

M3L9b. Systematic Negotiation Process

Slide #1



Now, let's talk about engagement discussions and making the business judgment aspects of the systematic negotiation process.

Slide #2

(3) Engagement discussions: trade on issues

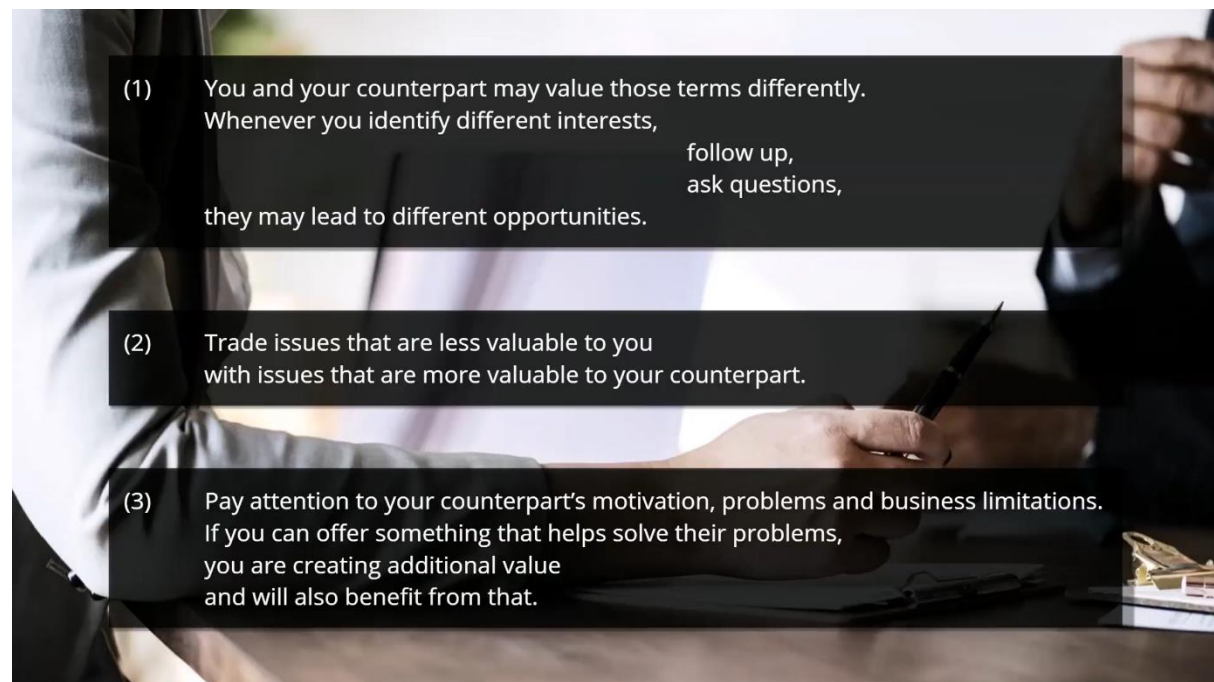
One of the primary goals of your engagement discussions with your counterpart, particularly in the later stage of negotiation, trade on issues or terms.

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Slide #3



Here is some guidance on how to treat issues.

First, you and your counterpart may value those terms differently.

Some terms may be more important to them, but less important to you.

Whenever you identify different interests, follow up and ask questions.

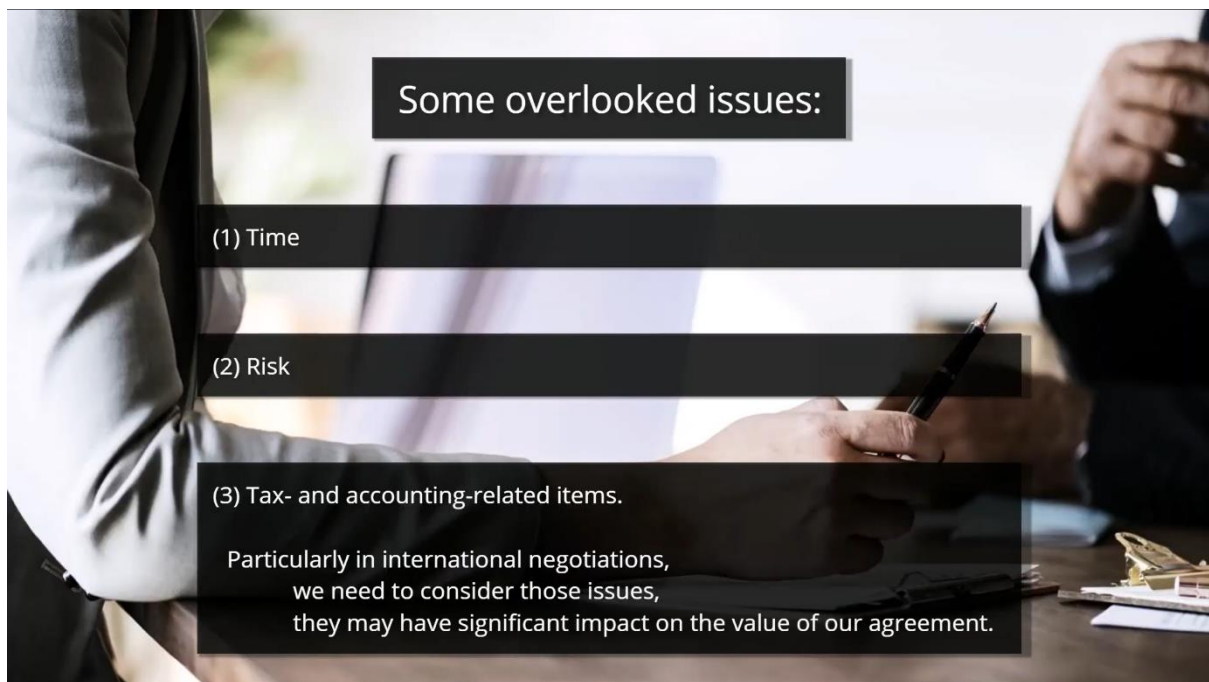
They may lead to different opportunities.

Trade issues that are less valuable to you with issues that are more valuable to your counterpart.

Also pay attention to your counterpart's motivation, problems, and business limitations.

If you can offer something to your partner that helps your partner solve their problems, you are creating additional value to your counterpart, and you will also benefit from that.

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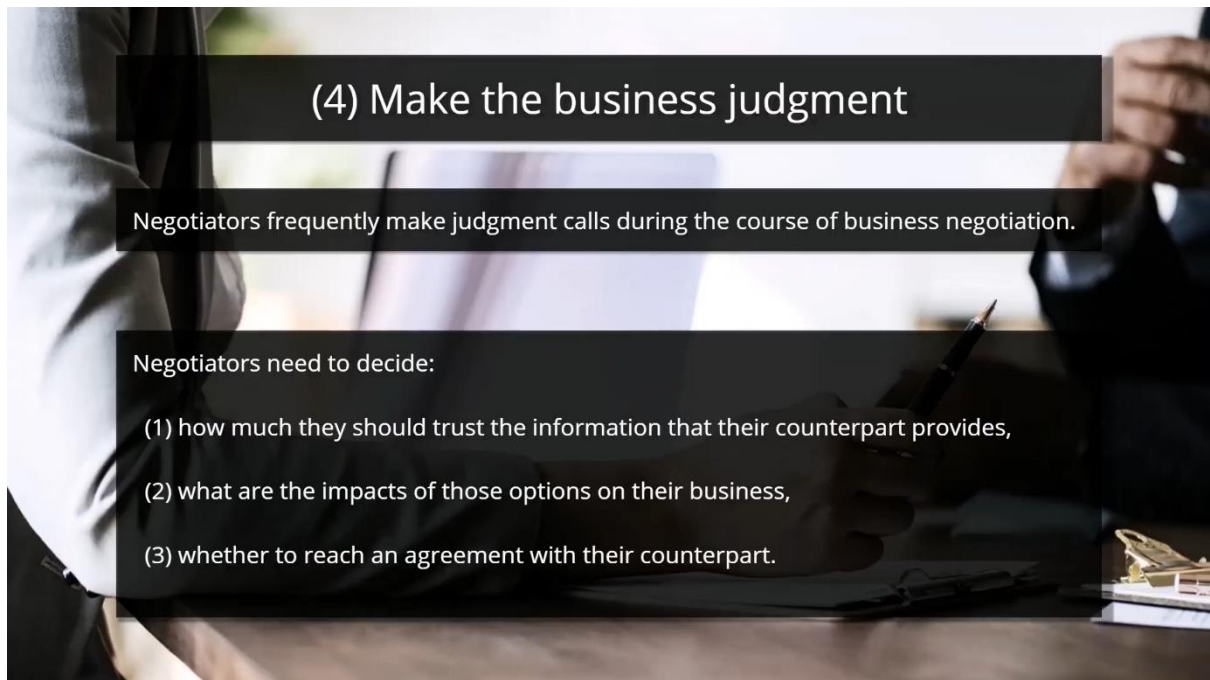


There are some overlooked issues.

Time, risk, and tax and accounting related items.

Particularly in international negotiations, we need to consider those issues, and they may have a significant impact on the value of our agreement.

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(4) Make the business judgment

Negotiators frequently make judgment calls during the course of business negotiation.

Negotiators need to decide:

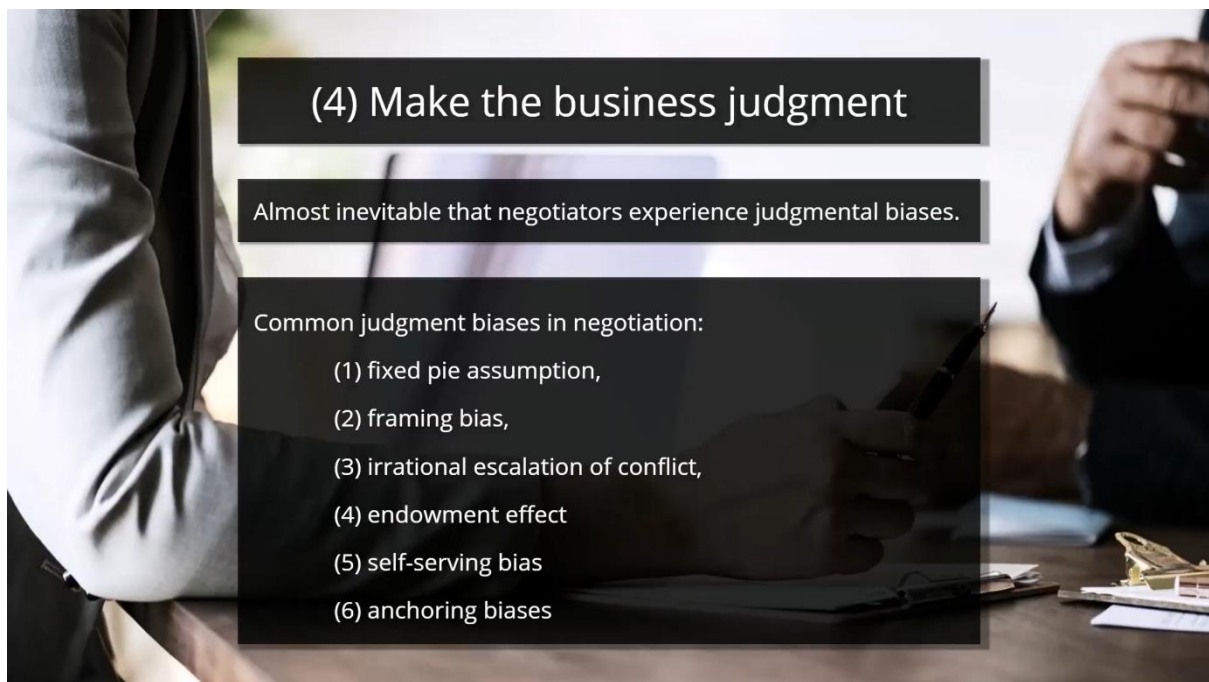
- (1) how much they should trust the information that their counterpart provides,
- (2) what are the impacts of those options on their business,
- (3) whether to reach an agreement with their counterpart.

Negotiators frequently make judgment calls during business negotiation.

Negotiators need to decide how much they should trust the information that their counterpart provides.

What are the impacts of those options on their business and ultimately whether to reach an agreement with their counterpart?

Slide #6



It is almost inevitable that negotiators experience those judgment biases that we discussed before.

Some common judgment biases in negotiation are fixed pie assumption, which means that both parties enter into a negotiation with an attitude to win.

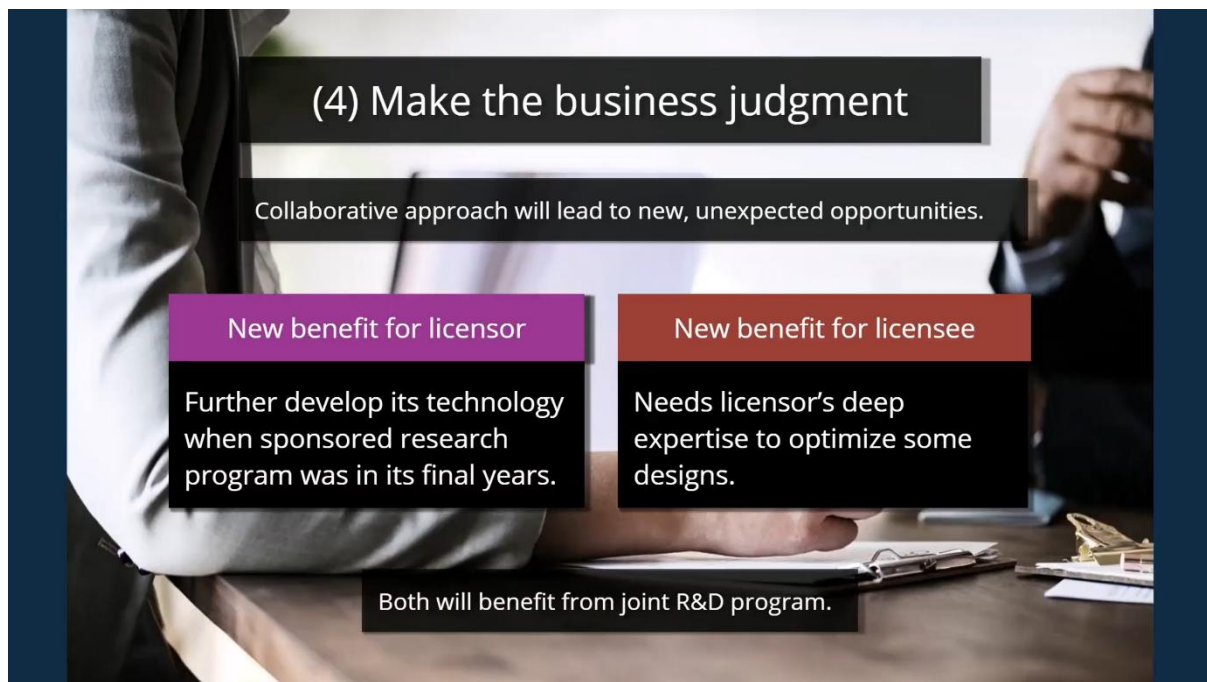
Framing bias of negotiator judgment. Present the information in the format of loss or gain.

Irrational escalation of conflict. Overestimating your own value or endowment effect.

Self serving biases and anchoring biases.

We will briefly go through how these biases affect the negotiator's intuitive reasoning process in the next lectures.

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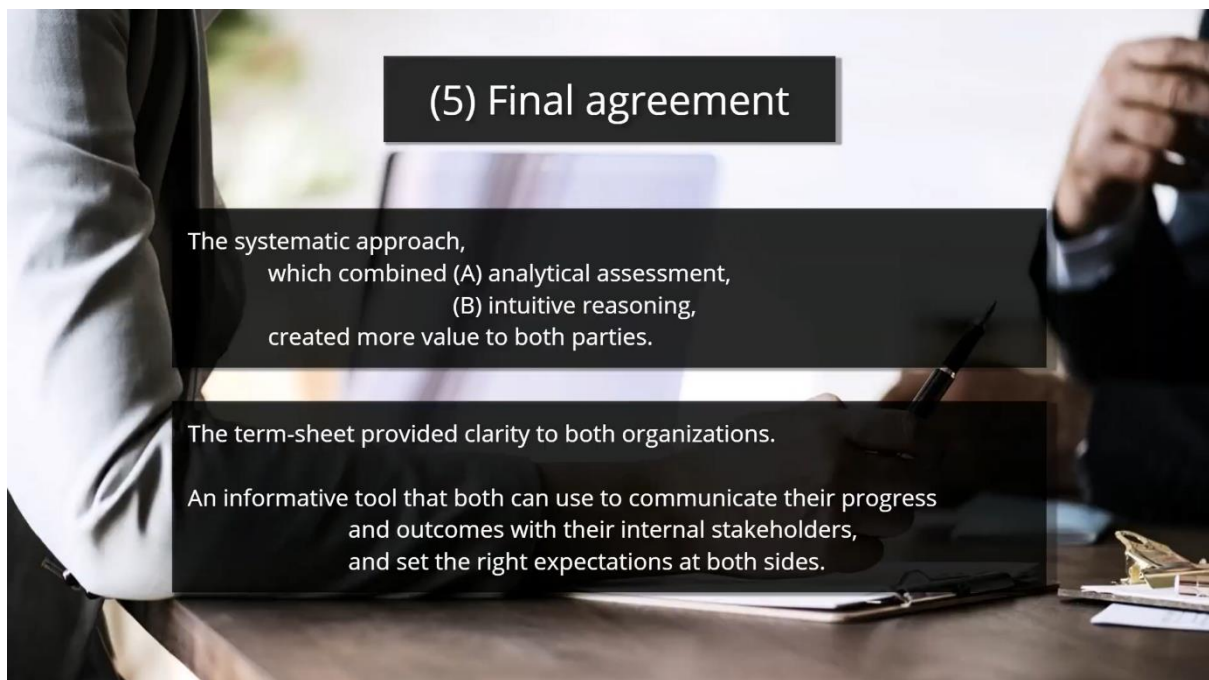
If you behave constructively and collaboratively, it is very likely that your collaborative approach will lead to some new unexpected opportunities.

For example, in one license negotiation, we realized that the licensor was seeking new opportunities to further develop the technology as its federal sponsored research program was in its final years.

On the other hand, the company, the licensee, would need its group's deep expertise in this area to help the company to optimize some designs. Both licensee and licensor will benefit from a joint research and development program. So the licensor and licensee added the joint research and development program to the negotiation term-sheet.

This is just one of many great examples that when both parties enter a negotiation with a win-win attitude and spend enough time to exchange information, try hard to identify new opportunities. they can find those opportunities.

Slide #8



Eventually, we reached an agreement.

The systematic approach, which combined analytical assessment and intuitive reasoning, created more value to both parties.

Also, the term-sheet provided clarity to both organizations. The term-sheet is an informative tool that both negotiators can use to communicate their progress and outcomes with their internal stakeholders and set the right expectations at both sides.

Slide #9

Terms/Issues	Relative importance (0-10)	Desired outcome	Expected outcome	Acceptable outcome	Actual outcome
Licensed technology	5	All three	X & Y	X & Y	X & Y
Licensed products	5	Battery	Battery	Battery	Battery
Field of use	8	All fields	Auto & energy	Auto	Auto & energy
Territory of use	4	Global	US and Japan	US	US
Grant	9	Exclusive	Exclusive	Exclusive	Exclusive
Milestones	5	2022 commercial product	2020 commercial product	2019 commercial product	2021 commercial product
Royalty	8	4%	5%	6%	5%
Minimal annual consideration	6	\$100,000	\$150,000	\$200,00	\$160,000
IP expenses	3	\$50,000	\$70,000	\$150,000	\$100,000
Joint R&D program					\$150,000

This table shows the agreement that we reached.