Negotiation Training Three: Multi-Issue Negotiations

Alyssa: Hi, everyone. Great to see some of you back and some new faces. Thanks for being here in our third negotiation training session. This one is going to cover multi-issue negotiations.

Professor Umphress: Thank you. So, moving on to multiple issue negotiations, this is when it gets really serious. Here's our agenda: I'm going to go ahead and review what we need to be putting in our pre-negotiation plans. As we learned in our first session, you must be prepared for your negotiation and your pre-negotiation plan needs to include certain things so I'm going to review that. Then, we're going to define what it means to have a win-win negotiation. It turns out that most of us really don't have a good idea about what it means to have a win-win negotiation. Then, I'm going to talk about strategies for multiple issue negotiations and these strategies will start off pretty easy and then we'll get to the harder strategies as we move on. Then, I'm going to talk about generating a point schedule. When you have multiple issues in a negotiation, you have to have some way of deciding what issue matters more to you, versus less to you. That means that you're going to have to prioritize your issues and you're going to have to allocate percentages across those issues. How much more do you care about Issue Number One, Issue Number Two? We're going to talk about how to generate what I'm going to call a point schedule in order to understand how you care about the different issues in your negotiation.

Here's our session framework: We started off with the introduction to negotiations. Then, last time we talked about single issue negotiations. Now we're at multiple issue negotiations. Next time, in two weeks, we're going to be talking about influence tactics, so how we can influence others which is obviously really important for our negotiations. It turns out there's a lot of research on how to influence others and I'll be sharing that in two weeks. Then, we're going to do group negotiations in a month, and that will be our last session.

Remember from our previous sessions we have a BATNA. BATNA is what you would do if a negotiation doesn't work out. Before your negotiation, you want to know what your BATNA is. You also want to know what your reservation point is. This is the numeric value that's associated with your BATNA; it is your walk away point. Before your negotiation, we need to have a plan and there's a template for the plan on the website. You want your BATNA, you want your reservation point, and finally, we want to have our target.

The reason why I review these every time is that it's just so fundamental to every negotiation to know what your BATNA, reservation point, and target is. Remember for that target we want to be shooting as high as possible. For a person like me in an organization like this, what is the
highest possible salary that a person like me in an organization like this can make? That is going to be my target.

Alright then, last time we talked about how to determine what your first offer is going to be. If your first offer is something that is non-numeric, it is categorical, that’s your goal. Let's say, for instance, that you want to live in San Francisco then you would just say, “I’m going to take the job in San Francisco. But if your offer is numeric, we talked about what it would look like to make your first offer. We determined that you want to have your numeric offer about 3% or more higher, no more than 20% higher. If there's a lot of variance in the market, you can go up to 20%. If there's a little variance in the market, then let's go to 3% above your target. If you start off at your target when you make your first offer, you're not going to get to your target and that's why we go a little bit more. We're going to do something called a bolstering range. If you want more information about that, then watch this session from last time. For an example, we have our target of $100, then your first offer is going to be a little bit above that $103 to maybe $112; that would be our first offer. Alright, so all of these things are going to be included in your pre-negotiation plan.

Now, what are win-win negotiations? Really, it's not possible to have a win-win negotiation unless you have a multi-issue negotiation. When we talk about win-win negotiations most people think it's a compromise. Most people think it's “I need to give the other party about half or at least some of the outcomes that I really care about.” That's not really true. That's not what a win-win negotiation is. Sometimes we need to compromise and being ready to compromise is really important in any negotiation, but we want to strategically compromise. So, we're going to compromise on some things and we're not going to compromise on the other things. And that's what we're going to learn today: How do we decide what we compromise on and how do we decide what not to compromise on at all?

Next, people think a win-win negotiation is an even split, so just meeting in the middle. If you were around last time, we found out that meeting in the middle is generally not a fair idea; it's generally not a good idea to meet in the middle. That's because the other side might start off with really extreme values and if you're using non-extreme values, or values that makes sense, meeting in the middle isn't fair for you. A win-win really isn't an even split either.

A lot of people think a win-win is feeling good after your negotiation. If you were around for the first session, you found out that if you set a very specific difficult goal or a really challenging target in your negotiation that immediately after that negotiation, you're not going to feel good at all. You're actually going to feel not very good because you didn't quite get to that target. You would have performed really well in that negotiation because you did set a really specific difficult goal.
but you’re not going to feel good. We talked about strategies to do after that negotiation and these rituals that we tend to do after negotiations; going out to dinner for me, getting ice cream makes me feel better. So, feeling good is really not a sign of a win-win negotiation. By the way, when you have a specific difficult target you might feel bad immediately afterwards but wait until the next day and you’ll feel great because you’ve got great outcomes.

A lot of people think a win-win is building a relationship. Now, building a relationship is also incredibly important; we want to be building those relationships in a negotiation. However, sometimes having a really strong relationship can make it to where we make assumptions about the other side's interests and it turns out it's pretty dangerous to make assumptions about the other side's interest. When we guess at the other side's interests, sometimes we guess wrong. If we guess wrong then we might be giving the other party things that they don’t want and when you have a stronger relationship with the other party, you make these guesses. It’s not a good idea to make these guesses because again, we could be wrong. Instead, we want to be asking. The research actually shows if you have a stronger relationship with the other party, you actually have worse outcomes; it yields poorer outcomes than if you had a less strong relationship. So, that's also not a win-win negotiation.

What is a win-win negotiation? A win-win negotiation is when we have what's called an integrated agreement. Here, nothing is left on the table. All creative opportunities are exploited, we've completely shared what our interests are or what we want in the negotiation, we've completely asked the other side and we know what their interests are, and we've solved this puzzle to the best extent that we can to where we're maximizing both the other party's interests and our interests.

Negotiators tend to think of negotiations in three different levels. Our level one is just mutual settlements. We did better than our BATNA, we did better than our reservation point, and got as close to our target as we possibly could, but that's just a level one solution. Level two is when we add other issues to the mix. This is when we're having multiple issues that were considering, multiple issues that we're thinking about. When we add multiple issues, we get to that level two solution. Now, level three is when there is no other better agreement possible. Nothing is left on the table and when something is left on the table, it's in neither parties' hands. It’s not in my hands and it's not in the other party's hands either.

How do we get there? Some signs of win-win potential is definitely negotiations that have more than one issue. We’re not going to get to those level three agreements unless we have more than one issue that we’re dealing with. One thing that you want to do is bring other issues into the negotiation and this is something that we talked about a little bit during office hours and also
during the discussion two weeks ago; if there's some other issue to bring in, bring it in because that's only going to help magnify and increase potential positive settlements. Then, can side deals be made? Is there something else that maybe we can not only do a contract for this year, but also for next year? Maybe that can help improve our relationship and moving forward, improve that negotiated outcome. And next, this is a big one. Do parties have different preferences across the issue? If I care more about one thing and you don't care as much about it and we have another issue that you care a lot about and I don't care as much about it, we can just trade off. I'm going to give on an issue that is less important to me in order to gain on an issue that's more important to me. That's called trading off. It's also called log rolling in the negotiation literature if you read some of the articles. I tend to not like the term log rolling, I really like the term trading off, but they're the same thing just in case you see that.

Now we're going to be talking about the strategies that work. These are research proven strategies that we know are going to lead you to better negotiated outcomes and getting to that win-win potential, a level three, nothing is left on the table. Research shows that if you're about to negotiate with someone who you don't have a very good relationship with or you don't know very well, I want you to think about their perspective. What might they care about? Now you could be wrong about what they care about, but we still want to think about it for a moment. The research says five minutes, so sit down and think about what it is like to be in that person's shoes. How do they think and feel about this particular outcome that you're about to negotiate? Try to feel what the other person is going through, so really speculate about the other person's interest, try to put yourself in their shoes. It turns out perspective taking is actually a really good strategy for you because it helps you think about the other party and then get curious about the other party. Part of the negotiation is figuring out what your own interests are and also considering the interests of the other party.

With our homework before we negotiate most of us actually don't plan for our negotiations, so we don't think about our own interests. The first couple sessions we focused on your own interests but now we're going to focus on how we find out the interests of the other side. Well, one way is putting yourself in their shoes and trying to think about what it is like to be this person. If I was this person, what might I want? Get curious about it.

Another thing that works is building trust. Trust is absolutely paramount in any negotiation. How do we build trust? I think it's useful for us to think of the different types of trust when we discussed trust.

The first type of trust is deterrence-based trust. Deterrence-based trust is when I set up a negotiated outcome and I make it such that I motivate the other party with either carrots or
sticks, because I know how they're going to behave. I give them a carrot, or I pay, or something positive in order for good behavior or I deter bad behavior with sticks or negative outcomes. There's been extensive research in the management literature on what works better, carrots or sticks, and that research shows overwhelmingly that carrots are going to work better. In your negotiated outcomes, in order to build trust, I want to encourage you to think about positive things that would come to the other party if they were to behave in a positive way. What are the carrots that they care about? What are the things that motivate them and how do we get those things or deliver those things to that other party? What do they care about?

The other thing that helps build trust is knowledge-based trust. This is pretty classic. I know, or I have faith because of past performance, that this person behaves in a very predictable, reciprocal positive way. For example, I know Jay. Now, when I first met, I didn't really know how he was going to behave so I wasn't really sure about Jay at first, but now I know Jay is incredibly reliable. He's very positive so I have certain expectations about Jay’s behavior now and that helps develop positive trust. That knowledge-based trust is going to be really helpful when I negotiate with Jay because I'm going to believe what he tells me; Jay does what he says he says he's going to do it, so I'll believe him. Now that could be potentially bad if Jay didn't do what he said he was going to do. If I met Jay and then Jay was (and this is not true at all) not very reliable and I couldn't count on Jay, then that's knowledge-based trust, but it would be really negative. What you want is to develop that positive knowledge-based trust with the other party.

Then there's something called identification-based trust. This is when you share something with the other party. Just because Alyssa and I are now at the University of Washington together, research shows that we should have something called identification-based trust because we both identify with some higher order idea, which is the University of Washington. Research also shows that Jay and I should have identification-based trust because both of our kids are in the Seattle Public School District, so Jay and I also have identification. Jay and I have a lot of trust here, as you can tell. Identification-based trust could be based on sports teams, it could be based on where you went to school, it could be based on where you live, but highlighting things that you have in common is using identification-based trust to your advantage.

Another thing that you want to do during your negotiation is share information about your interests. Now, this is when people start to feel pretty uncomfortable. Maybe before you took this session, you thought that your goal in the negotiation is not to tell the other party what you want. That's not true at all, by the way. What research shows is that you really want to communicate to the other party exactly what you want. Research also shows that people are good at talking about the really good reason that they want something, but they're not really good at saying what they want. The really good reason also doesn't help you get what you want,
the really good reason will help you only if you first say what it is that you want. You need to share with the other party what your goals are, what you want, what your fears are.

Here, I've outlined an example about what you might do if you're in a job negotiation, for example. In a job negotiation, I want to share what my issues are. I'm going to say my number one issue is bonus. What I care most about in this job is going to be my bonus. Now my target is going to be 15%, but again, I'm going to do that bolstering range. Here, I say what my interests are, and I say, “My number one issue is bonus, but I'm looking to get somewhere between 16.5% to 18%.” I'm not even going to say the 15%, but I am going to share that bolstering range. Then I'm going to tell them my number two issue and my second issue that I care about is base pay and I'm looking to get somewhere between $103,000 and $112,000 a year.

Now for you, your issue priority is going to be different from this, this is just an example. It’s really important to share not only what you want, but also the number. What is your number one issue, or number two issue, or your number three issue? How much do you care about this issue? It's also really important to share what your preferences are, what you would like; that helps you get what you want, by the way.

Another strategy that really helps, and then we'll get to questions, is asking questions at the other party. You really need to be asking the other party what they want, what their interests are. I provided some examples of how to ask these questions. A really basic question that I ask every time I negotiate is, “What is your ideal outcome in this negotiation? If you were to picture an ideal outcome, what would it look like?” Then, I go through and I start asking about specific issues. They say, “I would want a bonus in my job.” Then I'll ask questions, “What would be your ideal bonus?” Then they might share that they also want base pay and what their ideal base pay would be. Then I follow up with, “Would bonus be more important or less important than your base pay?” I'm going to follow up with those questions, such that I get an idea about how they prioritize the issues and what their preferences are.

Okay, so now we're going to get to some questions.

Alyssa: One thing I was thinking of when you were talking about trying to bring other things to the table during the negotiation so that you can create these multi-issue negotiations, is that ever a bad idea to bring up past negotiations, like if you've done deals with them before?

Professor Umphress: This is where you want to do the research beforehand and look at your past negotiations. For every negotiation, part of your pre-negotiation planning is going to be looking back to the past and trying to figure out how you did before. What were your mistakes?
What can you do better? Look back at your previous negotiations and learn from them. Let’s pretend you say, “The last time I worked for your company, I got $99,000.” Unfortunately, if you state a number during the negotiation, that’s anchoring them to that number and that’s not going to be in your best interest. Stating the actual values that you did before will make it such that it anchors to that last negotiation. Now, that’s great if I really love that last negotiation and I want to stick with it but if I want to change something about the negotiations, that’s not going to be a good strategy.

Alyssa: Great. Someone is asking, can you give an example of failed negotiations?

Professor Umphress: Of course. I think that most negotiations that fail, they fail for two reasons. One reason is that the other party didn’t accurately share information about their interest. I’ve seen failed negotiations happen because of lack of trust. Here, the other party didn’t trust the person they were negotiating with and it led to a failed negotiation, even when they could have had a really good negotiation. So here, they could have done better with their BATNA and their reservation point, but unfortunately because they didn’t share information about their interests due to lack of trust, it was a failed negotiation.

Another negotiation that’s actually a success, but not a great success, happens when you leave things on the table. Leaving things on the table means that nobody got that outcome. An example of this might be Alyssa and I are negotiating and I’m trying to buy a supply from Alyssa, but I only know about supply A. I’m super interested in supply A but because I didn’t share my interest and what I really cared about and what I wanted to use the supply for, a better supply for me would be supply B. Supply B would better meet my interest. Alyssa didn’t share information about her supplies and and didn’t ask me questions about what I needed and what would be ideal for me and it left me such that I’m going to buy supply A which is cool, that’s good for me and Alyssa, but I would have bought more of supply B and it would have suited my interest better.

Alyssa: Okay, Kevin wants to know, do you agree first on how the negotiation will proceed? For example, ground rules.

Professor Umphress: You know, I love that question because we’re going to get to that as a strategy. Ground rules are something that are really useful to establish, especially in the face of distrust. Distrust may happen because this is the first negotiation you’ve had with the other party or because you’ve had failed negotiations or negative negotiations before. We will talk about how to set those ground rules and what those ground rules might look like shortly.
Alyssa: One more question from Rebecca really quickly and then we'll continue. Rebecca wants to know, is it recommended to share what you want before you provide the justification?

Professor Umphress: Exactly. You do want to share what you want first and then the really good reason why you want that outcome. First, you’re going to share your preference and your order of importance, your preference and and and why you want it. Start off with the interests, or what you want. The reason why that's going to be first is we want that to be first in the other party's mind. We want to be anchoring them, we want them to be thinking about those interests. The really good reason why and the fairness justification supports the interests. In some negotiations, I've seen people that don't even share the really good reason why, they just share the interests because that really is what you're there to find out: your interests. Now, I think fairness justification is a really good thing to share with the other party and I'll include that every time I negotiate, but the the thing you want is absolutely key.

For those questions, I would add, I'm surprised that there wasn’t a question about putting your cards on the table. For the next question session, I really want you to think about how comfortable you are in sharing what your interests are in the negotiation. I will let you know that this is something that my students tend to feel the most uncomfortable with. They aren't comfortable sharing exactly what they want and then negotiating. Think about that and think how comfortable you are sharing what your interests are in the negotiation. What the research shows about this is if you don't share what you want in the negotiation, then you're not likely to get it because the other side is going to guess at what you want, and they typically guess wrong.

The other reason it helps you to share what you want in the negotiation, is because you can come back to it. Let's say your number one issue is your bonus and you share that with the other side, that your number one issue is bonus. Then, at some point, the other side decides to give you a really crappy bonus, then you can come back and say, “I did share that this is my number one issue, so it's really hard for me to come to an agreement with a not very good bonus. I would really appreciate it if moving forward you could think about bonus because that's my number one issue. Let's try to get that as high as we can.” This helps provide you with justification for why you like those interest being met.

Now if you're shady or you say that you care about everything the same (which is also not a very good strategy) then the other side doesn't know how to make compromises, the other side doesn't know how to give you what you want. If you just say you want everything and everything matters equally to you then you're actually not likely to get the things that you care most about because if you say you care about everything the same, the other side is going to make compromises on the things that they care the least about and those might align with the things
that you care the most about and they might not. So, you're most likely to get what you want when you highlight your number one issue with a really good reason, then your number two issue. If you don't feel comfortable highlighting it 1, 2, 3, then go ahead and group them, as your top two, then your next two, but definitely be clear about what your interests are.

Think about that, think about how comfortable you are with it. When you first use a strategy in a negotiation, it might feel really foreign, but again, you're more likely to get what you want when you use the strategy.

The next thing that will help you get to those win-win negotiations is unbundling issues. This is when we're breaking down issues into the smallest parts. We can do this for any type of issue, but I typically ask people to think about pay. First, you might think about pay and just think about it as one thing, but actually pay is a lot of different things. This is true about a lot of different things that we do in our employment relationships. A lot of our outcomes, we think of them as one thing, but there are actually lots of different things. For example, with regard to pay, you have your base pay, you have your signing bonus, your bonus, your equity shares, your retirement, your overtime, and there's also probably a lot of other things to think about.

All right, here's an example where I'm outlining my interest and then I ask my other negotiation partner, and I'm using a job negotiation as an example, what their interests are. I find out my interest and again, I already stated, my number one is bonus, my number two is base pay, my number three is equity shares. In terms of my employer, I find out their number one is equity shares, they actually don't want to offer equity, their number two is base pay, and their number three is bonus. Now I know what their interests are.

Unbundling those issues makes it such that we can make agreements on the smaller issues and it helps really identify what our preferences are across the issues and come to much better agreements and also solve that puzzle. Here, we have an example of log rolling or trading off. Trading off is absolutely key in our negotiations. This is actually one of the best win-win negotiation strategies. So again, we have my number one issue. You can also see the other party's number one issue. The strategy for this is to trade off. I'm going to concede, or I'm going to give on equity shares, and I might make an agreement to where I have less equity shares, or even no equity shares, in order to gain completely on my bonus and get my ideal bonus. In exchange, my employer is going to make it so that I don't get any equity shares, or I get much less equity shares than I was thinking. This kind of trading off really expands the pie, it expands our potential agreement. If something's more important to me and I get that issue met completely, then I'm going to feel more whole, I'm going to feel more positively and vice versa. If they get their issue
me completely, or more so, then they're going to feel more whole. Then, they can give on other issues that are a little bit tougher.

As you can see, both of our number two issues are base pay; that's going to be a tough negotiation. For the number two issue, going back and forth on base pay, we're going to use those strategies that we talked about last time, which are making smaller and smaller concessions over time and having reciprocal concessions. But for number one, bonus and equity shares, we can really agree to this pretty quickly, and then we can trade off. I'm going to get my bonus completely and at the same time I'm going to give on those equity shares. Now, sometimes people when they first use log rolling, they just give and give without getting; that's not log rolling, that's not trading off. I'm going to give in order to get at the same time. We're going to talk about both of these issues, literally, at the same time so I can have no equity shares in exchange for the the best bonus that I can possibly get.

Another strategy that's a little bit harder are contingency contracts. Contingency contracts are if-then statements. If something happens in the environment or if something occurs, then something else is going to happen. These kinds of differences really helped pave the way for win-win agreements, or integrated agreements. In other parts of your life differences are not good, but in negotiation world, if we have differences that's actually a really good thing.

Okay, so what are some differences that we might capitalize on? Let's say differences and expectations. Let's say my sister and I inherit some property and I think the property is going to be worth more if we wait and don't sell it. My sister thinks that we need to sell now, this is the highest value the property is going to be at, so we decide to sell right now.

We could argue a lot about our differences and expectations, or we can have a contingency contract. I can buy my sister out. I can buy an if-then statement, “I want to hold on to this property. I'm going to go ahead and give you half of the value of the property now and hold on to the property. Then, when I sell it, I get to have the full value of that sale because I've already bought you out of that property.” We could make it such that, “I'll give you 20% now and then 30% of what you think you would have made later.” There's lots of if-then statements that we can make based on differences and expectations. I expect something's going to happen, you have a different expectation, then we bet on it.

We might have differences in risk attitude. A lot of us can have differences in risk. Let's say we're trying to play the stock market right now. Who knows what's going to happen? You might be pretty risky and go ahead and put that money in, but let's say your significant other doesn't want to do that, they're much less risky than you. Can you make it such that you have some sort of
contingency contract? Let's put a portion of that money in now, wait, see what happens, and any of the earnings that come from that we can put in a savings account and we can help my less risky attitude by saving that money and you can continue playing the stock market with the money that you have. It's really natural for us have differences in risk, it's a personality variable. In other words, it's an individual difference variable and rather than arguing about it, because you're not going to be able to change the other person's personality, try to set up a contingency contract with an if-then statement.

We also might have differences in time preferences. Maybe I need money now and you can wait a little bit longer for that money. Let's say we do decide to sell that property and I need that money up front, or more money up front for the sale of that property, but you're willing to wait until all of the money is cashed out and goes through escrow. I might get a little bit less money, but I get that money soon and you wait longer for that larger amount of money. We might have differences in time preferences.

We also have differences in capabilities. Now, this is pretty important. We all have different capabilities, and, in our negotiations, we need to capitalize on those differences and capabilities. I see this a lot with my students and in their work assignments. Some of my students are really good at presenting their final ideas, they're great presenters, and some of my students are really good at doing the numbers associated with the accounting, and some of my students are really good at writing up the report for their boss. If we have these differences in capabilities, let's capitalize on them. Have one person who's really good at the numbers do the numbers, the person who's really good at presenting present, and the person who's really good at writing write it up, and make sure that we all give credit where credit is due when it comes to management.

When it comes to contingency contracts, let's not create a conflict of interest. Let's say that I sell a show to Jay and we make a contingency contract. If the show is really productive and the show does really well, then I get a kind of rebate afterwards. We don't want to motivate poor performance; we don't want to make it such that I want the show to not do well. Let's not motivate poor performance with our contingency contracts.

Let's make it enforceable, make sure it's written down in a contract. That's why they're called contingency contracts, because it needs to be in a contract. Let's make sure that we know when that contingency is met. It needs to be clear, it needs to be measurable, and readily evaluated, so anyone can understand when that contingency is met.
Alright, so now we're getting to Kevin's question: how do we set the groundwork for our negotiation? How do we set it such that we're going to have a positive negotiation moving forward? Negotiations with people with high distrust or negotiations with people that we haven't had a negotiation with before, you need to have some sort of pre-settlement settlement and what this is, it's a negotiated outcome before a final negotiated outcome. A pre-settlement settlement is just setting those ground rules for how we're going to come to an agreement. A pre-settlement settlement is going to be formal and these are going to be binding obligations.

An example of a pre-settlement settlement might be where we're going to negotiate, the time we're going to negotiate, it might even be how we're going to present information and the information that's going to be presented. It's going to be initial and then we want it to be replaced by a more formal agreement at the end. That means that it's partial and that not all of the issues are going to be addressed in this negotiation.

Sometimes, when we're having a negotiation with another party, it's a win to agree literally on anything, especially when you don't trust the other party. Let's say the other party is a really big competitor of yours and just finding out how you're going to come to the table and what information you will share with the other party is going to be a win in terms of that negotiation. Research does show if you're able to agree on something and come to this pre-settlement settlement that you're more likely to be able to replace it with a more formal and comprehensive agreement, one that's longer term.

This is incredibly useful and if I'm negotiating with two parties or I'm facilitating a negotiation between two parties who do not trust one another, then I will always do a pre-settlement settlement that will include where the negotiation will occur, the time that negotiation will occur, how information is going to be presented, what information would be presented, as well as the different issues that are planning to be negotiated. Now, of course, we're going to allow side deals to be made as well, other things to be brought in, but the pre-settlement settlement will just be the initial issues that are going to be discussed.

Now we're going to get to what I think is the toughest strategy, which is called MESOs. They are multiple offers of equivalent value to you that you make, that you make simultaneously to the other party and that's why they're called MESOs, multiple equivalent simultaneous offers.

You're going to have to use a scoring system. I'm going to talk about a point schedule and how to use this point schedule in a moment, but you're going to need to use a scoring system in order to do a MESO. I think the best way to describe a MESO is to provide an example in the slides. In this negotiation, there was someone who owned an apartment complex and each deal was equal
value to the person who was the owner, but this person was having a hard time with the someone that they were negotiating with who might rent an apartment in their building. The other party wasn't sharing information about their interests and even after multiple attempts, the other party still was unwilling to share information about their interests. Then, the apartment owner designed a MESO, multiple offers, three offers or more, that are equivalent value. Each one of these deals is equivalent value, so whichever deal that person chose, if they chose one of these deals, then that would be fine with the person who's negotiating.

These deals are provided at the same time. How you provide a MESO is, “Of these three, which do you prefer?” Then, their choice is going to tell you what their interests are. If they choose deal number one, for example, you know that they care the most about the rent and specifically, they want lower rent, because that was $10,000. If they choose deal number two, you know they care about a lease term and specifically, they want shorter lease. If they choose deal number three, then you know they care the most about having the swankiest space, or the penthouse. All three are going to be the same value to the apartment owner and all three are going to be above their target.

MESOs work really well. The other party is going to be more satisfied with your outcome and they're also going to feel that you are more flexible than if you had just presented one offer. MESOs are really helpful in two different instances: one, if you have to negotiate with lots of people, and two, if the other party is not sharing information about their interests.

I'm going to leave my last one, which is post-settlement settlement, which I love, by the way, until next time, so we'll start off with post-settlement settlements and we'll get to your questions.

Alyssa: Dolores was wondering when doing the negotiation, when should you concede and will holding off for a time be a good strategy?

Professor Umphress: Okay, so we definitely want to concede on the things that are less important to us in order to gain on issues that are more important to us. We're going to do that trading off, so we want to strategically concede. We're going to concede on those things that are less important to us. If we find something, like base pay was in the previous example, that is equal value to both of us, those are the tough ones. I'm going to make smaller and smaller concessions over time and I'm going to pay attention to the concessions that the other party's making. If they don't make concessions that are large as large as mine, I’m going to highlight that. Then, I'm going to make sure to make reciprocal concessions, so I make a concession, then the other side makes a concession, and we take turns.
Alyssa: Okay, how do we do pre-settlement agreements when there is low trust, but they are part of the same company?

Professor Umphress: That's tough. I would try to bring in a trusted third party. Hopefully there's someone else you both know who's in your social network who can help come to this agreement and can help create that pre-settlement settlement. If there is high distrust, then generally you need somebody else to come in and help with that agreement for that pre-settlement settlement. Generally, after you do the pre-settlement settlement, then you come to an actual agreement that's going to replace that pre-settlement settlement and maybe a couple of agreements later you can do those agreements on your own. It is going to be a useful thing to have what we call a mediator, or someone to come in and help facilitate that agreement.

Alyssa: Kevin just asked, how do you handle situations where the other party has significant leverage?

Professor Umphress: Again, that's going to be super hard. We're going to act like they don't have the leverage. We're going to have our negotiation all focus on interests, your interests and the other party's interests. We're going to notice that the other party is esteemed, but we're going to do that anyway. Let's say, Alyssa and I are negotiating over supply. I'm going to say all the things that I like about her supply when we get started and that's going to help get her in a positive mood and it's going to make it such as she's more likely to come to an agreement with me. I'm going to do that whether the person has leverage or not; I'm always going to acknowledge the other party, I'm going to acknowledge their interests. The leverage is definitely going to be in the room, but I'm not going to say that they have leverage in that situation. I would be careful when the other party has leverage because it might make you come to agreements that are not as good for you. Let's stick to those strategies that we've talked about last time, as well as this time.

Alyssa: Great. I was just wondering, when you were talking about specifically the identity trust, would you recommend maybe getting coffee with someone before or setting up a meeting before you're going to negotiate? I feel like, especially in American business culture, we are very much quick to get business done, we’re a little rushed.

Professor Umphress: I think, definitely in American culture, we want to get straight to business. I think it's a great idea to bring coffee to the negotiation, bring a small gift to the negotiation and we're going to talk about this next time, by the way. This is an influence tactic. In the United States, we only allow a little bit of time to build that identification-based trust. We allow about five minutes for us to get to know one another and sharing information about who you might
know, who might be common in your social network, or other things that might be common to 
you and the other party to build that identification based trust might be a good idea. That process 
might go on for days in other cultures, but in the United States it's about five minutes.

Alyssa: Great, one more question. What do you do when there are multiple parties involved in the negotiation? That is going to be discussed in week five, correct?

Professor Umphress: That's right. In a month, tune back in and we will be talking about multi-
party negotiations. These are super difficult negotiations and we'll talk about strategy specific to those.

Thank you everybody and see you in two weeks.