Harvard Business School Case Selections (Reprint)
哈佛商学案例精选集
（英文影印版）
商务基础系列
Business Fundamentals Series

谈判

Negotiation

Herminia Ibarra 埃米尼亚·伊瓦拉
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图书在版编目（CIP）数据

谈判/埃米尼亚·伊瓦拉等编写
北京：中国人民大学出版社，2002
（哈佛商学案例精选集．商务基础系列）

ISBN 7-300-04172-8/F·1289
Ⅰ．谈…
Ⅱ．埃…
Ⅲ．贸易谈判-英文
Ⅳ．F740.41

中国版本图书馆 CIP 数据核字（2002）第 037469 号

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出版发行：中国人民大学出版社
（北京中关村大街 31 号　邮编 100080）
邮购部：62515351　门市部：62514148
总编室：62511242　出版部：62511239
本社网址：www.crup.com.cn
人大教研网：www.ttrnet.com
经　　销：新华书店
印　　刷：涿州市星河印刷厂

开本：890×1240 毫米 1/16　印张：9.25　插页 2
2002 年 9 月第 1 版　2002 年 9 月第 1 次印刷
字数：336 000

定价：27.00 元
（图书出现印装问题，本社负责调换）

INTRODUCTION

This collection of notes and articles presents an overview of negotiation strategy and tactics. Each piece offers practical frameworks and useful advice for managing different aspects of negotiation. Although the selections were originally written to stand alone, they have been sequenced here to provide a coherent overview of the negotiation process from initial formulation of strategy, through careful preparation, and then personal interaction at the bargaining table.

The material integrates the best thinking on negotiation from a variety of disciplines, among them, economics, decision theory, social and cognitive psychology, organizational behavior, and ethics. Illustrative examples are likewise drawn from a range of deal-making and dispute resolution contexts. Readers will see that powerful lessons can be learned by comparing their experience with practice from other domains.

The opening selection in this volume, "Negotiation Analysis: An Introduction," by Michael Wheeler, provides a strategic template for undertaking negotiation. Specifically, it identifies seven key elements of negotiation strategy:

- BATNAs: What will each of the parties do if they don't come to agreement?
- Parties: Who are the real parties in the negotiation?
- Interests: What are their fundamental needs and priorities?
- Value: How can value be created and who is likely to get it?
- Barriers: What obstacles might prevent agreement (or maximization of joint value) and how can they be overcome?
- Power: How can the various parties influence the negotiation process and its outcome?
- Ethics: What is the right thing to do?

Successful strategy must be built on careful assessment of each of these considerations. Most of these topics are explored further in the other notes and articles in the collection, including "Rethinking 'Preparation' in Negotiation" by Michael Watkins and Sydney Rosen. The authors emphasize that preparation must be an ongoing process. As events unfold, negotiation strategy – and sometimes even one's goals – have to be regularly updated and revised. Watkins and Rosen thus advocate an iterative model of learning, planning, and acting.

"Dealmaking Essentials," by James Sebenius, is rich with practical advice for creating value at the bargaining table and claiming a fair share of that value for yourself. It also offers a "3-D strategy" for resolving negotiating problems, specifically, an approach that is built on careful assessment of context, attention to barriers and opportunities, and proactive initiatives to "change the game."

Rigorous analysis is a cornerstone of good negotiation strategy, but psychology plays an important role, as well, particularly when the parties meet at the bargaining table. "Two Psychological Traps in Negotiation," by George Wu, warns of the risks of getting "anchored" by aggressive offers. Though we may rationally recognize other parties' demands as mere starting points, unless we are careful, they can unconsciously distort our standards of success. Wu also discusses framing, that is, how offers and alternatives are presented. He provides practical advice on how to deal with framing efforts, both offensively and defensively.

This particular issue is explored in greater depth in "How to Frame a Message: The Art of Persuasion and Negotiation," by Lyle Sussman. As he explains, how information is presented sometimes can spell the difference between agreement and impasse.

Robert Robinson's note "Errors in Social Judgment: Implications for Negotiation and Conflict Resolution – Biased Assimilation of Information" examines how people tend to take an overly optimistic view of their nonagreement alternatives, and how they likewise undervalue concessions that their counterparts make. Robinson offers concrete advice for avoiding these traps.

"Breakthrough Bargaining," by Deborah Kolb and Judith Williams, examines interactions between negotiators, with a particular focus on situations in which there are perceived power differences. The authors also provide advice for dealing with hard bargainers and recovering from difficult moments.

In "Building Coalitions," Herminia Ibarra describes the necessity of mapping one's political landscape to build effective coalitions. Allies, adversaries, opponents, bedfellows, and fence sitters are all players on this field, and effective managers and negotiators must be aware of these positions and plan accordingly.

The collection concludes with two pieces that challenge readers to be more than simply competent at negotiation. In "Six Habits of Merely Effective Negotiators," James Sebenius stresses the importance of understanding your counterpart's interests as a means for shaping their perception of the deal. He cautions against common mistakes like focussing on price to the exclusion of other variables, and searching too hard for common ground. The very best negotiators are those who can craft value and salvage deals that would otherwise end in impasse. They likewise have the skill and insight to prevent disputes from costly escalation.

Finally, "Dynamic Negotiation: Seven Propositions about Complex Negotiations," by Michael Watkins, extends conventional negotiation theory and advice by proposing a more dynamic model, one which explicitly takes into account the uncertainty and change that bargainers often face.

Many of the pieces include references to readings and other resources. See the "For Further Reading" section on page 137 for more information.

CONTENTS

NEGOTIATION ANALYSIS: AN INTRODUCTION

(M. Wheeler / #9-801-156 / 14 p)

Summary

Provides an overview of the seven elements of negotiation analysis. These elements include BATNAs (nonagreement walk-aways), parties, interests, value-creation, barriers to agreement, power, and ethics. Illustrations are drawn from a range of contexts (from buying a car and the sale of a business to dispute resolution and international diplomacy) to provide a conceptual framework for understanding bargaining strategy and tactics.

Outline

1. **BATNAs**
2. **Parties**
3. **Interests**
4. **Value**
5. **Barriers**
6. **Power**
7. **Ethics**

Summary

Learning Objectives

After reading the note and completing the following exercises, managers should be able to:

- Become familiar with the seven core questions of negotiation analysis.
- Map a negotiation using the core questions as a framework.
- Reflect on the personal characteristics of effective negotiators and identify how they might strengthen these characteristics in themselves.

Questions and Ideas to Consider

1. Consider a negotiation in which you were involved or which others in your department or unit have been involved. Map the negotiation using the framework developed in the note. You might want to think about the following questions as you construct your map:

   - BATNAs...List all of the plausible alternatives for each party and then rank them. Did each party's BATNA change during the course of the negotiation?

   - Parties...Identify all the parties who exercised influence over the outcome of the negotiation. Were these parties directly involved in the negotiation? If not, why?

   - Interests...Identify both the obvious and the underlying interests of the parties. How did the agreement reflect these interests?

   - Value...What value was created in the negotiation? On what differences did the parties capitalize to create this value? How was this value divided between the parties? In other words, who claimed the most value?

   - Barriers...What misperceptions or stereotypes might have played a role in how the negotiation was conducted? What, if any, institutional barriers (corporate policy, legal constraints, etc.) affected the outcome?

   - Power...Which party exercised more power in the negotiation? How was this power used? How did each side attempt to shape the perceptions of the other side?

   - Ethics...What were the ethical dimensions of the negotiation? What principles did the outcome reflect?

2. "Rigorous negotiation analysis is necessary for success, but it alone is not sufficient. Strategy must be implemented with skill and insight. The ability to listen and persuade is highly valuable. So is patience (and sometimes even humor). ...Your own negotiation strategy should encourage constructive behavior from the people with whom you will deal."

   Think about these qualities in light of your own experience as a manager and negotiator. To what degree do you possess these qualities? In which areas do you need more coaching? What steps could you take to refine these abilities? What other qualities are necessary to effective negotiation?

Negotiation Analysis: An Introduction

"If you don't know where you're going, any road will take you there."

People often ask the wrong questions when they prepare for negotiation. "Should I put the first number on the table or wait for them to make the first offer?" "Should I negotiate on their turf, or insist that they appear on mine?" "Should I tell them what we really need, or should I include some bargaining chips that I can give away later?"

These are merely tactical questions, however. None of them can be intelligently answered without first developing a coherent strategic framework. In fact, mapping negotiation involves analysis of a very different set of issues. The resulting insights can spell the difference between deadlock and agreement, or between good deals and great ones.

This note sets out seven basic questions that any negotiator should ask before he or she goes to the bargaining table, whether to buy a new car, sell a prosperous business, settle a lawsuit, or avoid a strike or a lock-out. Different circumstances may well call for different strategies, but the core elements of negotiation analysis are universal. Moreover, negotiation analysis is equally useful for those who are in the midst of the bargaining process and for observers on the outside seeking to draw valuable lessons from other people's experience. The questions that negotiators and analysts must ask are:

1. BATNAs: What will the respective parties do if they don't come to agreement?
2. Parties: Who are the real parties in the negotiation?
3. Interests: What are their fundamental needs and priorities?
4. Value: How can value be created and who is likely to get it?
5. Barriers: What obstacles might prevent agreement (or maximization of joint value) and how can they be overcome?
6. Power: How can the various parties influence the negotiation process and its outcome?
7. Ethics: What is the right thing to do?

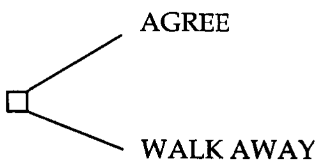
Professor Michael Wheeler prepared this note as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

1. BATNAs

What will the respective parties do if they don't come to agreement? Negotiation is a consensual process. Agreement takes place when—and only when—the parties believe that all things considered, the deal that they have reached makes them better off than they would be by walking away from the bargaining table.

The authors of the classic text *Getting to Yes*[1] use the term BATNA to describe what one will do if agreement is not reached. The acronym stands for **B**est **A**lternative **T**o a **N**egotiated **A**greement. It captures the notion that at some point in a negotiation, one ultimately has to choose between accepting a deal or pursuing more attractive alternatives. The idea has its roots in formal decision analysis and thus can be represented graphically:

Figure A



Although the BATNA concept seems simple, its actual application can be difficult. Consider the following case. Frank Park is the sole owner of ParkNet, a cable television system in a small municipality. Park has decided to sell his business. Gulf Cable, a regional company, has already offered him $10,000,000 in cash, but he is also negotiating with C-Com, the national telecommunications giant. Its representative seems interested in closing a deal very soon.

What is the owner's BATNA in his negotiation with C-Com? A na ve answer would be to accept the $10,000,000 offer from Gulf Cable, the regional company. While that certainly is *one* alternative, it is not necessarily the best. Given the apparent strength of the cable market, at least locally, the wisest thing for Park might be seeking out other potential bidders. Or, if he is in a hurry, he could still consider responding to Gulf Cable with a counter-offer (say, $11,500,000). Depending on the pros and cons of pursuing such options, Park thus might rationally demand much more than $10,000,000 from C-Com (the national firm).

On the other hand, it might also be perfectly sensible for Park to accept a lower figure from C-Com. For example, if he would be required to take some shares in the acquiring company as part of the deal, he might have more confidence in the financial performance of the national company than in that of the regional one. Likewise, he might accept less than $10,000,000 if he were able to stop working immediately instead of having to remain on the job for several years to ease the transition.

Your BATNA, in short, is your preferred course of action, what you would do if there is no agreement. It is *not* your bottom line. Once you have identified your best alternative, you have to put a value on it. That value, in turn, is your "walkaway" when you negotiate. The dollar price that you could get from a competing bidder is an important benchmark, but other factors like ease of consummating the deal, time pressure, relationships (both good and bad), and risk tolerance may

[1] Fisher, Ury, and Patton, *Getting to Yes*, 2d. ed. (New York: Penguin, 1991).

significantly influence calculation of what is acceptable and what is not. Walkaways thus should take into account all of your various interests—tangible and otherwise.

By contrast, a rigid bottom line can be dangerous in two different ways. It can become a self-fulfilling prophecy, one that leads you to get a result close to your minimum. More important, a hard dollars-and-cents hurdle can blind you to creative solutions. For example, a bidder in the cable case might propose some sort of financing package at a generous interest rate. With favorable terms, the nominal price might turn out to be less important.

Sometimes you may be lucky and have an excellent BATNA. That would be true if you were negotiating with a prospective employer after already getting an outstanding offer from another firm. Then again, sometimes your BATNA can be terrible. If you were trying to get a hotel room on a busy holiday weekend, with your kids carsick from too much fast-food and your over-heated engine spewing radiator coolant, your walkaway would be grim. In that situation, you wouldn't demand that the desk clerk give you the corporate room rate (although that's not to say that you shouldn't ask.)

Assessing BATNAs and walkaways—your own and those of other parties—involves both science and art. The former lies in specifying the plausible alternative agreements and rating which, on balance, would be best. The tools of decision analysis and micro-economics are well suited to this task.[2] But art is involved, too, particularly in imagining creative alternatives and weighing their relative value. Research shows that most people are not very good at evaluating BATNAs. Common failings include over-optimism, particularly in lawsuits where both plaintiffs and defendants convince themselves that they are in the right and will win.

Only by considering the perceived BATNAs of both the potential buyer and seller can one see if agreement is really possible—and, if so, whether there is a lot of room to bargain or just a little. Take our first example, involving Frank Park's possible sale of his local cable television system to the national firm, C-Com. To keep things simple at the start, assume that the parties are interested only in a straight cash transaction. Specifically, assume that Park is prepared to accept the other existing offer ($10,000,000 from Gulf Cable) unless C-Com is willing to do better. In turn, C-Com has done financial analysis that justifies its paying up to $13,000,000. Any amount above that figure could be better invested in alternative acquisitions.

In familiar terms, there thus would be a bargaining range from $10,000,000 to $13,000,000. For reasons that are explained later, it is more useful to call this range a "zone of possible agreement" (or ZOPA). Any price between those two figures obviously leaves both parties better off than they would be if they fail to make a deal. On the other hand, there is no "correct" figure or equilibrium. If each party knew the other's walkaway price, social ritual might lead them to split the difference, though actually any number within the ZOPA would be preferable to no deal for both of them.

Even negotiation experts disagree about whether such situations are "zero-sum." In one sense, they are in that any added dollar that the seller gains is a corresponding loss to the buyer. As a result, single-issue negotiations (such as those over price) are often called "distributive" in that a unit of value is distributed to one party or the other, but it cannot go to both. On the other hand, it is important to remember that by coming to agreement, the parties do generate gain. In this instance, a surplus of $3,000,000 is created (the difference between the walkaway prices of the buyer and the seller). Whatever price they settle on leaves them both better off than accepting impasse.

In practice, of course, it is hard for negotiators to have an accurate picture of the ZOPA. Even if they have rigorously analyzed their own BATNA and calculated a present value equivalent, their

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[2] See, for example, Hammond, Kenney, and Raiffa, *Smart Choices* (Boston: Harvard Business School Press, 1999).

reading of the other side's walkaway is usually imperfect at best. General market conditions may provide some clues. Likewise, the behavior of the other party, their apparent interest in making a deal, and the pattern of offers and concessions should be taken into account, but such information is almost always incomplete and subject to interpretation.

Indeed, one of the early tasks in negotiation, once the process has begun, is to understand better how the other party views its alternatives—as well as how it perceives your own. This can be a time-consuming and frustrating process, if each party is guarded about revealing information about its own situation.

The familiar dance of offers and counteroffers is a way of simultaneously testing the true dimensions of the ZOPA (the zone of possible agreement) and shaping the perceptions of the other side. There are real risks in playing such a game, however. If the parties are too coy, they may fail to come to agreement, not realizing that a ZOPA exists. And even if they finally bargain their way to a resolution, their single-minded focus on price may blind them to opportunities for value creation.

Determining BATNAs and walkaways is a cornerstone of negotiation analysis. Ideally, you should carefully evaluate your nonagreement options before negotiation begins. In practice, of course, circumstances change, for better and worse, during the bargaining process, so these assessments must be regularly updated.

Judging how other parties see their alternatives is much trickier. It is easy to fall into the trap of deciding how they *should* see their BATNA, instead of how they really do. This is particularly true in disputes where self-serving biases can come into play. A plaintiff may bring a lawsuit, for example, in the belief that the defendant will want to avoid the costs of a trial, hence have an added incentive to settle. The defendant, however, may deeply resent being dragged into court, hence now see the issue as a matter of principle. Demands can escalate and positions harden when each side misreads how the other perceives its nonagreement alternatives.

2. Parties

Who are the real parties in the negotiation? The answer to this question may seem self-evident, but often it is not. Even in seemingly simple cases, there may be influential players who are not immediately visible at the bargaining table. Negotiators who fail to identify them operate at considerable peril.

Take, for example, the familiar case of buying a new car. If customers negotiate with the salesman (and most are men), they are probably talking to the wrong person. After thinking that they have hammered out a price, customers may be surprised when the salesman says that he has to get the deal approved by the manager. Typically after a few minutes, the salesman reappears with a disappointed expression on his face. The manager can't let the car go so cheaply, he'll explain. It has to be $750 more. The monthly payments will change by less than $20 a month, he'll hasten to add, and besides that, the manager has agreed to throw in the floor mats at no extra charge.

Car dealerships use this old gambit regularly. The salesman on the floor is supposed to build a relationship of sorts with the customer, get him or her softened up and psychologically committed to buying a particular car. Then the manager—distant and intimidating—can squeeze the last dollars out of the bargain. Some dealers actually don't let their salesmen know their rock-bottom price. They want their people to focus instead on discovering the top dollar that a customer will pay. The resulting asymmetry is very much in the dealer's favor: the customer can get pressured into committing to a specific price, but the salesman has no corresponding authority. A savvy customer, who knows the importance of identifying the real parties in the negotiation, should ask right at the outset to speak with the manager.

Identifying the real parties is equally important in sophisticated business transactions. Frank Park, the owner of the small cable television system, should likewise confirm the authority of the people who are negotiating with him. In the case of C-Com, the national company, can its representatives at the table really make a binding commitment, or will a provisional deal have to go through endless levels of corporate review? If that will be a long process, Park might think twice about passing up the other offer he already has. At the least, he might want to negotiate a cancellation fee in the provisional agreement. On the same principle, when negotiating with Gulf Cable, the smaller regional company, Park should discover if it is depending on outside financing to do the deal. If so, he would have to weigh whether having their lender at the table would help or hinder the process.

Identifying all the influential parties to the negotiation can redefine the whole endeavor. In fact, that's exactly what Frank Park did. Specifically, he decided to bolster his hand by pursuing a parallel roll-up strategy in which he would acquire other small cable systems in his part of the state. Putting a cluster of systems together would spread operating and advertising overhead, and give him greater purchasing power with program providers. If he could pull off this plan, Park then would have something much more valuable to sell to the regional or national cable companies. Even getting one or two other systems would add significant value.

This meant expanding his list of negotiating parties to include owners of other systems in his area. It also meant lining up possible financing. Getting specific lender commitments would provide important discipline. The caps that lenders imposed would help keep him from becoming intoxicated by a particular deal. Deadlines in the lending commitments would also protect him from sinking too much time into endless negotiations. If the lender had particular expertise, it might be a valuable ally in dealing with potential acquisitions. Before that could occur, however, Park would have to bargain with the lender over specific financing terms and its role in deal approval.

Identifying the current and potential parties in negotiation thus may raise a host of other important questions and can expose potential pitfalls and opportunities. Are we talking to the right person, for example? And would getting the support of Party A increase or decrease the subsequent chances of getting Party B on board?

This kind of thinking, in turn, reveals ways in which negotiators may be able to favorably change the basic game. Instead of passively reacting to whatever deals happen to arise, they can instead shape the environment in order to foster opportunities that best serve their needs. Park essentially did this by seeking a second bidder, and then by exploring the possible purchase of neighboring systems.

3. Interests

What are the interests and priorities of the key parties? Again, this may seem like a self-evident question, but it is one that many negotiators fail to ask, even of themselves. As a result, they may forfeit enormous opportunities.

Someone in Frank Park's situation might say that his interest is simply to maximize the price he gets for his company. Even if his sole concern were financial, however, getting the highest nominal price might not net him the most money. Careful deal structuring might legitimately reduce his tax obligations, for example. Likewise, he might want to balance his near-term needs for liquidity against long-term capital appreciation. Park should also think about how much risk he should take on and in what form, particularly if part of the payment might be in shares in the acquiring company.

The other parties, in turn, would have to assess their own interests. Timing might be important to the buyer, for example. If it were quietly moving to acquire other systems, it might want to delay an announcement. Or depending on other investment decisions, it might want to book this particular transaction in this year or the next. The buyer also might have a set of management concerns that could either make it important to retain Park for a transition period or to ensure that he leave immediately.

Failure to probe for underlying interests sometimes reflects a lack of insight, an unwillingness to test one's own assumptions, or to question "company policy." It also can be a consequence of the bargaining process. Negotiators also are often cautious about revealing their interests, fearful of being exploited if they expose their real needs. On the other hand, if negotiators lose sight of their interests or misstate them, they have little chance of maximizing the potential value of their deals. Indeed, they may foreclose agreement entirely.

This was almost the case with Frank Park, the cable television operator. As part of his roll-up effort, he approached the head of Aurora Partners, which owned the cable system in the neighboring city, hoping to merge it with his own company before ultimately selling himself. Depending on how the Aurora acquisition would be structured, Park calculated that he could pay a maximum of 10 or 11 million dollars.

Months of due diligence and arduous bargaining got him nowhere, however. Finally, the head of the other system said:

> Face it. We're wasting our time. It's obvious you're not prepared to pay anything close to what our business is worth. If you offered $15,000,000 cash on the table, right now, take-it-or-leave-it, I don't know what I'd recommend to my partners. I'd be tempted to take it, I'll admit. But if I did, I'd kick myself four ways to Sunday because I don't think this business has anywhere to go but up. Offer us a dollar less than that, and you don't even give us anything to think about.

Given how long the negotiations had dragged on, Park interpreted that $15,000,000 figure to be a true walk-away for Aurora. Their price was several million dollars above his upper limit.

Not everything is negotiable, of course, so Park thanked his counterpart for his candor and said that $15,000,000 was far too rich for his blood. He said good-bye, headed for the elevator, and was on the front steps of the building when, as he later put it, a light bulb clicked on in his mind: "focus on interest, not positions."

Park turned around, went back upstairs, and surprised Aurora's president by reappearing to ask one more question. "If you think your system is worth $15,000,000, how much would you be willing to pay for ours?"

"Oh," said the other man. "Yours is a little smaller. Say, $14,000,000."

After a bit of bargaining, they settled on the sale of Park's system at $14,500,000 which was well above what Park expected from either of the other companies that had been pursuing him. Park and Aurora carefully structured their deal to maximize financial benefit for both sides. Conceivably, Park might have done better if he had been able to roll up the small network of affiliated companies he envisioned, but as he had learned from this transaction, doing so would not be easy. He felt it was a good time to get out of the cable business and into other enterprises.

To his credit, Park had done a good job initially in assessing his BATNA, identifying the potential parties, and weighing his various interests. In the heat of trying to negotiate the Aurora acquisition, however, his fundamental objectives became obscured. He temporarily lost sight of the fact that purchasing the second system was simply a means toward the larger goal of maximizing economic value.

Indeed, in the course of consummating the ultimate sale, Park discovered that he had other interests, as well. Having spent many years building his company, he was particularly concerned that his loyal employees were treated well. The deal was structured so that they got handsome bonuses. Likewise, he had a serious commitment to local access programming. The agreement included guarantees that a new studio would be built at the high school, and the old wiring in the municipal offices would be upgraded.

In sum, assessing interests is important before and during negotiation, and even at the end when agreements are being refined and implemented. Without a refined sense of one's own objectives and trade-offs, it is hard to formulate a strategy or judge its success. On the other hand, negotiation involves a process of discovery, so interests can evolve, sometimes fundamentally. As a result, strategy should adapt to changing goals and circumstances.

4. Value

How can value be created—and who will get it? Negotiators should ask both these questions when they prepare for negotiation, though answer them only tentatively. The potential for value-creation ultimately depends on how the other parties' interests compare with your own. Rarely are the interests of other stakeholders entirely clear. Even as they are revealed in negotiation, they may not be perfectly understood.

Take the negotiation between the Frank Park and his purchaser, Aurora. There were months of meetings before it became clear that the owner of that second system truly placed a much higher value on it than Park himself did. Instead of a ZOPA (zone of possible agreement), there was a significant gap between the lowest price that the seller was willing to accept and the maximum price that the buyer was prepared to pay.

Figure B

$15m Min. acceptable price for Aurora to sell

GAP (no ZOPA)

$11m Max. acceptable price for Park to buy

Only at the very end did the parties recognize that while this difference in valuation foreclosed one particular deal, it opened the opportunity for another. The fact that the parties placed different values on the Aurora system does not mean that either one of them necessarily was wrong. The Aurora owner may have had different portfolio needs and investment opportunities. Perhaps he secretly had another bidder who was offering $14,000,000. Or he may see potential synergies with other companies. Park, in turn, may have had different long-term expectations about the viability of the cable industry given the emergence of other technologies.

Figure C

$14.5m Max. acceptable price for Aurora to buy

ZOPA

$11m Min. acceptable price for Park to sell

Differences are the core material for value creation in negotiation. After all, if these two parties completely agreed on the economic worth of their cable systems, they would have little incentive to buy or sell. A deal wouldn't be worth talking about—let alone bearing all of the costs involved in executing a transaction. By agreeing to the sale of the system, the parties essentially created $3.5 million of surplus value that reflected their differing expectations about the future of the cable business, as well as other investment opportunities. Depending on whether their agreed price ended up closer to $11,000,000 or $14,500,000, the greater share of that value might go to one party or the other.

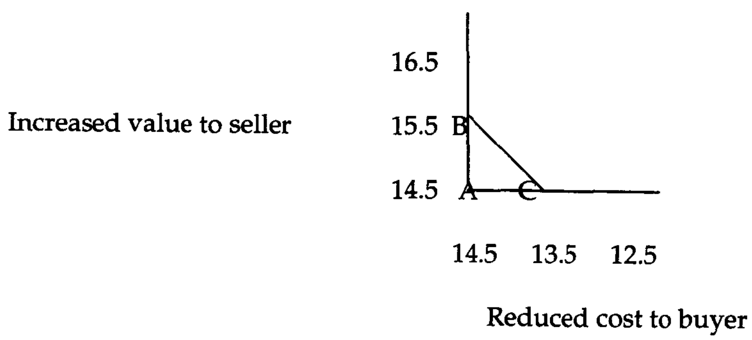
In most cases—including this one—there are more issues at stake than simply price. That means more dimensions on which the parties can differ, and hence, enhance value. But having more issues also requires a new way of visualizing how much value is generated and who gets what share.

Here is a simple illustration. Imagine that the parties in our cable television case have tentatively agreed to a cash price of $14,500,000. Any price adjustment would benefit one side at the expense of the other, so there would be no room to move—unless they could bring other issues into play. What if they discovered, for example, that the deal could be structured to result in $1,000,000 in net tax savings? If so, the buyer might agree to increase the nominal price, if some of those savings would actually bring the net cost down.

If the buyer got all of these savings, then he would effectively pay only $13,500,000 while leaving the seller no worse off than in the original deal. Alternatively, the seller might get all the tax savings and increase his profit without making the deal any more expensive for the buyer. Most likely, they would split the tax savings in some way, hence both would be better off than with a straight cash transaction.

This kind of value creation can be represented in the two-dimensional ZOPA diagram in **Figure D**. Here, the seller's interests are represented on the vertical line: values further north (up) are better for him. The buyer's interests, in turn, are represented on the horizontal line: points to the east (right) are better for him.

Figure D



Point A in **Figure D** locates the $14,500,000 cash deal that the parties provisionally reached. The line BC represents alternative deal structures that would yield $1,000,000 in tax savings. At point B, the seller would get all the savings, while at point C, they would go entirely to the buyer. This simple diagram illustrates key negotiation lessons:

1. It is possible to reach agreements that create gain for both parties. All of the points on the BC line are superior to the original deal at point A.