

Assignment #4

We now move to a series of cases in each of which there are several issues to be negotiated. These are called *mixed motive* and *integrative bargaining* cases—*mixed motive* because each negotiator aims to maximize his or her share of the bargaining surplus and *integrative* because clever negotiators seek to create value for all parties to the negotiation by exchanging information and jointly exploring the space of all feasible agreements.

To set the stage we begin with a descriptively simple case, **Nelson Contracting**, a negotiation between a store equipment manufacturer and a large retailer. In the debrief you will see a picture of the *efficient or Pareto-optimal frontier*, a graphical representation of the joint payoffs or utilities of the negotiators for feasible agreements that cannot be improved upon; i.e. there are no other agreements that leave both parties better off. Once on the frontier, any modification of an agreement in favor of one party leaves the other worse off.

We will plot your outcomes against the frontier to show you how the class as a whole performed. You can see where you and your negotiating partner(s) lie relative to all others! Much experience with simulated negotiations shows that it is not easy to reach the frontier! Training helps.

Later on we will show how an external observer in possession of confidential information for both parties can efficiently compute the Pareto-optimal frontier.

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

READINGS:

Read Chapter 4 *Win-Win Negotiation: Expanding the Pie*

I suggest that you read carefully the following sections:

- 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 Contingency Contracts. We return to this topic later.
- A Strategic Framework for Reaching Integrative Agreements
- Do Not Forget About Claiming

Read Chapter 7 *Power, Persuasion and Ethics*. This chapter identifies sources of “enlightened” negotiation power, how to enhance it and how to use it. Remember, your charge (and mine) is *to encourage responsible use of power*.

PRIOR TO CLASS: Respond *before class* to the Preparation Survey for your role as either Nelson or as Amstore in Nelson Contracting.

EMAIL NEGOTIATION:

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. Before beginning this negotiation, you may find Thompson Chapter 12 **Negotiating via Information Technology** helpful!

DEADLINE: Results of your negotiation are to be turned in online by Session #11. Late submissions will accrue a “No Agreement” outcome and the corresponding Z-score.

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