

THE
NEGOTIATION
CHALLENGE



Remigiusz Smolinski
James B. Downs

THE
**NEGOTIATION
CHALLENGE**

How to Win
Negotiation Competitions

Table of Contents

1. Introduction	9
2. The Negotiation Challenge Competition	13
2.1 The structure	14
2.2 Searching for negotiation champions	15
2.3 Becoming negotiation champions	23
2.4 Facts and figures	24
3. Mastering the Negotiation Challenge	27
3.1 Distributive Negotiation	30
3.1.1 Livery Collar	33
3.1.2 Benedict Basso	45
3.1.3 John Kicker II	57
3.1.4 Power Media	71
3.2 Integrative Negotiation	82
3.2.1 Staple Rights	85
3.2.2 The Vikings	97
3.2.3 Oasis Shipping	117
3.2.4 Cocoa Negotiation	133
3.3 Complex Multi-Issue Negotiations	158
3.3.1 Greekonian	161
3.3.2 The Battle of the Nations	177
3.3.3 Plato's Academy	197
3.3.4 King Polo	213
3.4 Multiparty Negotiation	243
3.4.1 Schmalkaldic War	245
3.4.2 El Dorado	257
3.4.3 Energy Turnaround	273
3.4.4 Connor Paradise	297
4. Beyond the negotiation simulations	325

List of Tables

Table 1. The Subjective Value Inventory (Curhan & Elfenbein, 2007).....	18
Table 2. Judge's evaluation sheet.....	22
Table 3. Reykjavik Evening News' portfolio of category two advertisements.....	73
Table 4. Reservation points of the parties and the respective zone of possible agreement (ZOPAs).....	94
Table 5. Inventory of the raided treasure together with their values for Arnarson.....	102
Table 6. Arnarson's Tribe Valuation Table.....	104
Table 7. Inventory of the raided treasure together with their values for Garðarson.....	109
Table 8. Garðarson's Tribe Valuation Table.....	111
Table 9. Inventory of the raided treasure together with their values for Arnarson and Garðarson.....	112
Table 10. Values of various divisions of the negotiated issues to the negotiating parties.....	113
Table 11. Profit of Oasis Limited for different combinations of leasing rates and contract duration at the sales price of \$300 million...	121
Table 12. Profit of Oasis Limited for different combinations of leasing rates and contract duration at the sales price of \$350 million ...	122
Table 13. Profit of Oasis Limited for different combinations of leasing rates and contract duration at the sales price of \$400 million ...	122
Table 14. Profit of Sørensen Invest for different combinations of leasing rates and contract duration at the sales price of \$300 million ...	126
Table 15. Profit of Sørensen Invest for different combinations of leasing rates and contract duration at the sales price of \$350 million ...	126

Table 16. Profit of Sørensen Invest for different combinations of leasing rates and contract duration at the sales price of \$400 million ...	127
Table 17. The parties' reservations points and the respective zone of possible agreement (ZOPAs).....	129
Table 18. Negotiation issues and their priorities for CBS Limited.....	136
Table 19. Payoff Tables of CBS Limited.....	141
Table 20. Sample calculations of the final score for CBS Limited.....	142
Table 21. Negotiation issues and their priorities for Natura Chocolate GmbH.....	145
Table 22. Payoff Tables of Natura Chocolate.....	150
Table 23. Sample calculations of the final score for Natura Chocolate GmbH.....	151
Table 24. Negotiated issues together with their importance to CBS and Natura Chocolate.....	152
Table 25. Negotiated issues, options and their values to the negotiating parties.....	155
Table 26. Reservations points of the parties and the respective zone of possible agreement (ZOPAs) for the scoreable issues.....	174
Table 27. Estimated losses of the Polish army while defending Leipzig.....	181
Table 28. Construction of Leipzig City Defense and its consequences.....	187
Table 29. Key resources of the allied forces.....	247
Table 30. The parties' maximum contribution to the joint military campaign.....	254
Table 31. The parties' minimum contributions to their military coalition.....	255
Table 32. The artifacts discovered with their weight and divisibility.....	259
Table 33. Chel's valuation of the discovered artifacts.....	261
Table 34. Miguel's valuation of the discovered artifacts.....	263
Table 35. Tulio's valuation of the discovered artifacts.....	265
Table 36. El Dorado treasure and its value for the negotiating parties.....	269
Table 37. Pareto efficient distribution of the El Dorado treasure.....	270
Table 38. The profiles of the Icelandic energy companies.....	274
Table 39. Possible projects and the investments needed.....	275
Table 40. Projects' estimated ROIs and the government subsidies.....	276
Table 41. The relationship between Xaver's investment and your bonus.....	279

Table 42. Kyrill's financial data and KPIs	283
Table 43. Characteristics of the project options proposed by the government.....	290
Table 44. Possible outcomes of Energy Turnaround.....	295
Table 45. Resources necessary to construct the critical projects.....	299
Table 46. Strategic preferences of Tribe A.....	305
Table 47. Resources available to Tribe A.....	305
Table 48. Strategic preferences of Tribe B.....	310
Table 49. Resources available to Tribe B.....	310
Table 50. Strategic preferences of Tribe C.....	315
Table 51. Resources available to Tribe C.....	315
Table 52. Resources necessary to complete the projects and their distribution among the tribes.....	318
Table 53. Scores for each party, based on different project allocations.....	323
Table 54. Scores for each party, based on different project allocations with Pareto efficient allocation marked in bold.....	324

List of Figures

Figure 1. The structure of the Livery Collar roleplay simulation.....	42
Figure 2. The structure of the Benedict Basso roleplay.....	54
Figure 3. The structure of the John Kicker II simulation.....	67
Figure 4. The structure of the Power Media roleplay simulation.....	79
Figure 5. The structure of the Staple Rights roleplay including a sketch of the Pareto efficiency frontier.....	94
Figure 6. The structure of the Oasis Shipping negotiation roleplay including a sketch of the Pareto efficiency frontier.....	130



1 INTRODUCTION

*Blessed are the peacemakers,
for they will be called children of God.*
Matthew. 5:9

Negotiation is our passion and we love sharing it with others. Through our research, we have spent decades trying to understand its complexity. We have used what we have learned in teaching generations of students and business executives across the world how to produce wise and sustainable agreements. As part of these efforts, we have also initiated an annual international negotiation competition for graduate students called *The Negotiation Challenge* (www.thenegotiationchallenge.org). It offers participants a unique opportunity to compare their negotiation skills, live their passion and network with like-minded colleagues from around the world. The Negotiation Challenge has been an amazing opportunity for us to observe and interact with some of the best student negotiators in the world and analyze the secrets of their superior performance.

The Negotiation Challenge, the competition as well as this book, has its origins in our desire to help our students, the leaders of tomorrow, become better negotiators. Since conflicts are an inherent and inescapable part of our lives, we must learn how to manage and resolve them. Indeed, now more than ever, our world needs skilled negotiators who understand not only how

to navigate difficult negotiation situations, but also how to engineer value and craft smart and sustainable agreements. However, teaching these skills is a great pedagogical challenge. For example, how do we optimize our classroom teaching to generate the best possible results or how can we help our students become the best negotiators they can be? In addition, although comparing students' negotiation skills before and after a negotiation class delivers valuable insights concerning the efficiency of our teaching methods, this environment lacks the revealing dynamic that a real-world situation has. That is, have the skills they have learned also work outside of the classroom setting? Thus, letting students compete at The Negotiation Challenge puts their negotiation and our pedagogical skills to the ultimate test and helps us answer these questions by seeing how our best students perform when faced with world's best student negotiators.

During the last decade of running our competition, the participating students, as well as their coaches and professors, have regularly asked us for our advice and guidance concerning the most effective preparation for The Negotiation Challenge. Although we have openly shared our observations with them, many have also encouraged us to publish the negotiation simulations we have written for The Negotiation Challenge to make them available for those considering participating in the competition. Thus, although this book has been long overdue, we are very happy to finally satisfy these requests.

The remainder of this book is structured as follows. Chapter 2 describes The Negotiation Challenge as a competition. It explains how and why it started. It also describes its structure and discusses the evaluation criteria that we use in an attempt to capture and measure what we term negotiation intelligence. In this part of the book, we also give details on the competition's admissions criteria that applicants need to fulfill to compete in The Negotiation Challenge. We conclude this chapter with facts and figures from past competitions including the list of hosting institutions and

the winning teams. Chapter 3 then addresses four key types of negotiation, each as an independent section. These include distributive negotiation with value claiming strategies and tactics, integrative negotiation with value creation strategies and tactics, complex multi-issue negotiations, and multi-party negotiations. Importantly, each of these sections includes four supporting roleplay simulations, which negotiators can use to develop and reinforce their skills in preparation for The Negotiation Challenge or other negotiation competitions. These 16 roleplays are carefully selected role simulations that were written for and used during previous Negotiation Challenge competitions. Chapter 4 concludes this book with our advice and recommendations for potential participants of negotiation competitions to consider. We do hope that our suggestions will both improve the chances of admission for applicants and enhance their performance during the competition.

We acknowledge that there are already many great negotiation textbooks available on the market that systematically reveal important research findings about negotiation and in turn help us understand its complex nature. Based on solid research foundations, these textbooks present well-structured empirical insights, derive useful theories, and present pragmatic tools and frameworks. However, what is missing in this collection of literature is a resource that helps one apply and practice these lessons. The goal of this book is to fill this gap. As firm believers in experiential learning, we wrote this book to offer students or anyone ready to be a better negotiator an immediate opportunity to apply and reinforce their negotiation knowledge through roleplay simulations. As such, we hope that *The Negotiation Challenge* with its carefully selected practical exercises offers readers an opportunity to improve their negotiations skills. In turn, we hope it helps them to negotiate smarter agreements and, even if a little at a time, make our world a better more peaceful place.