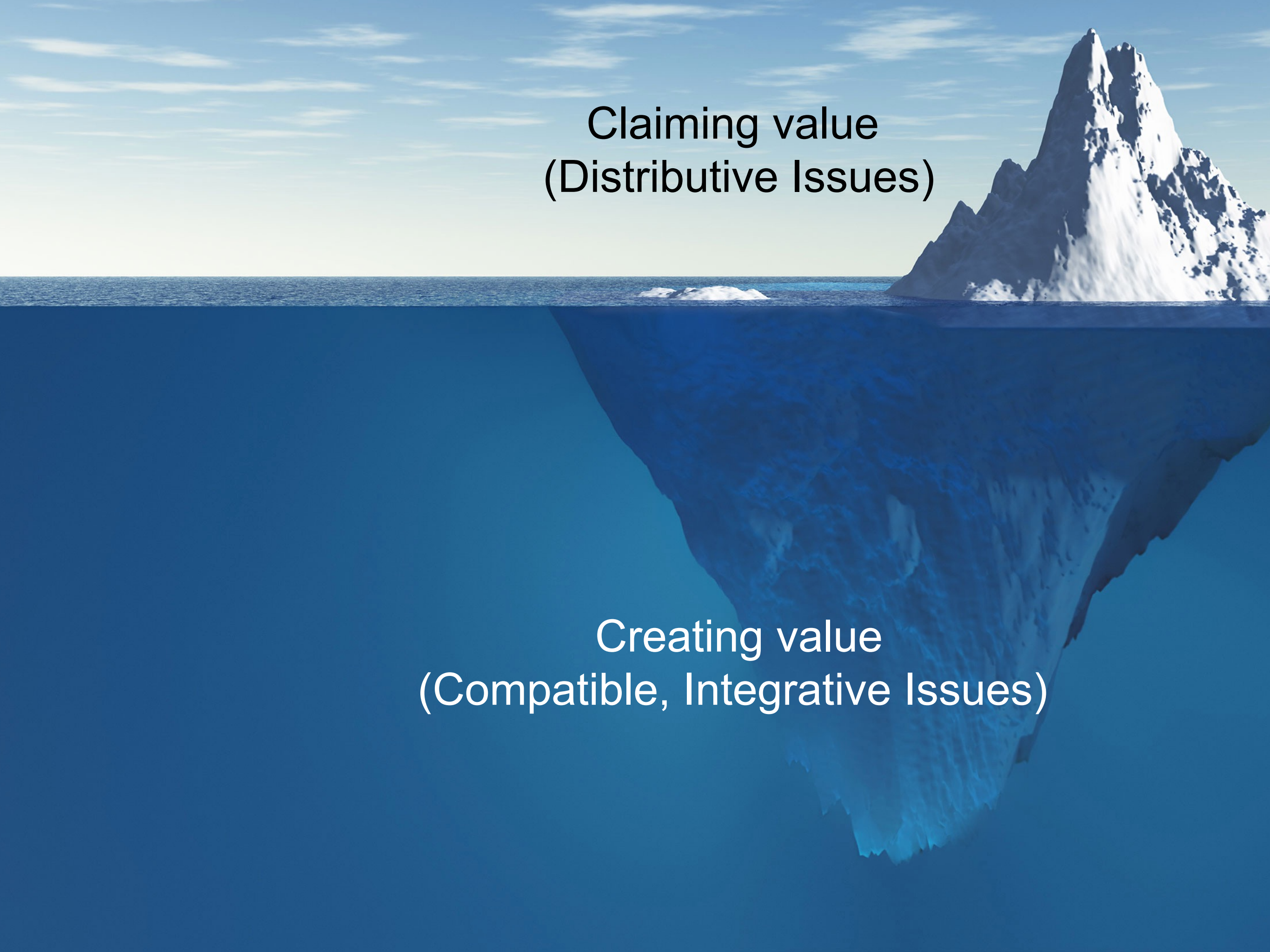


# Creating Values: Strategies for Integrative Negotiation

Professor Julia D. Hur/ 許滔允



An iceberg floating in the ocean. The tip of the iceberg is above the water line, and the much larger base is submerged below. The sky is blue with light clouds, and the water is a deep blue. The text is overlaid on the image.

Claiming value  
(Distributive Issues)

Creating value  
(Compatible, Integrative Issues)

# Integrative Negotiation

## What is an integrative negotiation?

- A negotiation in which the parties seek to leverage creative opportunities to create value

## Distributive vs integrative negotiations

- Distributive negotiations: claiming value
- Integrative negotiations: claiming & creating value  
(to be successful, you have to move beyond positions and to focus on underlying interests)

# Integrative Negotiation

## What it is

- Seeking to leverage all creative opportunities to leave no resources on the table
- Negotiation as joint problem solving task

## What it is NOT

- Compromising to reach a middle ground on positions
- About psychological benefit with the negotiation
- A focus on relationship building

# Strategies for Creating and Capturing Value

**1. Identify your and their interests (aka ask questions smartly)**

# Positions vs. Interests

<b>Positions</b>	<b>Interests</b>
Something you've decided on	What motivated you to decide
<b>What</b> they're asking for	<b>Why</b> they're asking for it
Specific offers or proposals ("I need \$10K in moving expenses")	The goals you seek to meet ("I need to be able to get my stuff there safely in time to start my job")

# Positions vs. Interests

## Four disadvantages of positional (vs. interest-based) negotiation:

1. More contentious (susceptible to ego involvement)
2. More likely to yield an impasse
3. Worse joint outcomes; more likely to leave value on the table
4. More likely to harm the relationship

# Positions vs. Interests

Behind opposing positions, there may be compatible interests (not just conflicting ones)

To uncover interests, ask “why” and “why not”

- Ask about interests, not about positions (beware of anchoring effects)



# Case: New Recruit

## 1. Eight job contract issues

- Candidate or Recruiter
- Bonus, job assignment, vacation time, starting date, moving expenses, insurance, salary, and location
- Point system (total point from -8400 to 13200)
- Recruiter has a contract sheet

## 2. 15 minutes preparation

## 3. 45 minutes round-trip, including contract completion

- Submit your contract
- No deal in 45 minutes = impasse



# Preparing for Your Next Big Negotiation

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# Three Types of Issues

## 1. Distributive issues

- Conflicting interests
- Try to claim as much of the pie as possible

# Distributive Issues

	<b>Options</b>	<b>Recruiter</b>	<b>Candidate</b>
<b>Salary</b>	\$90K	-6000	0
	\$88K	-4500	-1500
	\$86K	-3000	-3000
	\$84K	-1500	-4500
	\$82K	0	-6000
<b>Start Date</b>	June 1	0	2400
	June 15	600	1800
	July 1	1200	1200
	July 15	1800	600
	August 1	2400	0

# Three Types of Issues

## 1. Distributive issues

- Conflicting interests
- Try to claim as much of the pie as possible

## 2. Compatible issues

- Aligned interests
- Try to identify the shared interests and settle on the obvious option (feigning a concession can be risky)

# Compatible Issues

	Options	Recruiter	Candidate
<b>Job</b>	Division A	0	0
	Division B	-600	-600
	Division C	-1200	-1200
	Division D	-1800	-1800
	Division E	-2400	-2400
<b>Location</b>	San Fran	1200	1200
	Atlanta	900	900
	Chicago	600	600
	Boston	300	300
	New York	0	0

# Three Types of Issues

## 1. Distributive issues

- Conflicting interests
- Try to claim as much of the pie as possible

## 2. Compatible issues

- Aligned interests
- Try to identify the shared interests and settle on the obvious option (feigning a concession can be risky)

## 3. Integrative issues

- Different but not directly opposing
- Tradeoff issues by making mutual compromises that create value for mutual gain (“logrolling”)

# Integrative Issues

	Options	Recruiter	Candidate
<b>Bonus</b> Candidate Issue	10%	0	4000
	8%	400	3000
	6%	800	2000
	4%	1200	1000
	2%	1600	0
<b>Vacation</b> Recruiter Issue	25 days	0	1600
	20 days	1000	1200
	15 days	2000	800
	10 days	3000	400
	5 days	4000	0
<b>Moving Exp.</b> Candidate Issue	100%	0	3200
	90%	200	2400
	80%	400	1600
	70%	600	800
	60%	800	0
<b>Insurance</b> Recruiter Issue	Plan A	0	800
	Plan B	800	600
	Plan C	1600	400
	Plan D	2400	200
	Plan E	3200	0



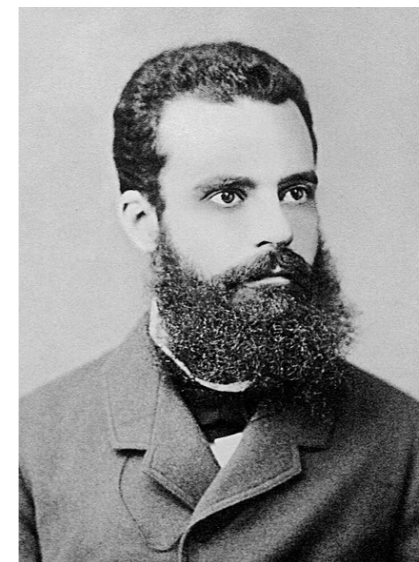
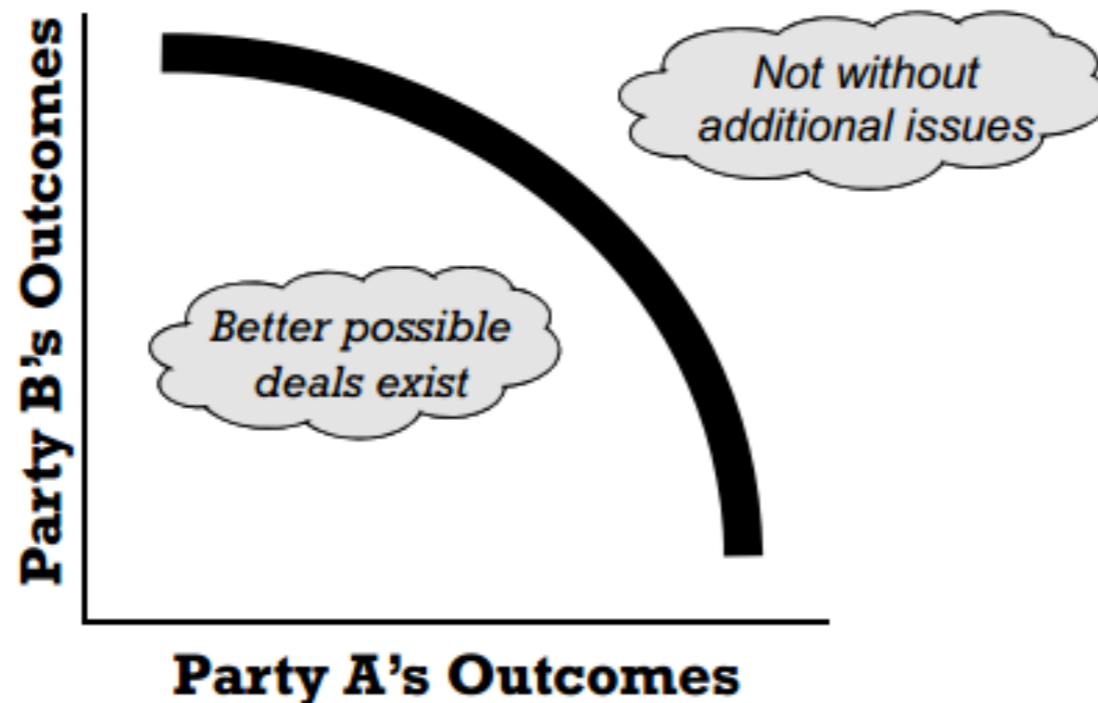
# The Midpoint Approach



# ~~The Midpoint Approach~~ Pareto-Optimal Solutions

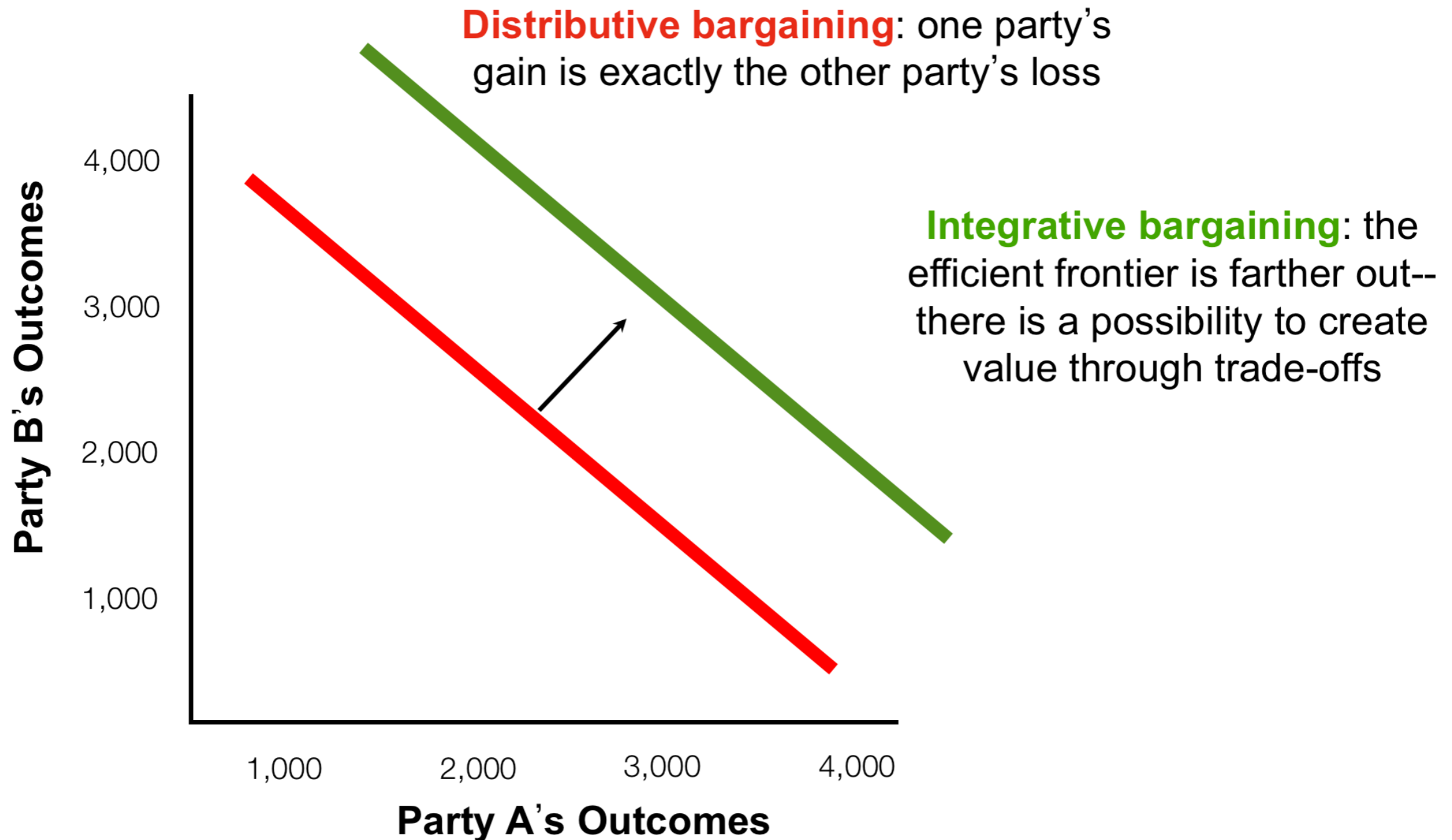
An agreement is defined as Pareto efficient when there is no other agreement that would make one party better off without hurting other party.

Goal: Maximize joint value.



Vilfredo Pareto  
(Italian Economist)

# Toward the Pareto Frontier



# The Pareto-Efficient Frontier

Consider a midpoint, 50/50 split

<b>Issue</b>	<b>Recruiter</b>	<b>Candidate</b>	<b>Joint</b>
<b>Bonus</b>	800	2000	2800
<b>Assignment</b>	-1200	-1200	-2400
<b>Vacation</b>	2000	800	2800
<b>Start Date</b>	1200	1200	2400
<b>Moving</b>	400	1600	2000
<b>Insurance</b>	1600	400	2000
<b>Salary</b>	-3000	-3000	-6000
<b>Location</b>	600	600	1200
<b>Total</b>	<b>2400</b>	<b>2400</b>	<b>4800</b>

# The Pareto-Efficient Frontier

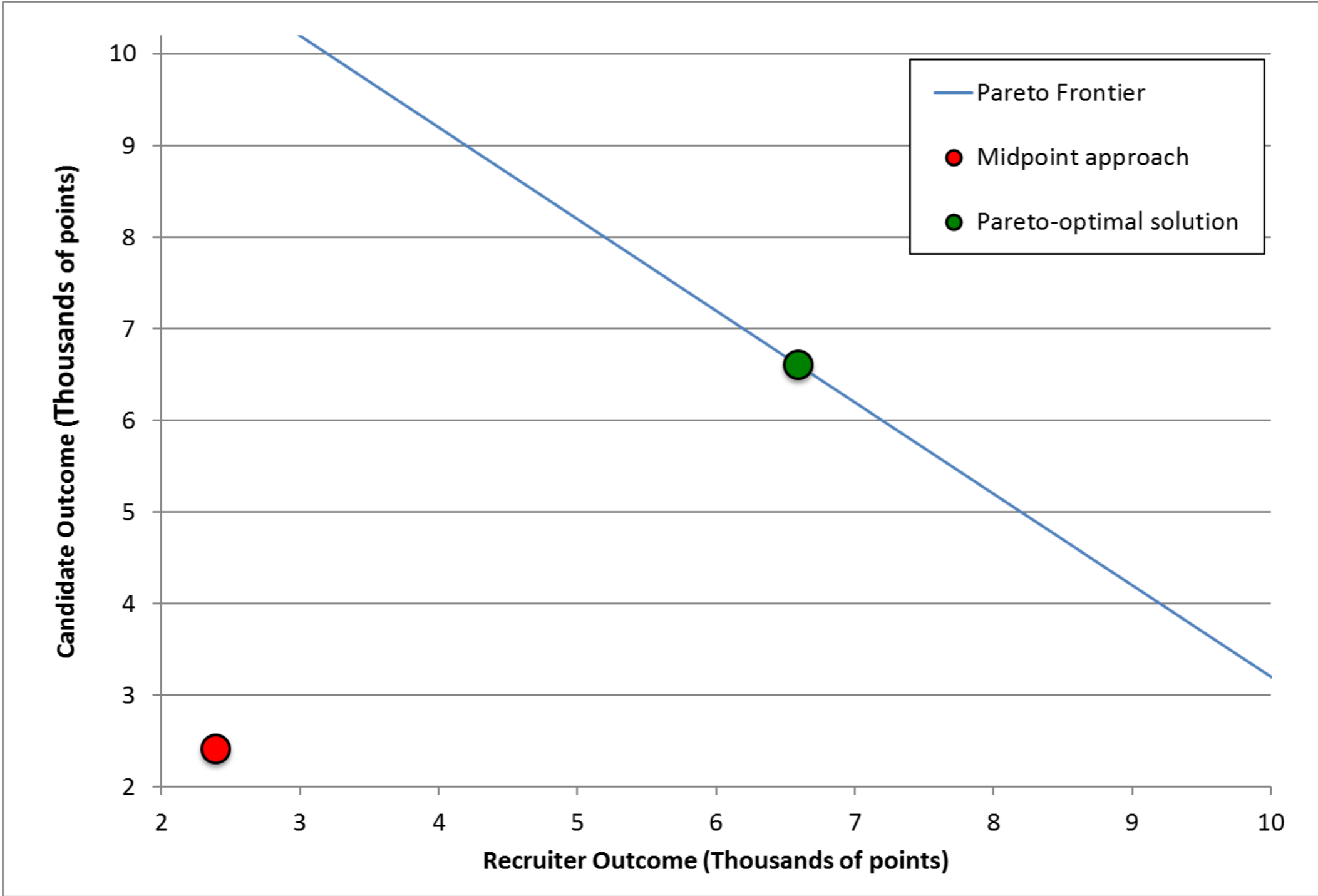
Pareto-optimal solution

<b>Issue</b>	<b>Recruiter</b>	<b>Candidate</b>	<b>Joint</b>
<b>Bonus</b>	0	4000	4000
<b>Assignment (A)</b>	0	0	0
<b>Vacation</b>	4000	0	4000
<b>Start Date</b>	1200	1200	2400
<b>Moving</b>	0	3200	3200
<b>Insurance</b>	3200	0	3200
<b>Salary</b>	-3000	-3000	-6000
<b>Location (SF)</b>	1200	1200	2400
<b>Total</b>	<b>6600</b>	<b>6600</b>	<b>13200</b>

# An Example

Salary	Date	Location	Assignment	Bonus	Vacation	Moving	Insurance	Candidate	Recruiter	Joint
86	6/15	SF	A	6	20	90	D	5,800	3,200	9,000
86	6/15	SF	A	6	20	100	E	6,400	3,800	10,200
86	6/15	SF	A	8	10	100	E	6,600	5,400	12,000
86	6/15	SF	A	10	5	100	E	7,200	6,000	13,200

# The Pareto-Efficient Frontier



# Strategies for Creating and Capturing Value

1. Identify your and their interests (aka ask questions smartly)

**2. Leverage differences**



# Differences ≠ Conflict

Differences in priorities = Opportunity to make tradeoffs (“logrolling”)

- Differences in risk preferences (e.g., equity vs. salary at start-up)
- Differences in time preferences (smaller rewards now vs. bigger payoffs later)

**Key takeaway: Leverage differences to create value!**

**Strategic Point: Consider giving up something if they care about it more; but, don't give it away, sell it**

# The Negotiator's Dilemma

Tension between creating value and claiming it

- Tactics for claiming value can impede its creation
  - “Fake” positions/concessions can distort your preferences and hinder pie expansion
- Efforts to create value vulnerable to claiming tactics
  - e.g., sharing specific info about your preferences

# When Should You Share?

Orient towards cooperation. But start slow, & modulate depending on whether:

1. The other party shares information (tit-for-tat)
2. Both sides concerned about reputation
3. Both sides are future-oriented
4. When the other party seems trustworthy

# What Should You Share?

Priorities among issues, relative rank ordering (esp. when they share)

- e.g., “I care about all issues, but salary and bonus are most important”

Do NOT reveal strong preferences for specific alternatives or particular issues

- e.g., “I HAVE to be in NY”

# Strategies for Creating and Capturing Value

1. Identify your and their interests (aka ask questions smartly)
2. Leverage differences
- 3. Issue by issue vs. Package deals**

# Issue by Issue vs. Package Deals

## Package Deals!

- You don't want to lose leverage
- More likely to avoid impasse
- More likely to see the trade-off
- More likely to have a cooperative negotiation

# Strategies for Creating and Capturing Value

1. Identify your and their interests (aka ask questions smartly)
2. Leverage differences
3. Issue by issue vs. Package deals
- 4. Develop a scoring system**

# Scoring Systems

Flexible systems for assigning quantitative values to each option for each issue

- Weights each issue according to its value to you
- Weights should add up to 100%, forcing tradeoffs
- Use a common metric across issues (e.g., points)





# Scoring Systems

- Develop one — use it!
  - Without it, people typically focus on the most quantifiable issue (usually price)
- Quickly compare package deals, multiple offers, etc.
  - Use it to score and compare your BATNA too
  - Help you organize your interests and priorities



# Scoring Systems: Renting an Apartment

## 1. Identify issues

- Rent (\$1,000-\$3,000/month)
- Location (River North, Lincoln Park, Wicker Park)
- Parking (Garage vs. Street)

## 2. Weight the issues (Sum = 100%)

- Rent = 30%, Location = 50%, Parking = 20%

## 3. Convert alternatives into a common metric

- How many points is each option worth to you?
- Your priorities are revealed in two ways
  - The weights you choose to represent the issues
  - The points you give to each option within each issue

# Scoring Systems: Renting an Apartment

- Assign **relative weights** to issues by importance (should sum to 100%)
- Calculate and **quantify** the value of all options for each issue in points
- Be careful of **the range of points** within each issue – may be sensitive to issue weights
- **Check for indifference** between packages of issues which total to the same total score

Issues	Weight	Points	Score
<b>Rent (30%)</b>			
\$3000	.30	70	21
\$2000	.30	85	25.5
\$1000	.30	100	30
<b>Location (50%)</b>			
Wicker Park	.50	25	12.5
Lincoln Park	.50	45	22.5
River North	.50	100	50
<b>Parking (20%)</b>			
Street	.20	80	16
Garage	.20	100	20

# Strategies for Creating and Capturing Value

1. Identify your and their interests (aka ask questions smartly)
2. Leverage differences
3. Issue by issue vs. Package deals
4. Develop a scoring system
- 5. Create MESOs and make package offers**

# MESOs

MESO: Multiple Equivalent Simultaneous Offers

Present multiple offers (3 is often ideal) of equal value to you. Ask which offer your counterpart prefers.

### Scoring System with Multiple Equivalent Simultaneous Offers

	<i>Issue</i>	<i>Options</i>	<i>Weights</i>	<i>Values</i>	<i>MESO1</i>	<i>MESO2</i>	<i>MESO3</i>
			<i>Issue Importance</i>	<i>Options</i>	<i>Package 1</i>	<i>Package 2</i>	<i>Package 3</i>
			<i>Weights (W)</i>	<i>Values (V)</i>	$w*v$	$w*v$	$w*v$
<b>1</b>	<b>Comp.</b>		<b>50%</b>				
		\$200,000		100	50		50
		\$190,000		75		37.5	
		\$180,000		50			
<b>2</b>	<b>Loc.</b>		<b>30%</b>				
		London		100		30	
		Chicago		60	18		
		NYC		50			15
<b>3</b>	<b>Vac.</b>		<b>20%</b>				
		4 weeks		100			20
		3 weeks		90	18	18	
		2 weeks		50			
			<b>100%</b>				
		<b>Package Value</b>			<b>86</b>	<b>85.5</b>	<b>85</b>

# MESOs

MESO: Multiple Equivalent Simultaneous Offers

Present multiple offers (3 is often ideal) of equal value to you. Ask which offer your counterpart prefers.

<b>Issue</b>	<b>Package 1</b>	<b>Package 2</b>	<b>Package 3</b>
<b>Bonus</b>	4%	4%	6%
<b>Assignment (A)</b>	Division C	Division B	Division A
<b>Vacation</b>	5 days	5 days	5 days
<b>Start Date</b>	1-Jul	1-Jul	15-Jun
<b>Moving</b>	70%	90%	100%
<b>Insurance</b>	Plan B	Plan C	Plan D
<b>Salary</b>	\$82,000	\$82,000	\$82,000
<b>Location (SF)</b>	San Fran	Boston	New York
<b>Total Points</b>	<b>7800</b>	<b>7900</b>	<b>7800</b>

# MESOs

MESO: Multiple Equivalent Simultaneous Offers

Present multiple offers (3 is often ideal) of equal value to you. Ask which offer your counterpart prefers.

1. Anchor the negotiation but still appear flexible

- Be “reasonably” aggressive across issues
- Signal cooperation by saying you’re offering multiple options:

**“Which of these customized options fulfills your unique needs?”**



# MESOs

MESO: Multiple Equivalent Simultaneous Offers

Present multiple offers (3 is often ideal) of equal value to you. Ask which offer your counterpart prefers.

2. Collect information from the other party

- “We hate them all”
- “Sorry to hear that. Which do you hate least?”

3. Educate other party about your priorities/ interests

**Require little cooperation/ skill from other side**

# Negotiator's toolbox

- Share information about interests and priorities
- Aim for Pareto-efficient frontier: look for mutually beneficial tradeoffs
- Examine issues simultaneously, not sequentially
- Develop and use a scoring system
- Use MESOs to unlock information and portray flexibility

# Negotiator's mindset

Thank You

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