Making Rational Decisions in Negotiations

Chapter 10
Today’s Topics:

1. A Decision-Analytic Approach to Negotiation
2. Claiming Value in Negotiation
3. Creating Value in Negotiation
4. The Tools of Value Creation
I. A Decision-Analytic Approach to Negotiation
 Alternatives to a Negotiated Agreement

- BATNA
- Reservation (indifference) point
The Interests of the Parties

- Stated position vs. underlying interests
II. Claiming Value in Negotiation
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Key concept: bargaining zone

$65 reservation point

SELLER’S settlement range
Positive Bargaining Zone

BUYER’S settlement range

$60 target price

$85 reservation point

$90 target price
III. Creating Value in Negotiation
• Differences as opportunities
• Allocating risk, contingent contracts
IV. The Tools of Value creation
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- Build trust and share information
- Ask questions
- Strategically disclose information
- Negotiate multiple issues simultaneously
- Make multiple offers simultaneously
- Search for post-settlement settlements