



The Stanford Video Guide to Negotiating

Quiz

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Key Learning Concepts

- Theoretically nobody loses in a negotiated settlement. That's because either party has the ability to walk away, and avoid a bad deal.
- There are two types of negotiations: distributive, and integrative. Distributive negotiations are single issue, such as the cash price for an object. Integrative negotiations are multi-issue. They work because each party inevitably values different components of a deal differently. Perhaps the car dealer will lower the price if you'll accept one of the less popular colors. Perhaps you'll pay more if he'll take your trade-in. Integrative negotiations enlarge the pie, allowing both parties to benefit more than they would in a simple distributive negotiation.
- Irrationality can infect negotiations. As a negotiator, be aware of:
 - unrealistic expectations
 - escalation of commitment
 - over competitiveness
 - anchors that don't make sense
 - biases created by the framing of a proposal
- There are tools that a negotiator can use to combat irrationality:
 - Know your BATNA, or *best alternative to a negotiated agreement*. This is your absolute bottom line – the point at which an agreement makes you worse off.
 - Know your reservation price. This is the value at which you will walk away from the negotiation. How is a reservation price different from a BATNA? Because, while deals above the BATNA may technically be advantageous, sometimes it's best to be willing to walk away from these marginal agreements in order to be able to achieve better agreements. In a single-issue negotiation, a reservation price is easy to determine. But be aware that in a more complex negotiation, it can be difficult to define your own reservation price. (Example: the car is way too expensive, but there are no payments for half a year, and the dealer will throw in....)
 - Know your target price. By setting a target, you shift your focus from getting just enough to getting what you want. Some negotiation opponents will test your limits. If you are to avoid being pushed down to your reservation price, you need to create doubt in your opponent's mind about the point at which you prefer impasse. You will create that doubt by focusing on your target price.
- Understand the power of information:

- Strive to know your counterpart's BATNA and reservation price before a negotiation begins.
 - Your counterpart will present positions. Work to understand the interests that underlie these positions.
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1. The brothers know that Barbara is going to drive a hard, hard bargain. They agree that their alternative is to deed the ballpark to the city. This understanding is an example of:
 - A) A redemption price.
 - B) A BATNA – the best alternative to a negotiated settlement.
 - C) A target price.
 - D) A reservation price.

2. In the first phone negotiation Ted proposed a \$500,000 lease, and Barbara responded by asking how many seasons she would get for that payment. Barbara's response is an example of:
 - A) Splitting the difference.
 - B) Resisting an anchor.
 - C) Setting an anchor.
 - D) Resisting a frame.

3. Barbara believes that no ballpark is worth two or more times what she's paying right now. Barbara's belief may get in the way of the negotiation; it is caused by:
 - A) Anchoring.
 - B) Framing.
 - C) BATNA.
 - D) Resisting an anchor.

4. This negotiation is an integrative negotiation because:
 - A) Each side has more than one participant.
 - B) The negotiation includes the lease payment, concession split, and use of the facility for other activities.
 - C) The negotiation takes place over several days.
 - D) The video does not address this issue.

5. What are multidimensional negotiations desirable?
 - A) The stronger party gains more power.

- B) Since each side inevitably places different values on different components of the negotiation, there is more room for win-win outcomes.
- C) The side seeking to provide a product/service generally does better than the paying side.
- D) The negotiating process often takes less time.
6. Basing the lease rate on actual attendance is a method of:
- A) Shifting risk to the Curry brothers.
- B) Shifting risk to Margaret.
- C) Reducing risk to both sides.
- D) Risk avoidance.
7. In negotiating, it is important to focus on:
- A) Positions, not interests.
- B) Interests, not positions.
- C) Both positions and interests.
- D) Neither positions nor interests.
8. When a negotiation seems to have reached an impasse, it is appropriate to:
- A) Escalate commitment.
- B) Take a break.
- C) Bring in a third party.
- D) Both "B" and "C."
9. What is the appropriate response when, after an agreement is reached, one side asks for small extras, without offering anything in exchange?
- A) Renegotiate the contract.
- B) Agree to discuss a separate, supplementary agreement.
- C) Bring in a third party.
- D) Both "A" and "C."
10. Who won this negotiation?
- A) The Curry Brothers won.
- B) Margaret won.
- C) Neither side won.
- D) Both sides won.

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