

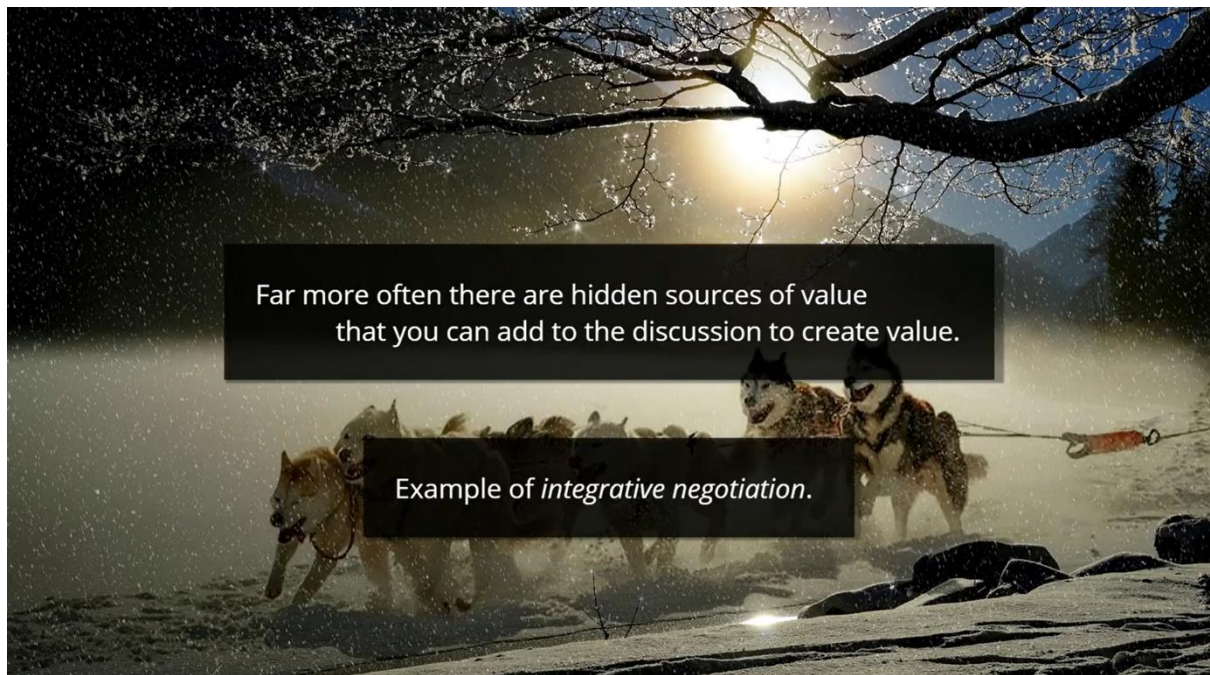
# M3L8. Integrative Negotiation

## Slide #1



In this topic, we will discuss integrative negotiation.

## Slide #2



Far more often there are hidden sources of value that you can add to the discussion to create value.

Example of *integrative negotiation*.

The win-win approach is most desirable for business negotiation in that the collaborative process creates value for both parties.

We have discussed the strategy to claim value in a distributive negotiation situation. Far more often, however, there are hidden sources of value you can add to the discussion to create value.

Here is an example of integrative negotiation.

### Slide #3

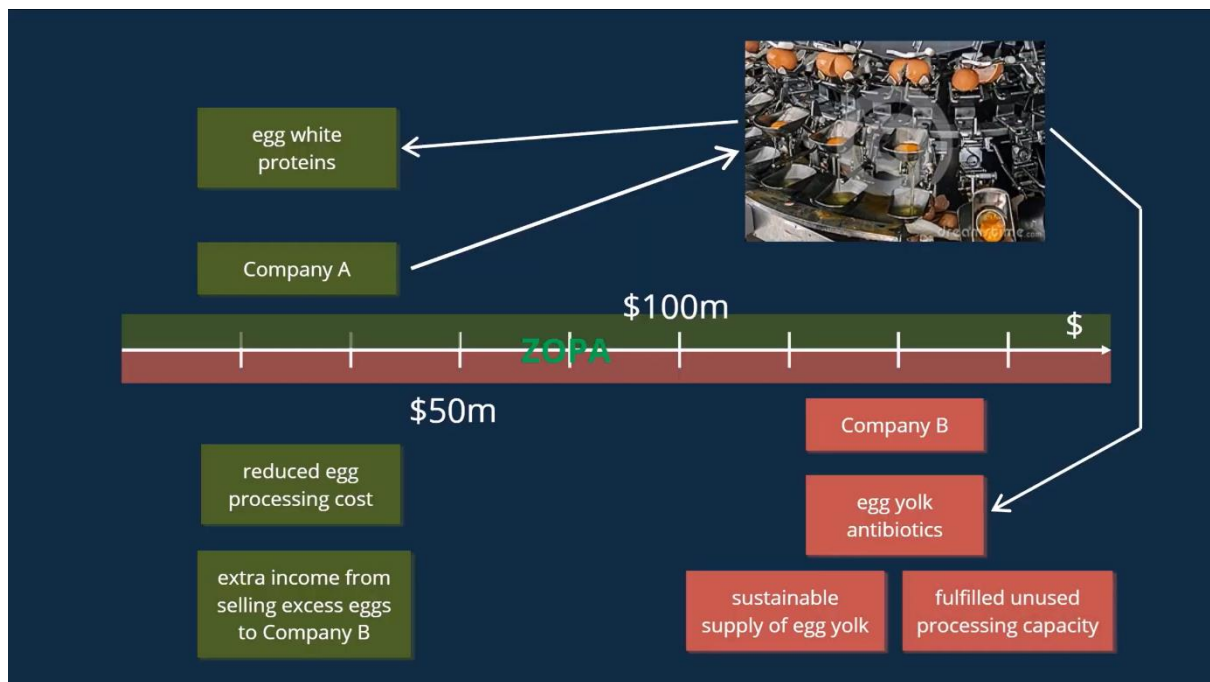


A biotech company A owns a long-term contract for pharmaceutical grade egg supply. The company uses the eggs to make protein products as raw materials for the food and pharmaceutical industries.

Another biotech company B also uses eggs to make antibiotics.

In 2008, the market faced a significant egg shortage due to the breakout of chicken flu across the world.

#### Slide #4



So company B wanted to purchase some eggs from biotech company A.

Company B needed at least \$100 million worth of A, but company A could only provide half of that.

There is no overlap between their resistance points or Zopa.

After several runs of unproductive negotiations, the negotiators from the two companies realized there is no middle point for them to reach an agreement.

However, when the two companies talked about their interest in the eggs and their operations, they eventually realized that Company A only needed the egg white to make protein while Company B only needed egg yolk to make the antibiotics.

Also, Company B owned a state-of-the-art egg separation facility in California, which has extra capacity that Company A may use to process their eggs.

The two companies identified a hidden synergy between them and created actual value for both parties.

Company A will use Company B's egg separation facility to separate egg white and yolk.

Company B would keep the egg yolk to make antibiotics and Company A will get the processed egg white to make proteins.

The outcome of the win-win negotiation is that Company A reduced its egg processing cost and received extra income from the excess eggs that it sold to Company B.

At the same time, Company B had a sustainable supply of egg yolk and fulfilled the unused capacity of its egg processing plant.

### ***Slide #5***

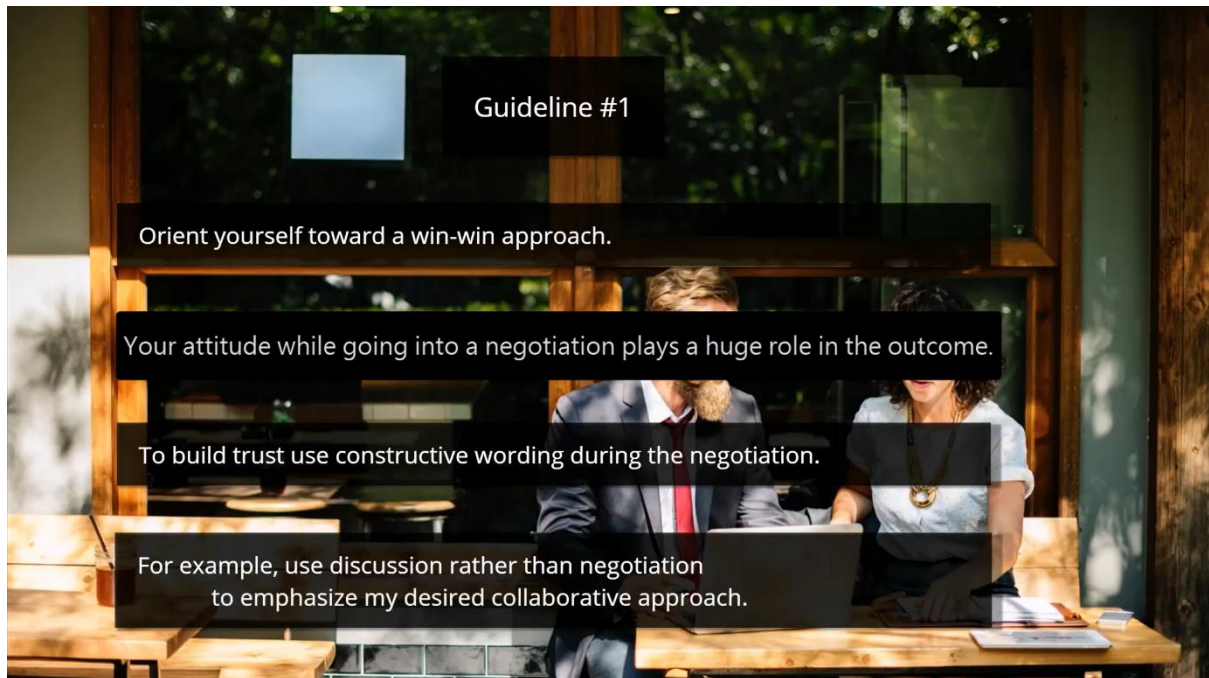


Some guidelines to the integrative approach:

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## Slide #6



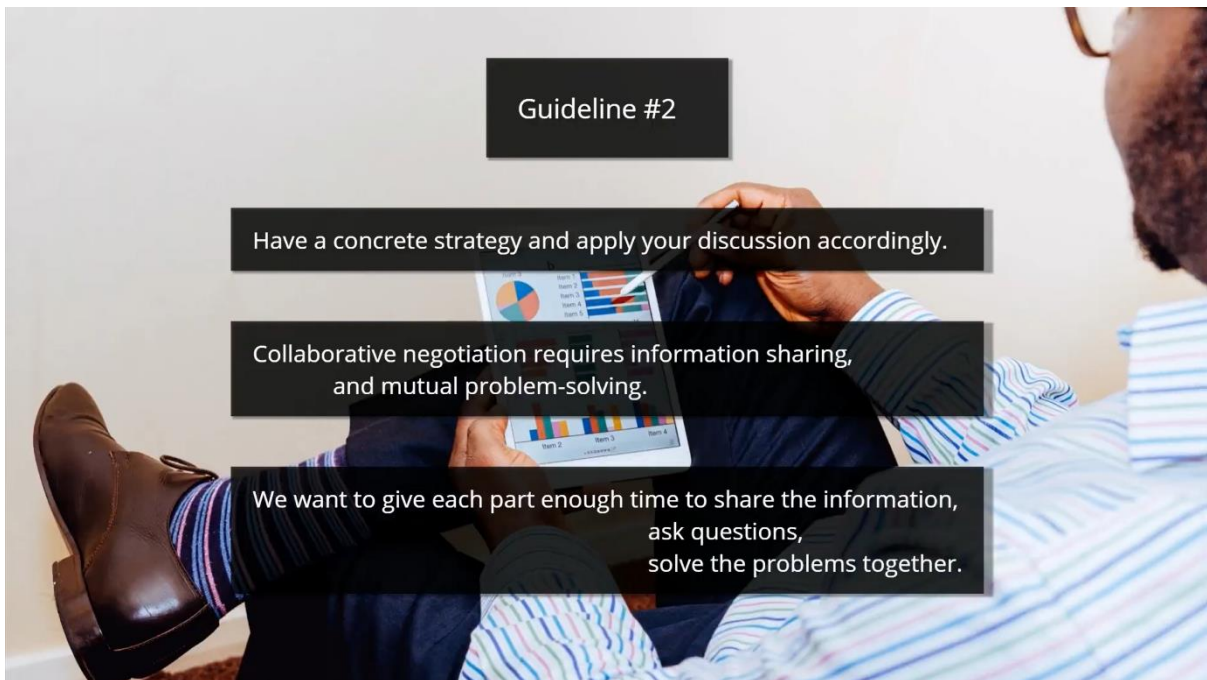
First, orient yourself toward a win-win approach.

Your attitude while going into negotiation plays a huge role in the outcome.

To build trust with the other party, I suggest using constructive wording rather than destructive wording during the negotiation.

For example, I use discussion rather than negotiation in my communication with my counterpart to emphasize my desired collaborative approach.

## Slide #7



Guideline #2

Have a concrete strategy and apply your discussion accordingly.

Collaborative negotiation requires information sharing, and mutual problem-solving.

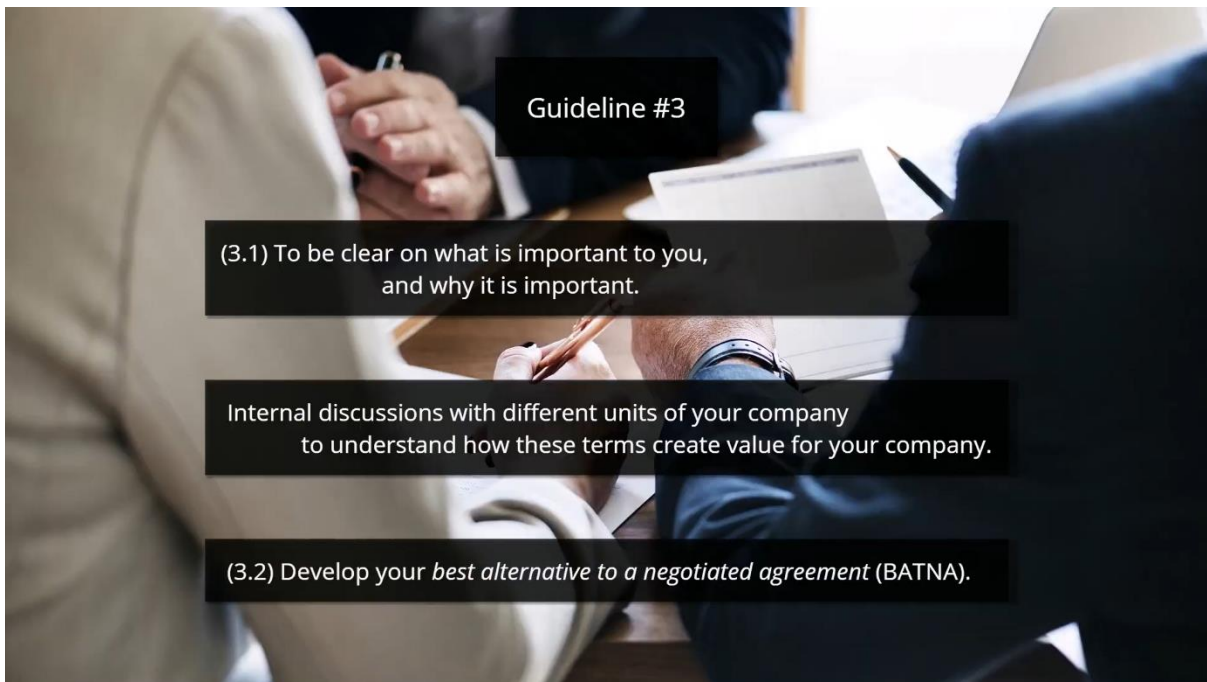
We want to give each part enough time to share the information, ask questions, solve the problems together.

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## Slide #8



Guideline #3

(3.1) To be clear on what is important to you, and why it is important.

Internal discussions with different units of your company to understand how these terms create value for your company.

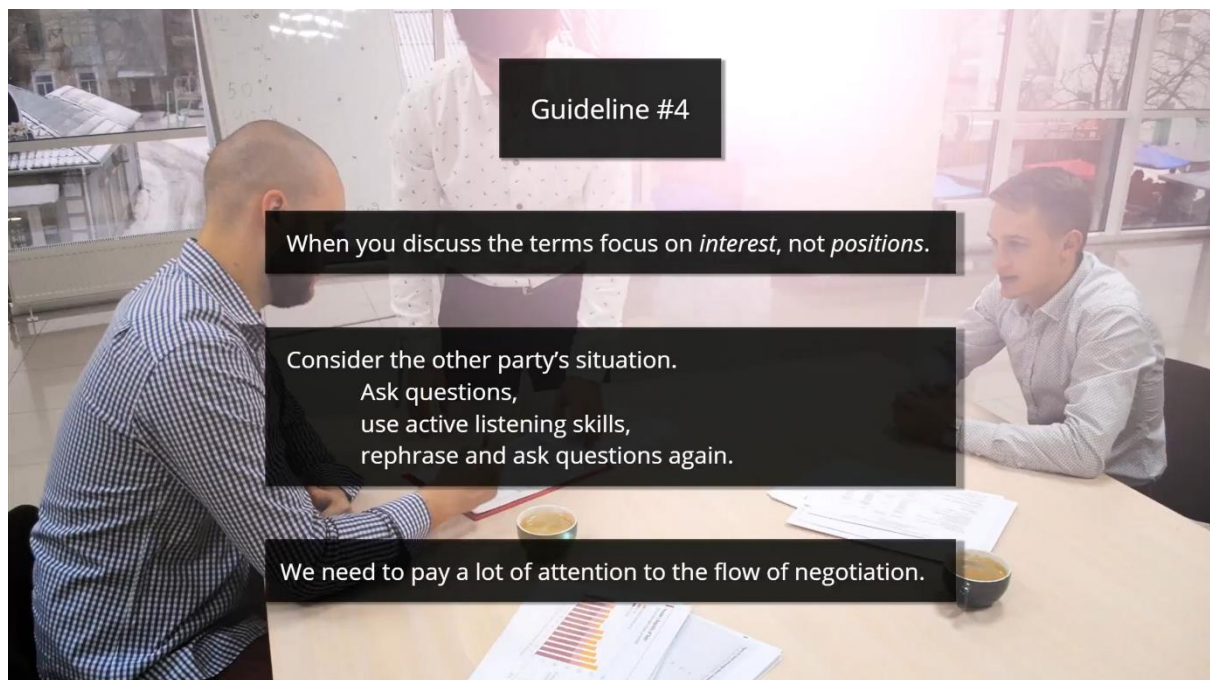
(3.2) Develop your *best alternative to a negotiated agreement* (BATNA).

The third is to be clear on what is important to you and why it is important.

This involves internal discussions with different units of your company to understand how these terms create value for your company as a whole.

Also, it is important to develop your best alternative to a negotiated agreement or BATNA.

### **Slide #9**



When you discuss the terms with your counterpart, focus on interest, not positions.

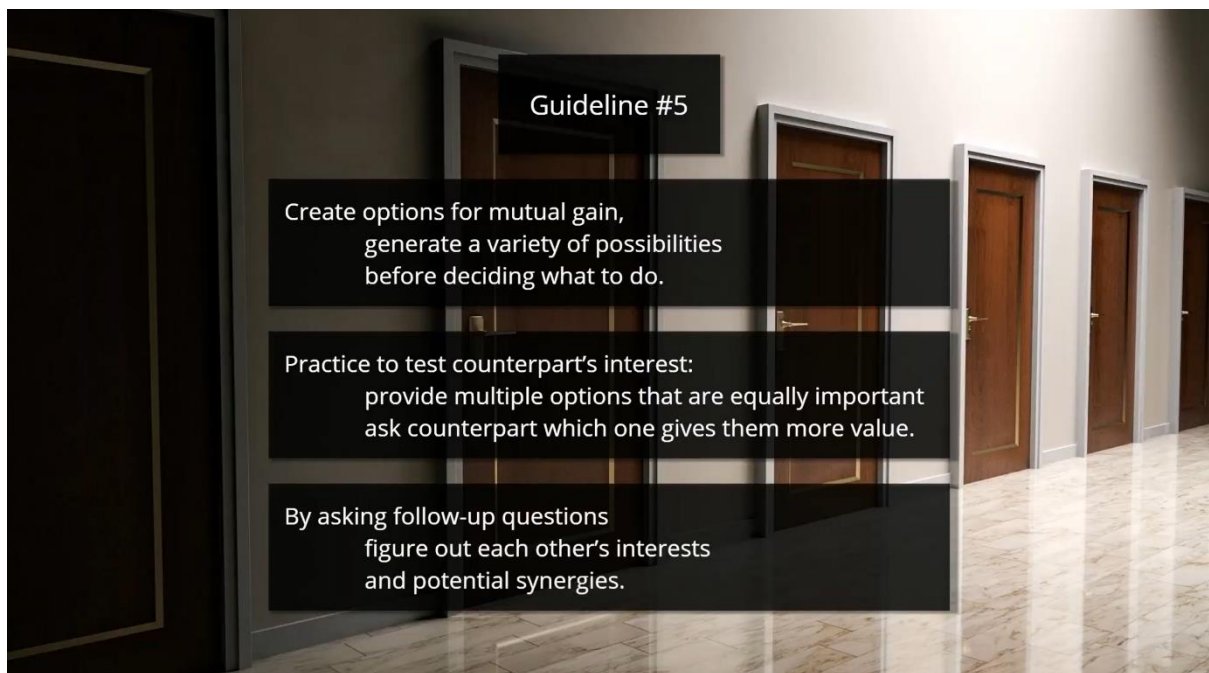
Consider the other party's situation.

Ask questions, use active listening skills, rephrase, and ask questions again.

We need to pay a lot of attention to the flow of negotiation.



## Slide #10

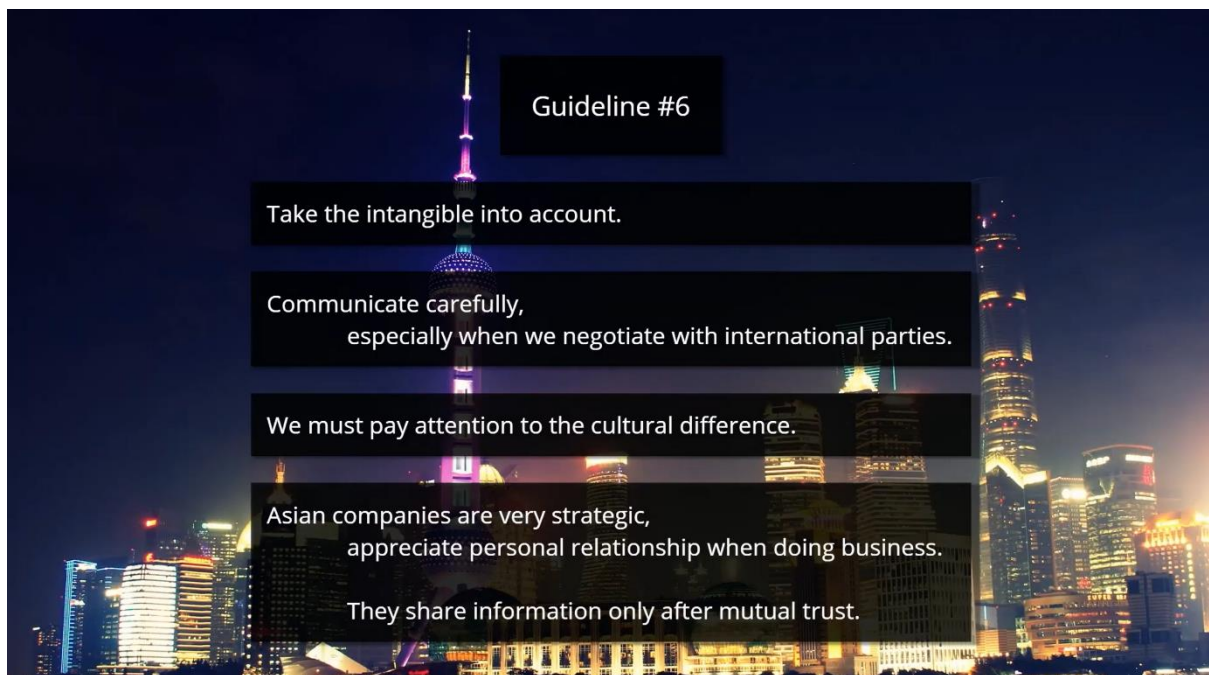


Another good practice is to create options for mutual gain. and generate a variety of possibilities before deciding what to do.

One practice I always use to test my counterpart's interests is to provide multiple options that are equally important to me and ask my counterpart which one gives them more value.

By asking follow up questions, we can figure out each other's interests and potential synergies.

## Slide #11



One guidance is to take the intangible into account.

Communicate carefully, especially when we negotiate with international parties. We must pay extra attention to the cultural difference.

Companies in different cultures may be more sensitive to some specific business issues.

For example, Asian companies are very strategic and appreciate personal relationship when doing business with each other.

They feel comfortable to share information with their partners only after they build mutual trust with each other.