability
to proect environment, labour standards

formalised cooperation
with custom offices, market/ competition authorities
like connections to move container if needed, ...

4.5 FTA with china

history
1950 CH recognises PRC (founded in 1949)
since 1978 opening up to more trade
1980 first joint venture in china with swiss company
2002 china joins WTO

negotiation process
2008 - 2010 exploration (visits, workshops, feasibility study)
minister for commerce pro, but many others needed to be convinced
organized workshops with industry representations from both sides
first switzerland-only created feasibility study & sent to china
included all wishes but without deterrence
china never responded, but helped to align incentives internally
2013 after 9 rounds of negotiations FTA signed
2014 ratification

coverage & content
tarif reduction altough agricultural sector stays protected
with long introduction period, 95% reduction
flexible rules of origin (like coffee; OK if beans imported raw)
intellectual property protection as china more specialiced
international labour provision similar as newseeland

4.6 how negotiate successfully

know your file (examples, comparisons, statistics, ...)
relationship of trust (consistent argumentation, credibility)
understand other side (political / legal system, culture)
preparation (find preceding cases, exploratory process)
anticitate reactions (conceive future steps)
overcome resistance (ask questions, be patient/creative)
keep momentum (avoid untimeply concessions)
two-front affair (convince own lord & masters too)
"nothing is agreed until everything is agreed"

4.7 how to anticipate reactions

intuition and experience
learn reaction
informal talks help to understand how culture / person works

5 personal experience talk

5.1 general recommendations

do not fight the rules of the game
eg structure, mandate, people, ...

analysis
before asking for, accepting or refusing negotiation
perform analysis to avoid sending wrong signal

confidence
be polite, create confidence, do not play dirty
but do not trust; play tit for tat strategy

coherence
be consistent with actions & scientific background
argument consistently unless new objective facts appear

careful
do not disclose red lines (resistance points, reservation prices)
if disclosed for tactical reasons, might lose credibility later
do not burn bridges (as position might needs to be reversed)

demands / counter demands
assure they are well founded
include realistic assessment of capabilities of other side
does not need to coincide with offers made from other side
"do A?", "yes, but I think we should do B" (so A + B are done)
cross-concession bear much value (if own cost < other value)

negotiation engineering
facilitate negotiation by formulazing as mathematical problem
use models to find good alternatives

link dossiers
creates more possiblities for cross-concessions are created
archive value of controversial > cost of less controversials

proposals
if strong interest for negotiated conclusion & in weaker position
create proposals to solve problems of other side too
upon rejection for comprehensible reasons keep improving

phases
fix the immediate result (orally, written)
declare non-intention to backpedal and expect same of other side
but also declare "nothing is agreed until everything is agreed"
allows to keep overview of longer negotiations
start negotiating with small & difficult, or large & easy
to create optimal incentive to solve remaining issues in the end

5.2 round of negotiation

3 questions
what do you want to archive
how do you want to proceed
which follow-up

organization
team (who speaks?)
where (appropriate setting?)
style of negotiation?
protocol & communication to the outside?

in short
be well prepared
generate options
stay goal oriented
argue coherently
be positive
be polite with sense of humour