Lecture 10

- Debrief Winemaster vs. Homebase
- Negotiate Aerospace Investment
  - A Balanced Concerns Negotiation
  - Instructions and Clarifications
- Pick up confidential information for Flagship vs. Eureka
  - Three individual roles for a team
  - Two teams
Today’s Themes

• Tactics for dealing with difficult negotiators

• Balanced Concerns

• Detection of Subtle Opportunities for Value Creation
STONEWALLING

TO STONEWALL

Means “to refuse to cooperate, especially in supplying information”

(Wikipedia)
What Tactics Do Negotiation Gurus Recommend?

• The basic wedge is:
  “…reframe the other side’s position in terms of interests, options and standards”

while also dealing with their tactics”
  “…the stone walls, attacks and tricks”

All Quotes are from William Ury’s *Getting Past NO*
Bantam Books 2007
“Go Around Stone Walls”

• “Your opponent says take it or leave it!” , takes an extreme position or sets a rigid deadline”
  – “Ignore it”
  – “Reinterpret it as an aspiration”
  – “Test it”

William Ury’s *Getting Past NO* Bantam Books 2007
“Deflect Attacks”

• “Your opponent threatens, insults or blames you for something that has gone wrong”
  – “Ignore it—pretend you didn’t hear it”
  – ”Reinterpret it—Reframe an attack on you as an attack on the problem”
  – “From ‘You and Me’ to ‘We’”

William Ury’s Getting Past NO Bantam Books 2007
“Reframe Rules of the Game”

• If stonewalling, tricks and attacks continue
  “Recast the negotiation as a negotiation about the negotiation!”

• Redirect a discussion of **substance** to a discussion of the **rules of the game**
  – “Let them know you know what they are doing!”

William Ury’s *Getting Past NO*  Bantam Books 2007
Winemaster.com

• Winemaster.com a successful online vendor of mid-range wines located in Rhode Island is negotiating with Homebase.com to sell the company

• Elimination of direct shipment laws means
  – Winemaster can broaden its customer base to the national market
  – But your competitors can go after Rhode Island!
Winemaster.com
Issues

• **How many shares** of Homebase.com will Winemaster get?
  – 4.5 million outstanding
  – 0.5 authorized but unissued

• **What is the value of Homebase shares?**
  – For this transaction, **$50/share** seems right
• **What is Winemaster.com worth?**
  – There are some typical benchmarks, but cash flow valuation is out of the question

• **Vesting**: when would Winemaster receive title to Homebase shares?
  – Homebase believes it takes two years to get its online wine project under way
  – They want to retain Winemaster personnel
  – Winemaster wants to get title as quickly as possible
• **Board Seat**
  – Does Winemaster get a board seat?
  – A good way to monitor Winemaster’s investment

• **Lawsuit**
  – A Newport customer who got seriously ill brought suit claiming the wine was contaminated in Winemaster’s possession
  – He seeks $1 million for medical expenses plus pain and suffering
  – Homebase has been informed of the existence of the lawsuit so is aware of this liability
Risk Aversion, Exploding Offers, etc

• **Risk Aversion**
  – *Decreases* Winemaster’s BATNA

• **Exploding offers**
  – *Decrease* Winemaster’s BATNA

• **Prolonging the deal until other buyers make up their minds**
  – *Increases* Winemaster’s BATNA:
    – Winemaster might reasonably walk away from an offer from Homebase if they can wait to see if A’s offer is definite!
Analysis Sequence

• Compute share spread current deal allows
• Step by step improvements of current deal:
  – Vesting
  – Board Seat
  – Liability
• At each stage compute the largest number of shares that Winemaster can get and the least number of shares that Homebase can give while respecting BATNAS
Aerospace Investment

A Balanced Concerns Negotiation
Aerospace Instructions

• You must abide by the scoring restrictions
  – You cannot interpolate

• Do not look at your Process Evaluation form until the negotiation is completed

• At the end of negotiation, fill out your Process Evaluation form and hand it to her
Aerospace Instructions

• There are levels of certain issues that are deal-breakers for one party or the other.
  – This means what it says! NO DEAL
An Aerospace Themes

• Creating Value within apparently distributive issues

• What seems “fair” a priori may not be