

Participant Materials

The Linkage Management Development Certificate Series

SESSION 2

Negotiation

Featuring Stuart Kliman

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Introduction

Welcome to the second session of *The Linkage Management Development Certificate Series, Negotiation: Principles and Techniques*. Stuart Kliman, who received his JD degree from Harvard Law School, will present this program. Stuart is a founding Partner of CMI/Vantage Partners.

Stuart Kliman's work in Vantage Partners includes helping organizations build the capacity to manage conflict and engage in successful negotiations of all kinds. Vantage partners helps its clients increase organizational returns on the wide range of formal and informal negotiations in which they engage daily. The work of Vantage partners includes assisting clients to manage the issues involved in creating alliances and other kinds of interdependent relationships.

Many of the ideas and tools presented in the program were developed, researched and tested by the Harvard Negotiation Project through work with *Fortune* 1000 companies. These processes and tools are also used in diverse public sector negotiation situations in Vantage Partner's non-profit work.

Regardless of their day-to-day responsibilities or specific functional expertise, managers need to be able to negotiate effectively. Effective, value-creating negotiation is fundamental to success in internal and external relationships of all kinds. Developing this set of skills is the goal of this satellite session.

Today's program will focus on helping you develop some of the following negotiating competencies:

- definitions and frameworks
- strategies and skills

During today's program Stuart will discuss the importance of organizations developing effective negotiation skills as a core competence for leaders and managers. In this program Stuart will acquaint you with the basic ideas and frameworks in the areas of negotiation. First he will help you understand the components of successful negotiation. He will then discuss a definition of successful negotiation that will help you evaluate your negotiation efforts. He will also present some guidelines and tips for increasing your negotiation skill set.

Stuart will use a negotiation case study to help illustrate and apply the negotiation approaches he presents. This case study will make the issues and strategies presented real. Stuart will also utilize other examples of successful negotiation strategies from his breadth of experience to demonstrate the real-life applications of key strategies and skills.

What you will learn

By participating in the *Negotiation: Principles and Techniques* program you will be able to:

- Develop a prescriptive framework to prepare, conduct, and measure the success of your negotiations
- Increase your personal negotiation skills
- Develop a clear vision for effective negotiation
- Coach others to negotiate effectively

Pre-presentation activities

The Pre-presentation activities have several purposes. The first is to help you consider your own negotiation needs and personal examples. The second is to utilize a case study approach that will provide a common set of data to use in discussions.

In order to get the maximum benefit from this presentation please do the following exercises prior to the workshop:

- 1) Personal experience:
 - Spend a few moments identifying a specific negotiation that is either upcoming and on which you would like to do well, or one that has already occurred and that you think could have gone better
 - Write out a few bullet points describing the basic topic. Also describe the main issues being negotiated.
- 2) Prepare for and negotiate the attached short exercise, Sally Soprano. (These materials can be found on page 47 in your Participant Guide.)
 - Please find a partner who is willing to spend a few moments preparing and then negotiating with you.
 - As you will see, there are two sides to the case (one side playing the role of the Business Manager for the Lyric Opera, the other playing the role of Agent for Sally Soprano).
 - You can play either role, but please do not read the role that you are not playing.
 - The entire exercise should take no more than 30 minutes;
 - 5 minutes to read the case through,
 - 10 minutes to prepare,
 - and 15 minutes to negotiate.

Pre-Presentation activities (continued)

In your own words define each of the following terms or phrases. Stuart will define and use these terms during the presentation. You will be asked to return to these terms following the presentation to review your responses and add to these concepts based on the information Stuart presented.

BATNA _____

Key Negotiation Components _____

No-Waste Option _____

Legitimacy _____

Well-planned commitment _____

Good outcome _____

Classic positional bargaining _____

Joint problem solving _____

During this program

- **Participate!** Actively follow along by using these Participant Materials for your notes.
- Submit questions to be addressed by Stuart Kliman during the question and answer session. Stuart will respond to questions in the latter third of the program. To submit questions, complete either the fax form found on page 50 or call in when prompted during the program.

Today's program

To begin the program Stuart will discuss the importance of an organization considering negotiation skills as a core management and leadership competence.

Stuart will present a model for conducting effective negotiations. The components of the model include

- preparation,
- conducting the negotiation,
- considering a definition of success that will help you evaluate your negotiation efforts,
- and finally reviewing the steps



Some common measures of success

In order to determine if our negotiation efforts are successful, we need to first step back and consider what we consider “success.” Traditionally, we focus on “winning” to determine if we are successful. If we can’t win, we will often settle for not losing.

Our view of this and the organization’s cultural criteria often decides whether or not we consider our efforts worthwhile.

Some Common Measures of Success

Winning

- Get the most concessions
- Break their bottom line
- Get last possible dollar
- They hurt more

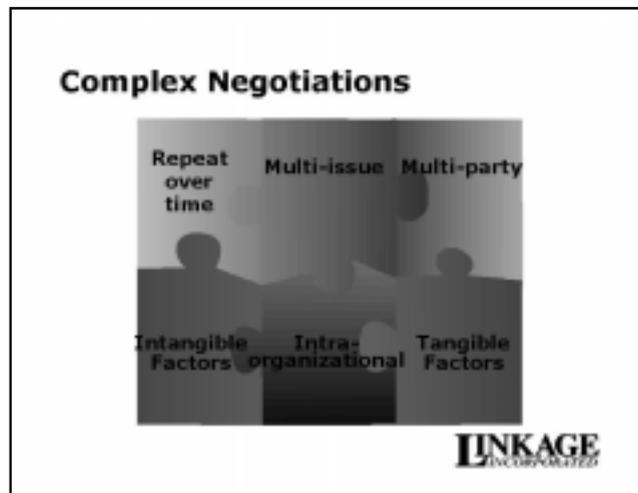
Not Losing

- Avoid confrontation
- Get any deal

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Complex negotiations

Effective negotiation skills are particularly important when we engage in complex negotiations. Complex negotiations are those that repeat over time, involve multiple-issues and many different groups. They may include tangible or intangible issues, and involve many different parts and/or levels of the organization.



Key Components of doing well

As we return to our model of effective negotiation we see that it is important to consider the definition of success as a first step in beginning a negotiation process.



Seven element definition of success

Stuart will present a definition of success for negotiation that contains seven elements. These seven elements are grouped in two parts. The first five elements are part of the substance of the negotiation. These include; your best alternative to a negotiated agreement or BATNA, the interests identified, possible options, issues of legitimacy, and commitment.

The last two elements are procedural in nature. These include communication and relationships.

Each part of this definition will be considered in detail.

Seven Element Definition of Success

- SUBSTANCE
- Better than your Alternatives (BATNA)
 - Satisfies Interests: Interests ⊕ Positions
 - Ours, very well
 - Theirs, at least acceptably
 - Others, tolerably
 - No Waste: among the best of many Options
 - Legitimate: no one feels "taken"
 - Well-Planned Commitment: realistic, operational, sufficient
 - Process efficient: involves good Communication
 - Process improves working Relationship



Seven element definition of success – Substance

Stuart will discuss the first elements of the definition in detail.

- BATNA – Best Alternative To A Negotiated Agreement
- Interests/positions
- Options – no waste

Seven Element Definition of Success

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 - Others, tolerably
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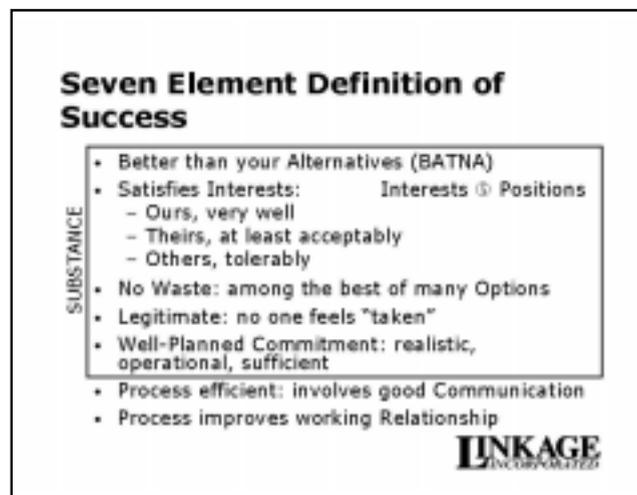
No-waste option – Pareto-optimal deals

One of the goals of effective negotiation is to arrive at a “no-waste option”. This is an optimal win/win situation.



Seven element definition of success - Process

Stuart will discuss the process elements of the seven-element definition of success. These elements include the ability to process efficiently and involve good communication. The second process element improves working relationships as part of the negotiation process.



Sally Soprano – Some Creative Options

In the Pre-presentation materials you had the opportunity to negotiate an agreement for Sally Soprano. In this part of the discussion Stuart will use this case to illustrate how this looks in developing the negotiated agreement for Sally.

This agreement is an illustration of the seven elements of successful negotiation put into practice.

On the next two pages you will see the components of the agreement for the Sally Soprano Case Study.

Illustrative components of agreements

- Percentage of gate to go to Sally
 - X% of excess over average gross ticket sales
 - X% of excess over last five operas put on by Lyric
 - X% of ticket revenues after Sally's name is publicly announced minus average ticket sales in three weeks prior to opening
 - X% of ticket revenues over Lyric's break-even point
 - After 75% of seats sold for a given performance, X% of ticket revenues if house is 75-85% full, Y% of ticket revenues if house is 85-95% full, and Z% of ticket revenues if house is 95-100% full
- Advertising
 - Lyric agrees to \$X advertising budget
 - Lyric agrees to increase existing advertising budget by \$X (or X%)
 - For every three dollars increase in the Lyric's advertising budget, Sally will contribute a dollar to the Lyric (subject to ceiling of \$X contribution by Sally)
 - Sally and her agent get input into content of ad campaign
 - Sally gets superstar comeback buildup in Lyric's advertising
- Superstar perks for Sally
 - Enormous limo for Sally during entire run of Norma
 - Dressing room and hospitality room, each with big star on door, fully stocked with goodies
 - Dozens of roses to be thrown up on stage by adoring fans (to be planted by Lyric) after each performance
 - Huge opening night gala, complete with show-biz stars, searchlights, and lots of media
- Sally and Lyric agree to create records and tapes of performance; cut deal on royalties and jointly negotiate with recording company
- Sally and Lyric agree to pack first three rows with enthusiastic fans each night to precipitate tumultuous ovations
- Sally agrees to conduct masters classes at the Lyric, locking in long-term employment for Sally and opera world notoriety for Lyric
- Sally agrees to specifically plug the wonderful people at the Lyric on national prime-time TV if the television deal comes through
- Lyric agrees to hire the best make-up artist in the business to make Sally appear youthful and vibrant

- Lyric agrees to pay Sally \$100,000 for role (payable over 20 years, so present value is about \$20,000)
- Lyric pays Sally \$45,000 and she agrees to contribute half to Lyric's newly-established ASally Fund to aid struggling young sopranos
- Sally sings for nothing in charity run of Norma and Lyric contributes all net proceeds to Sally Fund
- Lyric pays Sally \$45,000 and she agrees to match dollar for dollar any corporate contributions to Sally Fund raised by the Lyricis Business Manager
- Sally gets an extra \$5,000 and agrees to buy any unsold tickets at half the box office price (up to a ceiling of \$10,000) and arrange for distribution of those tickets to students in arts programs, retirement homes, widows, orphans, etc.

Sally Soprano – Possible criteria

In this portion of the program Stuart will continue to use the case study to discuss the standards that might be used to negotiate the case and develop commitment.

Some Possible Criteria for Establishing Salary

The following are some of the possible standards by which one can establish a salary for Sally in her performance of Norma. Note that the first and the last are not independent or objective standards.

Standards	Salary
What Lyric is willing to pay to get her to sing (?)	\$45,000
Last title role in Norma x 2 (for inflation in opera salaries) + \$1,000 (because time is short)	\$45,000
Last title role x 2 (for inflation in opera salaries)	\$44,000
Same premium (2.75 x secondary) Sally received 4 years ago when she sang lead	\$38,500
Best recent secondary role x 2 (for lead) + some adjustment for inflation	\$36,000

Sally Soprano – Possible Criteria (continued)

Standards	Salary
What Lyric paid last year's lead + 25% for inflation	\$31,250
Sally's last secondary role with the Lyric x 2 (for lead) + 25% (one year's inflation in opera salaries)	\$31,250
What Lyric would have paid the other singer	\$30,000
Last year's secondary role x 2 (for lead) + 25% (one year's inflation in opera salaries)	\$30,000
Less than Lyric would have paid the other singer because Lyric preferred her to Sally	\$30,000
Current secondary role x 2 (for lead)	\$28,000
Sally's lowest secondary role in the past 2 years x 2 (for lead) + 25% (inflation)	\$25,000
What Lyric paid Sally last year (secondary role) x 2 (for lead)	\$25,000
Sally's lowest secondary role in the past 2 years x 2 (for lead)	\$20,000
Sally's highest most recent (secondary) role	\$18,000
What Sally's been willing to sing for in the past 2 years + 50% (inflation)	\$15,000
What Lyric paid Sally the last time (secondary role)	\$12,500
What Sally's been willing to sing for in the past 2 years	\$10,000
What Sally said she'd be willing to sing for (?)	\$ 0

Effective negotiation skills – Preparation

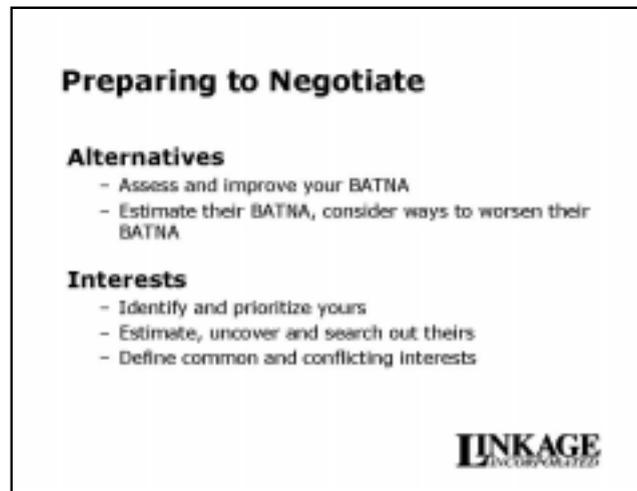
The last portion of the program was focused on the Success component of the model for effective negotiation skills. Now you will begin to look at how to prepare for an effective negotiation.



Preparing to negotiate

Stuart will now discuss steps to help you prepare for your successful and effective negotiation. Specifically, he will review the following elements:

- Alternatives
- Interests
- Options
- Legitimacy



In this portion of the program Stuart will continue to discuss the elements to consider as you prepare for negotiation. These elements will include:

- Commitments
- Communication
- Relationship

Preparing to Negotiate (cont'd)

Commitments

- Identify quality and substance of commitments to be sought: at this meeting - at the "end"
- Consider each parties' level of authority
- Draft a "framework agreement"

Communication

- Identify info to be sought/given
- Plan strategy for quality communications
- Identify possible purposes, products, and processes of the meetings
- Prepare a draft agenda

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Preparing to Negotiate (cont'd)

Relationship

- Identify current state of the working relationship (any difficult relationship issues?)
- Identify desired working relationship
- Draft a plan to "close the gap"

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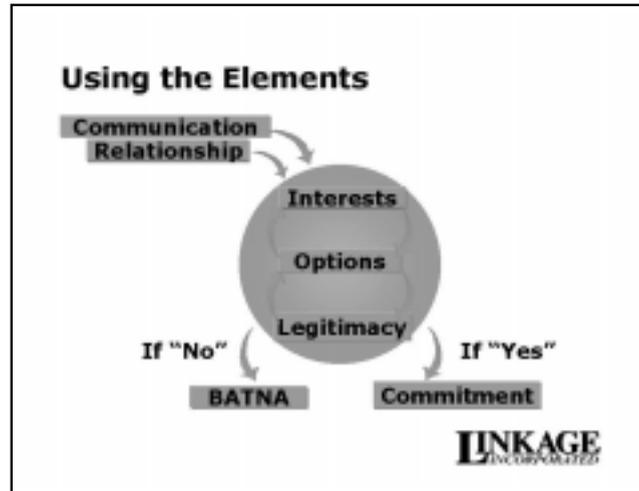
Effective negotiation skills – Conducting

In the earlier portion of the program Stuart reviewed the Success and Preparation Components of effective negotiations. Now he will discuss the Conduct component. In this part of the program Stuart will show you how to use the elements of successful negotiation to negotiate effectively.



Using the elements

Stuart has discussed each of the elements of successful negotiation. In this portion of the program he will show you how to use these elements to conduct successful negotiation. The model below will help you visualize this process.



Some strategic guidelines

1. Communication

In this portion of the program Stuart will present Some Strategic Guidelines for using the elements of successful negotiations.

The first Guideline has to do with the process element of communication. Here Stuart will discuss ensuring good two-way communication.

Some Strategic Guidelines

1 Ensure Good Two-Way Communication

- Negotiate over the process first
- Balance advocacy and inquiry
- Explain your reasoning, inquire into theirs
- Listen and show that you have heard

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2. Relationship

Stuart discusses the importance of dealing with the process component, Relationship separately from dealing with issues of substance. He suggests some guidelines for ways to accomplish this in a successful negotiation.

Some Strategic Guidelines (cont'd)

- 2** Deal with the Relationship and the substance, each on its own merits
- Be "unconditionally constructive" on the relationship
- Separate the people from the problem
 - Attack the problem, not the people
 - Use interests, options, etc. to address the problem
 - Discuss people issues separately and explicitly
 - Speak for yourself, not for them
 - CCBD - Consider Consulting Before Deciding

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3. Interests

In this discussion Stuart talks about the importance of clarifying the Interests of the different parties involved in the negotiation. He presents some suggestions about ways to use this important element of negotiation.

Some Strategic Guidelines (cont'd)

- 3** Clarify Interests, not positions
- Ask "why"
- Share some of your interests
 - Share your understanding of theirs; ask for feedback
 - Solicit criticism of possible options

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4. Options

In this portion of the presentation Stuart discusses ideas for inventing Options for mutual gain. He suggests approaches and ideas for dealing with this element of successful negotiation.

Some Strategic Guidelines (cont'd)

4 Invent Options for mutual gain

Jointly brainstorm multiple options

- Separate inventing from deciding
- Present them with possible solutions, not problems
- Break up "decisionmaking"
 - Option generation
 - Option evaluation/refinement
 - Commitment to an option

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5. Legitimacy

In this part of the program Stuart will review the element of Legitimacy. He helps you develop this element of negotiation by suggesting approaches to include in your negotiation process.

Some Strategic Guidelines (cont'd)

5 Use standards of Legitimacy

- Focus on why an option is fair or how it is defensible
 - Use criteria as a "sword" - "Let me show you why"
 - Use criteria as a "shield" - "Why?" "Based on what?"
- Look for fair procedures
- Use the Test of Reciprocity
- Be sure you are open to persuasion

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6. BATNA

Here Stuart will suggest ways to utilize BATNA, the best alternative to a negotiated agreement, effectively in the negotiation process. By making the BATNA explicit, you can introduce it into the negotiation process as a way to help you move the negotiation forward.

Some Strategic Guidelines (cont'd)

6 Acknowledge BATNA as a choice

- Reality test theirs
 - How well does it satisfy their interests?
- Use discussions about BATNA as an opportunity:
 - To learn about interests
 - To create options jointly that are better than your BATNAs

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7. Commitments

Often Commitments are some of the most difficult parts of the negotiation process to agree on. Committing to the right elements of the negotiating process, as well as timing the types of commitments you make, can make the best strategic use of this element of successful negotiation.

Some Strategic Guidelines (cont'd)

7 Make Commitments with care, after learning all you can

- Commit early to process
- Commit to substance at the end of the process
- As you decide, keep your definition of a Good Outcome in mind
- Make sure you and they both know exactly what you are committing to
 - Review your understanding
 - Ask yourselves if it has the necessary detail to be implemented

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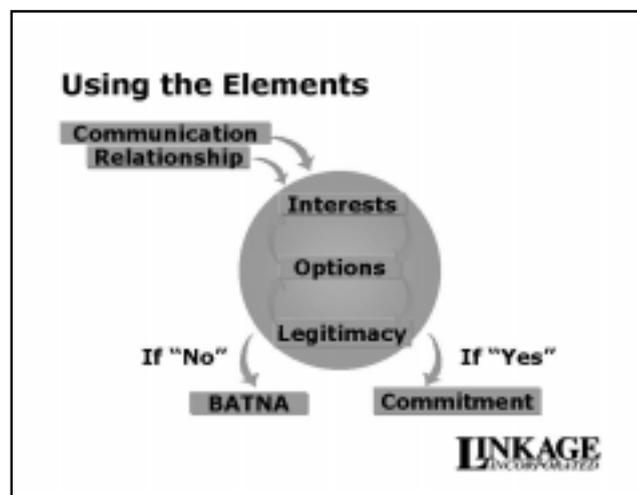
Classic positional bargaining

In this portion of the program Stuart discusses the classical positional bargaining approach often taken by individuals and organizations to negotiate their interests. He will describe the approach and discuss why it often does not produce the desired results.



Using the elements – to solve problems jointly

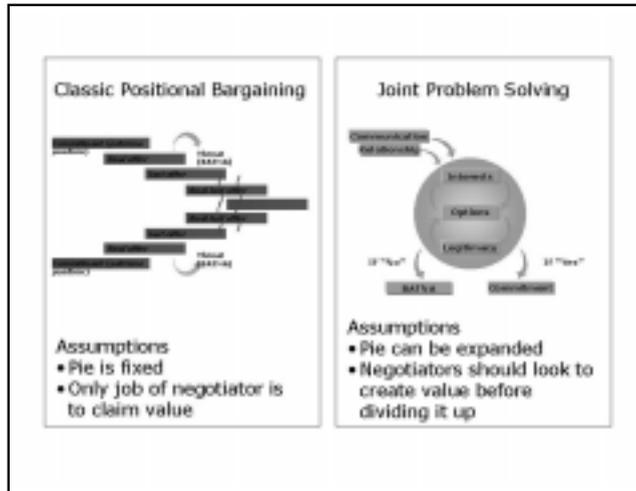
Here Stuart reviews the elements of his suggested approach to successful negotiation. He will describe the strengths and advantages of this approach.



Classical positional bargaining vs. Joint problem solving

Stuart will contrast the two approaches to negotiation and discuss the ways joint problem solving produces more successful negotiations.

He discusses the different assumptions underlying each approach to negotiation.



Negotiation power

Stuart will close the presentation portion of the program by reviewing the negotiation process we have just discussed. He will highlight the elements and describe the ways in which they can work together to give you **NEGOTIATION POWER**.



Wrap up

In today's program you learned about conducting successful negotiations from Stuart Kliman. Stuart introduced a model of effective negotiation skills that highlights the key components for doing well. Next he presented a Seven element definition of success that provided you with the factors you need in order to engage in successful negotiations. Stuart utilized the case study of Sally Soprano to illustrate the elements of a negotiation and demonstrate their use in practice.

Stuart also presented a model for conducting the negotiation and using the seven elements presented earlier that help negotiations be successful. He spent the last portions of the program presenting Some Strategic Guidelines to help participants walk through a negotiation process.

Finally, he demonstrated the differences between classical positional bargaining and his negotiated problem solving methods. He talked about the different outcomes sought by each approach and discussed the ways that each approach could be used.

To develop negotiation power there is a clear process that when utilized will help to increase your ability to negotiate effectively in a wide variety of situations.

Question and answer session

- If you are participating in the live presentation of this program, call in or fax your questions to Stuart Kliman during the question and answer portions of the program. Use the fax question sheet on page 51.
- If you are taking part in the encore presentation of this program, share your questions with the seminar coordinator and your colleagues.

When the session has concluded...

- Turn to the end of these materials. Complete the Participant Evaluation Form on page 52 and return it to your Site Coordinator.
- Your feedback is integral to ensuring the integrity of this and future programs. We take pride in providing relevant, thought-provoking, and enlightening programs. But we rely on you to help us make it happen!

5. Contrast the assumptions in the two negotiation approaches Stuart discussed.

Assumptions of Classic Positional Bargaining: _____

Assumptions of the Joint Problem Solving approach: _____

Post-presentation Self-Check answer key

1. The four Key Components of Effective Negotiations

1) Success

2) Preparation

3) Success

4) Review

Turn to the model on page xx and review your notes.

2. Some common measures of “winning” in a negotiation

Get the most concessions

Break their bottom line

Get the last possible dollar

They hurt more

3. The five substance elements of the Seven element definition of success

1) BATNA

2) Interests/positions

3) No-waste options

4) Legitimacy

5) Commitment

4. The two process elements of the Seven element definition of success.
 - 1) Communication
 - 2) Relationship

5. Contrast the assumptions of the two negotiation approaches discussed.

Post-presentation activities

Although the amount of time we have together is limited, there is much more you can do to increase your personal negotiation competence. The following are some activities that Stuart Kliman has recommend that you carry out following the program.

- Read the “Troubleshooting: Tips for Using the Elements” materials found on page 31 of your Participant Materials.
- Read the article “Negotiation as a Corporate Capability” found in your Participant Materials on page 43.
- Keep a negotiation journal for three weeks. Use the ideas and vocabulary from the workshop to regularly review your negotiations. Reflect on what seems to be working/going well, as well as what seems to be not working/going less well. Also consider what strategies you want to remember to try out next time.
- Pull together some of your reports or those of your colleagues and spend about 90 minutes to teach them the core negotiation framework discussed in the workshop.
- Read *Getting to Yes: Negotiating Agreement Without Giving In*, by Roger Fisher, William Ury and Bruce Patton. Consider how you can take the advice given in the book and integrate it into your personal negotiation practice.
- Use the core negotiation framework discussed in the workshop to get prepared for one or more upcoming negotiations.

Troubleshooting: Tips for Using the Elements

Whenever a negotiation seems not to be going as well as you'd like, stop. Before reacting, try to understand the source and the nature of the problem. Then consider possible approaches to bring the negotiation back on track.

PROBLEM

They refuse to discuss INTERESTS and instead talk only about positions.

Possible Approaches

- Don't attack their position, look behind it for interests
- Explain why you're asking
- Imagine why they're not sharing their interests (for example, do they fear disclosure will hurt or weaken them) and try to address the interests underlying their fears
- Model the behavior you want, share your interests
- Anticipate their interests; ask, for example, "Correct me if I'm wrong, but don't you care about. . ." or, "When I try to put myself in your shoes, I think _____ and _____ might be important to you. Tell me what I'm missing."
- Propose options and invite criticism in order to learn more about their interests
- Negotiate about Process; ask, for example, "How shall the negotiation proceed as you go forward?"

PROBLEM

They are threatening to walk away from the deal and go to their BATNA.

Possible Approaches

- Move the conversation to the other six elements
- Reality test their alternatives; ask, for example, "How well does _____ meet your long-term needs?"
- Ask how that alternative meets their interests
- Ask why the proposal they insist upon is legitimate (based on objective criteria)

- Test the working relationship, ask yourself if threats will produce the best outcome
- Evaluate your interests
Consider walking if your alternatives meet your interests better than the deal on the table
If you have a weak BATNA, consider changing parties or bringing in a third person
- Suggest a discussion about ways to improve the process by which you are negotiating; seek to improve communication
- Acknowledge their BATNA as a benchmark; suggest a new process — exploring interests and brainstorming new options, without committing — to see if they can do even better

PROBLEM

They are only talking about one OPTION.

Possible Approaches

- Acknowledge that position as one of many options to be considered. Let them know you're happy to talk about that option, but would like to talk about others before deciding
- Don't defend your ideas, inquire into theirs
Ask why they think their option makes such good sense (focusing on interests)
Present "yesable propositions" — options that meet their concerns or problems while satisfying your interests
- Negotiate about Process
Recommend that you both take a step back, re-evaluate and discuss all that you're both trying to achieve. Suggest brainstorming other options without any fear of commitment on either side
Explain why you think such a process is likely to produce a better result

PROBLEM

You have made a **COMMITMENT**, but they are holding out for a better deal.

Possible Approaches

- Explicitly take your commitment "off the table" until you're both ready to commit
- Open the negotiation to all pertinent issues
- Revisit interests. Discuss a process by which you can move toward mutual commitment

PROBLEM

Your **COMMUNICATION** seems out of whack — parties are talking without listening and you are unclear on how to move through the conversation more fluidly.

Possible Approaches

- Explicitly negotiate over the process; recommend that you both take a step back from the substance and put a plan in place for how to best go forward
- Let them know you're not feeling heard; ask if there is anything you can do to improve the communication process
- Show that you are hearing them; rephrase what you have heard; ask if your understanding is correct

PROBLEM

They are constantly linking **RELATIONSHIP** issues to substantive issues; they are exploiting the relationship (good or bad) to extract concessions.

Possible Approaches

- Explicitly separate relationship issues from substantive ones
- Recast an attack on you as an attack on the problem; reframe the discussion as joint problem-solving
- Address relationship explicitly with an eye to improving it in the future
- Develop ground rules for how you will negotiate
- Create incentives in the agreement that encourage both parties to be trustworthy because it serves their interests to do so

Some Additional Thoughts on Each Element

ALTERNATIVES: MAKING AGREEMENTS YOU WON'T REGRET

Working Assumption: Determining and developing your best walk-away alternative to a negotiation protects you from bad outcomes and helps you to negotiate better ones.

Problem: People reach agreements they later regret.

This reaction usually stems from one of two causes. Either you may feel that you have been pressured into accepting a "bad deal," or you may wish you had not accepted an offer so quickly. You feel you could have done better had you acted more resolutely or cautiously, without being rushed into a decision by the other side's aggressiveness.

Cause: People decide to agree based solely on their prospects "at the table."

Often, negotiators are faced with tough on-the-spot choices that they are not prepared or equipped to evaluate. When the other side makes an offer, threatens to walk out, or says, "take it or leave it," you must decide whether to talk or walk. Do not base the decision solely on your chances of getting a better offer from the other side if you were to continue negotiating. Losing sight of your BATNA as the benchmark for evaluating the offer on the table leads to ill-informed and regrettable decisions.

Approach: Analyze each party's alternatives to agreement.

Focus on the consequences of walking. Ask yourself, "What will I do if we fail to agree?" What is my Best Alternative To a Negotiated Agreement (BATNA)? To protect yourself from agreeing to a deal you should have rejected, compare the deal on the table to your BATNA. If you truly know your BATNA and are prepared to improve it, you can present your interests more forcefully and confidently. Similarly, estimate the other side's BATNA, so that you can understand whether your proposal(s) better serve their interests.

Consider the following guidelines:

- Devote resources to improving your BATNA. Verify that your BATNA is, in fact, realistic. If your BATNA could be improved at a reasonable cost, improve it. Resources expended on making your BATNA more attractive can pay off by insuring that the outcome will be better for you, regardless of whether you reach an agreement.

- Consider ways to weaken their BATNA. To lower the inflated expectations of another party, reveal that you know their BATNA. If their BATNA seems so good to them that you doubt they will negotiate seriously, you may be able to take steps to change their perception of it. Care is required since such a strategy can appear illegitimate and damage the relationship.
- Gauge the potential for agreement. If you and they both have attractive BATNAs, reconsider whether negotiations are appropriate.

INTERESTS: THE KEY TO AVOIDING POSITIONAL BARGAINING

Working Assumption: Focusing on interests rather than positions increases your chances of achieving a good outcome.

Problem: People tend to focus on positions, not interests.

At the beginning of a negotiation, each side presents its own solution. Each defends its position and attacks that of the other side. The goal is to "win" by having the final agreement more closely resemble your opening position than the other side's. Even if attained, the victory may be a hollow one since positional bargaining often cripples a working relationship and produces poor agreements that fail to capture potential value.

Cause: People assume that a negotiation is a fight over conflicting positions.

Indeed, positions often do conflict with each other. Two sisters want the same orange; you want compensation for technical support and services but a customer wants them free of charge. Fundamentally, however, negotiation is not a fight over positions. Your needs, desires, concerns, and fears (i.e. your interests) motivate you to negotiate in the first place and are far more important than positions. Because the other side's positions are opposed to yours, you may assume that your interests must also be opposed. Yet, most negotiations involve interests that do not conflict.

Approach: Focus on interests.

Think clearly and specifically about both your own interests and those of other parties. If the other side's interests seem obscure, look behind their positions for the interests that motivated them. Determine which underlying interests may be shared or compatible. The two sisters may be willing to split an orange so long as one gets the fruit to eat and the other the peel with which to cook; a customer may be willing to pay for support and services if they are confident that doing so will provide greater net benefit than the alternative. It is far easier to accommodate a variety of interests than to reconcile two divergent positions.

Consider the following guidelines:

- When preparing, use interests to analyze the choice "they" face: Examine how they perceive their choice and then determine what interests prevent them from agreeing to it. What interests of theirs could you satisfy to increase the chance that they will agree to your next proposition?
- Focus discussion on interests, not positions. Discuss interests explicitly.
- Use leadership. Be prepared to take the lead by talking about some of your own interests. If you are not willing to tell them about your own needs, desires, concerns, and fears, then you cannot expect them to be willing to talk about theirs.

OPTIONS: LEAVING NO VALUE ON THE TABLE

Working Assumption: Inventing options for mutual gain can create a better agreement for both parties.

Problem: Both sides leave "money on the table."

Too often people feel like the proverbial sisters who quarreled over an orange. After they finally agreed to divide the orange in half, the first sister took her half, ate the fruit and threw away the peel, while the other threw away the fruit and used her peel to bake half a cake. Wasteful outcomes plague negotiations.

Cause: Inventing options can seem unnecessary.

People are used to accepting the first good answer to come along without probing further for better solutions. You may assume that once you find an option that satisfies your interests and looks reasonable, you can stop looking. Ultimately, this assumption disempowers. Both sides forfeit value that could be provided at little or no cost to the other side.

... or even dangerous.

Whether inventing with people from your side or their side, your creative juices are often constrained by reasonable fears. With people from your own side, you may fear critics who might judge any new idea harshly and make you appear foolish. With people from the other side, you may fear that by inventing new options you will disclose information that may jeopardize your bargaining position.

Approach: Two key steps.

- Invent multiple options for mutual gain. Operate on the assumption that the pie is not fixed. Both sides would like to split a larger pie. Figuring out how to expand the pie is a shared problem. Prepare for a negotiation by generating as many options as possible and plan to extend your list during the negotiation. Use your understanding of the relevant interests as a guide. Focus your inventing on ways to satisfy these interests, not the positions. Remember that it is in your interest to help create an option that will meet the other side's legitimate interests. If their concerns are not addressed by your ideas, then they will have no reason to say "yes."
- Separate the process of inventing from the process of deciding. Both while preparing and negotiating, arrange for brainstorming sessions where no commitments or criticisms are allowed. Evaluate the ideas these sessions produce only after you call a halt to inventing.

Consider the following guidelines:

- Use symbols to encourage creativity. Consider using a separate room for brainstorming sessions — an "inventing room."
- Seek to develop the widest possible range of ideas. Encourage ideas which might normally be considered a bit crazy since they can stimulate other ideas that might work, but have not yet been conceived.

LEGITIMACY: OBJECTIVE CRITERIA AS A SWORD AND A SHIELD

Working Assumption: It is easier, faster, and more pragmatic to resolve issues on the basis of objective criteria that are perceived as fair, than on the mere will of the parties.

Problem: Issues are often decided by a contest of will that puts the agreement and relationship at risk.

Negotiations can be decided either on the basis of willpower (i.e., which side can force the other to comply) or on the basis of legitimacy (i.e., which side can persuade the other that its proposed approach is fair and appropriate, based on standards independent of the will of either party).

Cause: People forget about the other side's desire to be treated fairly.

We all want to be treated fairly. Whether vendors are proposing a package deal or customers are deciding on specific contract terms, no one wants feel "taken."

Negotiators often assume that what they want is fair simply because they want it and fail to engage in a joint inquiry into external standards of fairness.

Approach: Use legitimacy firmly but flexibly, as a sword and as a shield.

After generating options for dealing with specific issues, you must decide how to choose among them. Criteria of fairness — precedent, market rates, industry standards, the law, the opinion of a neutral party, etc. — can be used to persuade others of the appropriate answer and protect you against coercion. Particularly in complex negotiations, using external criteria helps produce wise, durable agreements while enhancing the working relationship. By contrast, reliance on willpower tends to reward intransigence, produce arbitrary outcomes, damage working relationships and set bad precedents.

Consider the following guidelines:

- Use legitimacy as a sword: In preparation, search for a range of standards that might be applied, especially those which may persuade the other side. In negotiation, start with the most favorable argument that you would be willing to put before an impartial arbitrator.
- Use legitimacy as a shield: Do not yield to pressure, only to principle. If the other side applies illegitimate pressure and you give in, you reward their bullying and encourage them to repeat it. If, however, you respond to arguments based on objective standards, you demonstrate to them that legitimacy works and encourage them to continue its use.
- Frame each issue as a search for legitimacy. Rather than asking what the other side is willing to do ("If I reduce my price by 10%, will you say yes?"), ask how the issue ought to be decided ("What standards should we use to decide the indemnification issue? Why?").
- Inquire into their reasoning. To convert a positional negotiation to one based on legitimacy, do not yield to pressure, yield only to principle. Respond to illegitimate demands by asking about the reasoning that underlies their proposal. ("You have proposed that I swap one metric ton of commodity X for 3 metric tons of commodity Y. Why is that ratio a fair one? If you were in my shoes, how would you justify acceptance of this ratio to my superiors?")

COMMITMENTS: WHEN TO AGREE ON MATTERS OF SUBSTANCE

Working Assumption: Abstaining from commitments on substance until the end of the process improves the efficiency of negotiations and the quality of outcomes.

The Problem: People often get locked-in to commitments too early in their negotiations.

Negotiations often resemble bargaining in a bazaar. Each party commits to a position and then haggles for concessions. Each adopts an extreme opening position and concedes slowly. Consequently, parties spend most of their time and effort determining if any agreement is possible, rather than inventing the best possible agreement. The pressure each party puts on the other to abandon its positions tends to foster resentment and damage the working relationship. When too much attention is paid to positions, underlying interests get ignored and the final agreement, if it ever materializes, is likely to be sloppy.

Cause: People tend to focus on the one element of commitment.

Negotiators often assume that the purpose of negotiations is to make commitments. They tend, therefore, to push for commitments early in the process. Whether a commitment is optimal and practical, however, can rarely be judged early in a negotiation. Premature commitments frequently turn out to be poor ones.

Approach: On matters of substance, postpone commitment to the end.

The best time for crafting commitments on issues of substance is after all interests are understood, many options are on the table, and criteria for selecting fair terms have been agreed upon. When preparing for a meeting, determine whether or not the parties have reached the stage for commitment. If, early in the process, certain agreements seem necessary or desirable, consider less binding types of agreements. Often, preliminary or conditional agreements are most appropriate. By viewing commitment as a simple either/or activity, you limit your ability to utilize this element of negotiation to your advantage.

Consider the following guidelines:

- Clarify your thinking on commitments with colleagues. Make commitments consciously and deliberately. Let other parties know when you are making commitments and when you are asking for them to be made. Meetings move more efficiently when everyone knows what they are supposed to be producing. Whenever possible, test your assumptions about what types of commitments are desirable.

- Draft potential commitments in advance. It helps to have one or more actual drafts to focus discussion or to present when participants decide to seek agreement. These drafts are best viewed as possible options open to criticism rather than as set goals. Other participants will want to contribute more than just their seal of approval.
- Commit early to a process that defers substantive commitments to the end. Propose that no binding commitments be made on matters of substance until all parties agree that the negotiation has reached the commitment stage. Consider statements of intent made earlier as tentative agreements.

COMMUNICATION: THE VALUE OF LISTENING

Working Assumption: Each party to a negotiation gains by creating and maintaining clear two-way communication.

Problem: Negotiations are often plagued by misunderstanding.

During a negotiation, communication often resembles the sending of smoke signals in a high wind. Difficulties with communicating pose a serious problem, since communication is the lifeblood of negotiations. Just as blood clots block circulation and cause heart attacks, poor communication blocks progress and ruptures negotiations and relationships.

Cause: When you communicate, you focus on telling them what you think.

You may tend to focus on what you think you are saying rather than what they hear. The other party may not hear your message and you may not hear theirs. When others do not understand your problems, they are less able to help you solve them.

Approach: Aim for two-way communication.

Two-way communication means that both parties are listening as well as speaking. No message is truly communicated until it is heard and understood. If you seek to communicate productively, you must listen and show the other side they have been heard. Your proposals will carry more weight with others if you can state their case as well as they can state it themselves.

Consider these guidelines:

- Communicate regardless of disagreement; agree to disagree.

- Model two-way communication by consulting before deciding. Whenever possible, ask others for advice before making decisions on issues that would significantly affect them, while retaining the authority to make a unilateral decision, if necessary.
- Listen actively, demonstrating that you hear what they are saying and understand their perspective. Do not, however, confuse empathy with agreement. Show your attentiveness by inquiring and press them to clarify ambiguities. Consider repeating back to them what you have heard to check its accuracy.
- Speak with a purpose. Before making a significant statement, know what you want to communicate or learn and what purpose this information will serve.
- Keep private channels of communication open. Avoid addressing multiple audiences. Consider using private channels for one-on-one problem-solving.
- Speak for yourself, not them. Talk about what you have undeniably observed or felt. Avoid attributing motives to the other side or telling them what they think or said.

THE WORKING RELATIONSHIP: DEALING WITH DIFFERENCES EFFECTIVELY

Working Assumption: Separating interpersonal issues from substantive problems will improve both the negotiated outcome and the working relationship.

Problem: Many relationships function poorly.

Most negotiations are episodes in an ongoing relationship between two individuals or organizations. The working relationship — the behavior you use to cope with differences and to exploit opportunities as they arise — determines how efficient and profitable the relationship will be. Too often, relationships break down just when you need them the most — because the parties have encountered serious and apparently intractable problems.

Cause: People entangle the relationship with the substance.

Relationship issues concern the way people deal with others: logically or emotionally, clearly or ambiguously, honestly or deceptively. Substantive issues are the subjects of discrete negotiations: the length of a project, the fee for services, the terms of a contract. Negotiations function poorly when parties mix relationship with substance. Making the relationship contingent on substantive concessions gives the other party little incentive to maintain the relationship. Acting emotionally or coercively damages your ability to deal constructively with other issues. When you perceive

others to be disregarding the relationship, you may tend to protect yourself and punish them by responding in kind. If they are unreliable, you will be too. You get angry, stop listening, deceive, resort to coercion, denigrate their concerns, and put the worst interpretation on their actions when they do the same.

Approach: Two key steps.

Separate relationship issues from substantive issues. Deal with each independently. Weigh your long-term interests in a successful working relationship. Avoid holding the relationship hostage to gain on substance.

Be unconditionally constructive on relationship issues. Your actions should strengthen every element of the working relationship without sacrificing substantive concerns, regardless of the behavior of the other negotiator.

Consider these guidelines:

- **Rationality:** Even if they act emotionally, balance emotions with reason.
- **Understanding:** Even if they misunderstand you, try to understand them.
- **Communication:** Even if they are not listening, consult them on relevant matters.
- **Reliability:** Even if they try to deceive you, be reliable.
- **Influence:** Even if they try to coerce you, do not yield to coercion or try to coerce them. Be open to persuasion; try to persuade them.
- **Acceptance:** Even if they reject you and your concerns as unworthy of consideration, accept theirs as worthy of your consideration, care about them, and be open to learning from them.

**NEGOTIATION AS A CORPORATE CAPABILITY —Danny Ertel, Founding Partner,
Vantage Partners. LLC**

Every company today exists in a complex web of relationships, and the shape of that web is formed, one thread at a time, through negotiations. Purchasing and outsourcing contracts are negotiated with suppliers. Marketing arrangements are negotiated with domestic and foreign distributors. The contents of product and service bundles are negotiated with customers. Product development pacts are negotiated with joint-venture partners. It's difficult to think of any business initiative that does not require some form of negotiation.

Although the outcome of any single negotiation may not have much effect on a business's fortunes, the thousands of negotiations a typical company undertakes have, in combination, an enormous impact on its strategy and its bottom line. An experienced survey of the corporate landscape indicates that companies rarely think systematically about their negotiating activities as a whole. Rather, they take a situational view, seeing each negotiation as a separate event, with its own goals, its own tactics, and its own measures of success. That approach can produce good results in particular instances, but it can turn out to be counterproductive when viewed from a higher, more strategic plane. Hammering out advantageous terms on a procurement contract may, for example, torpedo an important long-term relationship with a supplier. Or coming up with a creative response to one customer's unusual needs may undermine a broad market or product strategy.

It's easy to understand why companies take a piecemeal view of negotiation. Each negotiating situation tends to be highly complicated in its own right. A negotiator has to balance a welter of contending factors relating to both the substance and the tactics of the negotiation. How much can I bend on price to gain a larger order? Should I strive to establish a long-term relationship, or should I concentrate on closing a short-term deal? Should I make the first offer, or should I walk away now? It's so hard to make wise trade-offs in any one negotiation that trying to think about coordinating all your negotiations can seem overwhelming.

But as partnerships, alliances, and other agreements become more important in business, the pressure to treat negotiation as an institutional capability, rather than as a series of discrete events, grows stronger. In response, a number of companies have begun to take a fresh look at the way they negotiate. They have found that building a strong negotiation capability is not a matter of creating a set of hard-and-fast rules for all negotiations—putting negotiators in bureaucratic straitjackets won't work. Rather it requires a different, more coordinated approach to organizing and managing negotiations. Executives have to move away from the situational view of negotiation – they have to see that negotiation can be managed at a corporate level.

Companies that successfully build a negotiation capability will do so through four broad changes in practice and perspective. First, they put a company-wide negotiation infrastructure in place, ensuring that negotiators' priorities remain tightly linked to the

company's priorities. Second, they broaden the measures used to evaluate negotiators' performance beyond matters of cost and price. Third, they draw a clear distinction between individual deals and ongoing relationships. And, finally, they make their negotiators feel comfortable walking away from a deal that is not in the company's overall best interest.

Negotiation is one of the few functions in the modern corporation that has resisted the trend toward standardizing processes and streamlining work. While companies have reengineered customer service, manufacturing, and even research and development, they have allowed negotiation to remain the realm of the individual. Each negotiation is viewed as a separate event, and its outcome is thought to depend on the negotiator's personal judgment, timing, and experience. However, negotiation can be coordinated and supported like any other function.

One prominent professional-services firm is developing a centralized database to help its project managers negotiate scope-and-fee agreements with clients. At another professional services firm – one of the Big Five accountancies – every partner is expected to engage at least one other partner in a pricing consultation before negotiating fees on any major new engagement. The partners help each other get ready for the negotiation, and they share experiences about the success or failure of prior negotiations conducted under similar circumstances.

At one highly successful software company, the senior vice president of sales has established a set of negotiation protocols for all sales representatives. The protocols lay out steps to be taken in preparing for and conducting negotiations, and they require that the reps be debriefed after each negotiation, ensuring that the company captures important information.

These companies are also working to teach their negotiators the distinction between the components of a deal and the components of a relationship. This is because it is common for negotiators to confuse their deals and their relationships. They fear that if they push too hard to get the best deal possible today, they may jeopardize their company's ability to do business with the other party in the future. Or they fear that if they pay too much attention to the relationship, they'll end up giving away too much and make a lousy deal. Though natural, such confusion is dangerous. It leaves the negotiator open to manipulation by the other side.

The source of the problem lies in the notion that the relationship and the deal function like a seesaw: to improve one, you have to be willing to sacrifice the other. The reality is that while relationships and deals are indeed linked, they are more likely to move up or down in tandem. A strong relationship creates trust, which allows the parties to share information more freely, which in turn leads to more creative and valuable agreements and to a greater willingness to continue working together.

To build strong working relationships and negotiate good deals, companies need to break the pattern of trading off one for the other and begin to pay attention to each other separately. They need to get their negotiators to see that a problem with a relationship cannot be resolved through concessions and that a problem with a deal should not be

considered a test of the relationship. By drawing a clear line between the immediate deal and the longer-term relationship, two companies can start to create a virtuous cycle. Building a strong relationship will help them through the rough spots in a particular deal, and the value created by closing the deal will further enhance and broaden their relationship.

One reason relationship and deal issues get mixed up is because most negotiators, like salespeople, believe that their success hinges on their ability to close deals. If a negotiation falls apart, they see it as a failure – for themselves and for their companies. Their reasoning is easy to understand. By the time most negotiators sit down at the bargaining table, their organizations have already invested a lot of time and money in preparation. They've analyzed their own needs, evaluated potential suppliers or partners, created and reviewed a shortlist, selected a finalist, and charted out a bargaining strategy. As the negotiators see it, failing to conclude the deal would waste all that effort, not to mention disrupt what has likely become a well-established schedule. Once a negotiation has begun, going back to the drawing board no longer seems a viable option.

While understandable, that kind of thinking often puts a company's negotiators in a box. They become stuck in a cycle of concessions, allowing the other side to dictate the details of the deal.

To get out of the box, managers need to make sure negotiators understand that they always have alternatives to closing a deal. Nearly 20 years ago, Roger Fisher and William Ury introduced into the negotiation lexicon the term "BATNA," an acronym for "Best Alternative to Negotiated Agreement." They showed that negotiation results can be greatly improved by identifying the best alternative to completing the deal and then carefully evaluating the negotiated agreement against that alternative. If the negotiated agreement is better, close the deal. If the alternative is better, walk away.

The BATNA approach changes the ground rules of negotiation. Negotiators no longer see their role as producing agreements but rather as making good choices. And if they don't reach an agreement, they don't see that as a failure. If they reject a deal because it falls short of their company's BATNA, they have succeeded, not failed.

Adopting the BATNA approach involves overturning long-held assumptions. Senior executives can't just proclaim that it's now okay to walk away from a deal; they have to make sure that the message is reinforced all the way down the chain of command. Executives need to back up their rhetoric with actions that have an impact in the field. They need to seek out examples in which their company's negotiators would be better served by walking away from a deal—to pursue their BATNA—then they would be by closing the deal. They also have to praise those negotiators who selectively and systematically walk away from bad deals and use their approaches as models. If negotiators are not made aware that their colleagues are turning away some deals to pursue other opportunities, they will not believe they truly have that alternative. Companies should also consider making a BATNA evaluation an explicit step in the negotiation process, requiring, for example, that negotiators discuss with their managers how each proposed deal stacks up against a clearly defined BATNA. If negotiators are not required to assess their deals with reference to their BATNA, they may not believe

the choice between the two is real.

Shifting from a situational to an institutional view of negotiation may represent a radical change for many companies. It certainly represents a radical change for many negotiators. But it doesn't require radical actions. It requires carefully planned, often subtle, changes in practice, in emphasis, and in communication. In fact, trying to ram the new way of working down negotiators' throats, without adequate explanation or support, will just backfire, leaving negotiators confused and alienated. If, for example, management suddenly announces that all negotiators must follow a set of rigid procedures or fill out a set of forms after every meeting, negotiators will simply complain that the bureaucracy is keeping them from doing real work. They may fulfill the new requirements in a perfunctory manner, but they won't change their perspective or their behavior.

The key to success is putting the negotiation infrastructure in place that makes the lives of negotiators easier and makes their jobs more rewarding. Supplying negotiators with practical information makes it simpler for them to prepare for negotiations while also exposing them to a larger set of proven strategies so they can do more than merely trade concessions. Showing them how the BATNA approach can be used in real-world situations gives them a new source of leverage in their negotiations. Broadening the measures used to judge their performance allows them greater – not less – freedom in crafting agreements. Establishing categorization and prioritization schemes can increase their productivity and free them to think more creatively.

Some negotiators will not be able to adapt to the new, more standardized and coordinated approaches – they'll chafe under even the lightest managerial yoke. Most, though, will thrive in the new environment. They will come to find that they have actually gained more power, more prestige, and – not least – more satisfaction. And their companies will reap the benefits of closer, more creative relationships with suppliers, customers, and other partners.

VANTAGE PARTNERS CASE: SALLY SOPRANO**Confidential Instructions for Lyric Opera's Business Manager**

You have been with Lyric Opera for only three months. So far, things have been going well, but this negotiation with Sally Soprano's agent will be your most important assignment to date. You want to make sure that your boss, the Artistic Director, is pleased with the outcome.

You met with the Artistic Director yesterday, and gathered the following information:

The Lyric Opera is an established institution in a major metropolitan area. As with most opera companies, it is a nonprofit entity that is financed by a combination of ticket sales, foundation and corporate grants, and income from a modest endowment. By and large, it usually breaks even over the course of the year, with fairly good attendance in its 2000-seat hall. Ticket prices range from \$18 to \$55, with \$28 a reasonable average for rule of thumb accounting.

A production of Bellini's *Norma* is scheduled to open in three weeks. This production is scheduled to run for six weeks, with three performances per week. There are three sopranos in *Norma*. Norma is the high priestess of the Temple of Esus, and is secretly married to the Roman Consul, with whom she has two children. The other two soprano roles are those of Adalgisa, the virgin of the temple, and Clotilde, the attendant to Norma. The challenging title role is generally acknowledged to be a prize for a young soprano, although the age of the character is not specified. The age of the children is also unspecified, but Norma attempts to kill them in a rage over her husband's infidelity.

When the Lyric announced this season's schedule over a year ago, Renata Risingstar was listed in the title role for *Norma*. Ms. Risingstar is generally regarded as a first-rate performer, though she has not yet attained the popularity Sally enjoyed at the peak of her career. Three weeks ago, however, the Lyric suddenly dropped Ms. Risingstar from its advertising for *Norma*. Although it is not widely known (the Opera wanted to hold off making a public announcement until the diagnosis was confirmed), the reason for the omission is that Ms. Risingstar has developed a benign throat tumor that will require surgery prior to the performance date. The Lyric has been unable to find any other good soprano who is available for the dates of the performance. The soprano engaged for the secondary role (at a salary of \$14,000) does know the Norma role. She has a good voice, but is a relative newcomer to professional opera and clearly lacks the experience necessary to perform the title role well. The Lyric is therefore in a tight spot. Cancellation of the opera would result in a loss of hundreds of thousands of dollars.

Fortunately, Sally Soprano, a distinguished, though somewhat aging soprano, heard rumors that the opera was in trouble and called the Artistic Director to inquire whether there was any possibility that she might sing the lead. Up to now, the Artistic Director

has held her off, hoping to find a younger lead. Unfortunately, that now appears impossible, and the Artistic Director is suddenly quite desperate to sign Sally. You have scheduled an early appointment with her agent.

Sally Soprano has sung many times for the Lyric Opera over the years, but the last time she sang was two years ago in the secondary role of Adalgisa, also in *Norma* (for which she received \$12,500). Four years ago, at the pinnacle of her singing career, the Lyric paid Ms. Soprano \$22,000 for performing the title role in *Norma*. That was regarded as extremely high at the time, justified only by the fact that Sally was at the apex of her profession and had a significant following (which has probably fallen off somewhat since then). On the other hand, over the last four years, inflation and the increased popularity of opera have in general brought about a near doubling of the average salaries of the top opera stars.

As a matter of policy, the Lyric does not generally disclose the compensation of its performers. However, for negotiating purposes, you have been given access to the salary figures paid by the Lyric in recent years for the title and secondary roles in Bellini's *Norma*:

	Title Role (<i>Norma</i>)	Secondary Soprano (<i>Adalgisa</i>)
Five years ago	\$14,000	\$7,000
Four years ago	\$22,000	\$8,000
Three years ago	\$17,500	\$9,000
Two years ago	\$21,000	\$12,500
Last year	\$25,000	\$12,000
This year	[?]	\$14,000

Although particular cases vary widely, as a general rule the Lyric does tend to follow the industry practice of paying performers in lead roles in operas of this type about twice the amount received by singers in secondary roles. Also, following the industry practice, the Lyric has always paid its performers a flat rate salary.

In general, the nonprofit Lyric needs to keep the costs of performances as low as possible. The Lyric's average house over the year is generally 85%. This is also the breakeven point. Of course you also have many sold-out performances, but the average really is 85%, with a standard deviation of around 5%. Anything less than 80% attendance would cause the Lyric to lose \$50,000 or more, and a house of 50% or 60%, while barely conceivable, would be a true disaster. (These kinds of figures probably explain why Ms. Soprano has had so few offers recently for lead roles. While her voice remains generally fine, most operas are anxious to avoid even a small chance of an off day.)

This year, Ms. Risingstar was to have been paid \$30,000. In view of the emergency situation and the great desire of the Artistic Director to obtain Sally Soprano, the Lyric trustees have authorized you to offer her up to \$45,000 should that be necessary. If she

holds out for more than that, the Lyric will just have to use the neophyte secondary soprano in the title role and hope that she miraculously rises to the occasion. (You would probably pay her something less than double her secondary salary of \$14,000 for that, certainly no more than \$28,000.) You should also bear in mind the potential adverse impact on future negotiations with other performers should an unusually high salary for Sally become public knowledge.

The Artistic Director wants Sally, despite thinking that she is old for the role. The Director believes that with proper makeup and a little luck Sally could work out extremely well. In any event, there is little alternative. As it is, the late announcement of the title role may adversely affect box office sales. The Artistic Director is hoping, however, for a favorable public response to the announcement of Sally in the title role.

Prepare for your meeting with Sally's agent.

Question sheet

Use this form to write your question for Stuart Kliman or for discussion among your colleagues. Please write clearly.

Name (optional) -----

Organization -----

Location -----

Your question (25 words or less):

Tel 617-692-5641

Fax 617-476-1041

Email mgmtdevelopment@linkage-inc.com

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Name (optional) -----

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Your question (25 words or less):

Tel 617-692-5641

Fax 617-476-1041

Email mgmtdevelopment@linkage-inc.com

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	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
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