

15.067 Spring 2003

Assignment #6

We now move to a series of *mixed motive (integrative)* bargaining cases. The first is *Riggs-Vericomp*, a negotiation between Riggs Engineering, a company that manufactures and services recycling equipment for silicon wafer fabs, and Vericomp, a computer chip manufacturer.

You will be assigned a role, a negotiating partner, and receive confidential information at the class preceding this negotiation.

Your preparation is on two fronts: readings in Thompson and in Raiffa's *Lectures on Negotiation*. Raiffa develops a paradigm for finding *efficient* (Pareto Optimal) negotiation outcomes that can be easily implemented in EXCEL if you possess all information about positions of both (all) sides.

READINGS IN THOMPSON:

Reread Chapter 2, Preparation: What to Do Before Negotiation

Read Chapter 4 Win-Win Negotiation: Expanding the Pie

This is an important chapter! I suggest that, in preparation for our next two cases you read the following sections of this chapter:

- What is Win-Win Negotiation Anyway?
- Telltale signs of Win-Win Potential
- A Pyramid Model
- Most Common Pie-Expanding Errors
- Strategies that Do Not Really Work
- Strategies that Work
 - Skip discussion of Contingency Contracts. We return to this topic later.
- A Strategic Framework for Reaching Integrative Agreements
- Do Not Forget About Claiming

"Power, in negotiation, is about getting a slice of the pie. However, power also has to do with creating new opportunities for joint gain."

Chapter 7 *Power, Persuasion and Ethics*

In Chapter 7, Thompson discusses sources of "enlightened" power, how to enhance it and how to use it. At the same time, your objective (and mine) is to encourage *responsible use* of power. The discussion of ethics in this chapter provides us with guidelines for determining "what is right" and "what is wrong" when we negotiate and outlines an "ethics checklist."

READINGS IN RAIFFA:

Compare what Thompson has to say about preparation with Raiffa's comments about preparation in **PART ONE: INTRODUCTION Section B** of *Lectures on Negotiation Analysis* by Raiffa. **PART TWO: ONE ISSUE WITH MANY RESOLUTIONS** of Raiffa is a clear explanation of what we mean when we say that a contract is *efficient*. The concept of efficiency drives our analysis of class performance in all subsequent negotiations. That is, we will compare class performance with the set of Pareto optimal or efficient contracts that can be achieved when parties openly share all information. Of course, you individually do not possess confidential information for both sides of a negotiation, but I do! If you want to know how I arrive at a description of the efficient frontier read this part of Raiffa as well as **Lecture Two: Two Parties, Many Issues, Many Resolutions**, pp. 43–78 where Raiffa shows how to find efficient contracts in more complex integrative bargaining situations. Again, we will use Raiffa's methodology to benchmark class performance.

PREPARE:

You will receive confidential information for your assigned role to prepare before negotiating with your assigned negotiating partner.

If you and your negotiating counterpart do not reach agreement, each side will walk away with \$0 net gain on the deal.

POST YOUR AGREEMENT ON THE WEB IMMEDIATELY AFTER CONCLUDING THE NEGOTIATION.

Questions to think about:

1. If *Riggs (or Vericomp)* were your company, what kind of person would you want negotiating this deal on your behalf?
2. What kind of support from *you* would they need to succeed?
3. How would you judge whether he or she did a good job; would you provide any incentives or rewards?

EMAIL NEGOTIATION:

Before beginning this negotiation, you may find Thompson Chapter 12 **Negotiating via Information Technology** helpful! You will be *assigned a role* as either James Wiley, Account Manager in the Hygiene-Toiletries Division of CP Hong Kong or as Chris Smith, Buyer at MegaMarket USA for an *email negotiation* about sales terms for soaps, toothpastes and shampoos for the coming year. Confidential information for your role will be distributed to you in class and you may begin negotiating by email at any time.

DEADLINE: Late submissions will accrue a "No Agreement" outcome and the corresponding z-score.