Lecture 7

POWER

Introduction to Stakes of Engagement
THEMES

• The *Rashomon* nature of POWER in negotiation
  – Epic 1950 Film by famed Director Akira Kurosawa about “multiple versions of the truth”

• Subjective value in mixed motive bargaining

• Balancing subjective value and objective outcomes
  – Complementary or substitutable?
POWER
POWER in Negotiation

• More than just a good BATNA
  – Having one doesn’t mean much if you are not prepared to walk away from a poor deal
  – “…A manifestation of complex situational factors…”

• Power can be turned upside down!

  “Owe the bank $10,000 and you have a problem. Owe the bank $10,000,000 and the bank has a problem”

From Micheal Wheeler Negotiation Analysis: An Introduction  HBS 2000 p 10
• Strength can be weakness and weakness can be strength
  – Teheran 1979->Carter administration negotiations with Revolutionary Guards, religious leaders,....

  – “…The Iranians could threaten the United States knowing that its demands would be rationally considered; by contrast, the United States was constantly frustrated by not knowing where to aim its efforts.”

Micheal Wheeler Negotiation Analysis: An Introduction  HBS 2000 p 11
ON CONFLICT

• “Conflict is inevitable, but combat is optional.” -- Max Lucade

• “Speak when you are angry and you will make the best speech you will ever regret.” -- Ambrose Bierce

• “Don't wrestle a pig in a mud hole. You both get all dirty, and the pig enjoys it.” -- Anonymous
The Roles of Subjective Value in Negotiation

Curhan, Elfenbein & Xu (2006)
Subjective Value Inventory (SVI)

“A research instrument used to measure feelings and perceptions concerning the instrumental outcome, the process, the self, and the relationship in negotiations.”

Structural Equation System

Y = Global Subjective Value
X_1 = Instrumental
X_2 = Self
X_3 = Process
X_4 = Relationship
Z = Rapport

Y = 0.86Z + 0.87X_1 + 0.65X_2 + \varepsilon

Z = 0.91X_3 + 0.88X_4 + \delta
Recursive Structure

\[
\begin{bmatrix}
1.0 & -0.86 \\
0 & 1.0
\end{bmatrix} \times \begin{pmatrix} Y \\ Z \end{pmatrix} = \begin{bmatrix}
0.87 & 0.65 & 0 & 0 \\
0 & 0 & 0.91 & 0.88
\end{bmatrix} \times \begin{pmatrix} X_1 \\ X_2 \\ X_3 \\ X_4 \end{pmatrix} + \begin{pmatrix} \epsilon \\ \delta \end{pmatrix}
\]
Motivation

“Subjective value is “A good in itself”

- O. Henry’s *The Gift of the Magi*: “One dollar and eighty-seven cents. That was all. And sixty cents in pennies…”

“It is a judgmental guide to performance”

- We often judge how well we did based on how we feel about the negotiation

“It is a predictor of future objective value”

“It establishes reputation and social capital”

Rationale

• In many negotiation situations you MUST:
  – Assess the relative importance of objective stakes and relationships in planning negotiation strategy
  – Assess perceived disagreement over objective stakes against the importance of a future relationship

• Both objective and subjective outcomes are affected by how the relationship evolves during negotiations
### Situational Matrix

#### Perceived Conflict over Stakes

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balanced Concerns</strong>&lt;br&gt;(Business Partnership, diplomacy, prenuptial)</td>
<td><strong>Relationships</strong>&lt;br&gt;(Friendship, Work Team)</td>
</tr>
<tr>
<td><strong>Transactions</strong>&lt;br&gt;(Divorce, House Sale, Market Transaction, Financial Negotiation)</td>
<td><strong>Tacit Coordination</strong>&lt;br&gt;(Driving, Airplane Seating)</td>
</tr>
</tbody>
</table>

#### Perceived Importance of Future Relationships

- **HIGH**
- **LOW**

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Reciprocity Code of Conduct Norms

• **Individuals owe one another**
  – because of what has been previously given to them

• **Be trustworthy and reliable**
  – You have no right to ask of others what you cannot be yourself

• **Be fair to those who are fair to you**
  – This sustains most productive bargaining relations

• **Let others KNOW when you think they treated you unfairly!**
  – Unfair treatment, left unnoticed or unrequited breeds exploitation—followed by resentment and collapse of the negotiation

From Shell & Nicholas E. Sabin 2005 PON
Dealing with Difficult People

“Diplomacy is the art of letting someone have your way”

Daniel Vare, Italian Diplomat

“The fellow who says he'll meet you halfway usually thinks he's standing on the dividing line…”

Orlando A. Battista

William Ury’s Getting Past NO!

Ury’s Strategic Advice

• “Don’t React: Go to the balcony”
  – O. Henry again: *The Ransom of Red Chief*

  “It looked like a good thing...when this kidnapping idea struck us...during, as Bill expressed it, ‘a moment of temporary mental apparition’; but we didn’t find that out until later.”

  “Gentlemen, I hereby make you a counter-proposition, which I am inclined to think you will accept. You bring Johnny home and pay me two hundred and fifty dollars in cash and I agree to take him off your hands. You had better come at night, for the neighbors believe he is lost, and I couldn’t be responsible for what they would do to anybody they saw bringing him back.

    Very respectfully, Ebenezer Dorset”

Getting Past NO (Op. cit)
• “Don’t Reject: Reframe—Change the Game”
  – Redirect attention away from positions towards identifying interests, fair standards, inventing creative options
  – Ask for advice
  – 1979 Salt II arms control treaty—Gromyko versus Biden

_Getting Past NO_ (Op. cit)
• “Don’t Push: Build them a golden bridge”

  – “Build your opponent a Golden Bridge to retreat across” *Zun Tsu*

  – Ask for and build on their ideas

  – Help them back away without loss of face

  – Help write their victory speech
    • The Cuban missile crisis: John Kennedy and Khruschev

*Getting Past NO (Op. cit)*
“A distanced view of close things”

Miyamoto Musashi
1584-1645
STAKES OF ENGAGEMENT

A Dual Concerns Negotiation
BATNAS & OUTCOMES

• BATNA for marriage to take place -> Minimum points stated in case

• One or both parties don’t meet his/her minimum but there is agreement on division of goods:
  – No marriage but each gets **Objective + Process points**

• No agreement on division of goods:
  – No marriage and each party gets his/her **Objective + Process Points**
Stakes of Engagement

- **Read** General Instructions as background
- **Study** Confidential Information and prepare
- **Counterpart Evaluation Form:**
  - **DO NOT OPEN IT** until your negotiation is concluded
  - **Then open it, fill it out** and give it to your counterpart
- **Results Due tonight at 9 pm**
  - Each team member must submit results
  - No late submissions will be accepted