

# MCCA 2017 Global TEC Forum (“G-TEC”) Negotiation: Learn by Doing

## An Interactive Workshop

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# Guess Who?

- **Power weightlifter champion**
- **Classical Bassoon/Climbed Grand Teton at 12**
- **Ran w/ bulls in Pamplona, Spain**
- **Junior magician**
- **Heavy metal electric guitar player**

# Role Simulation

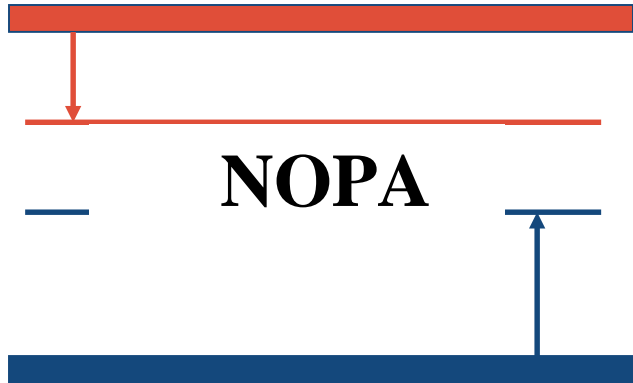
- **BATNA**
  - **Walk-away**
    - (reservation price)
  - **Interests**
    - (shaping ZOPA)
  - **Strategy?**
- **Claiming Value**
  - **Probing?**
  - **Messaging?**
- **Future**
  - **Relationship?**

# ZOPA



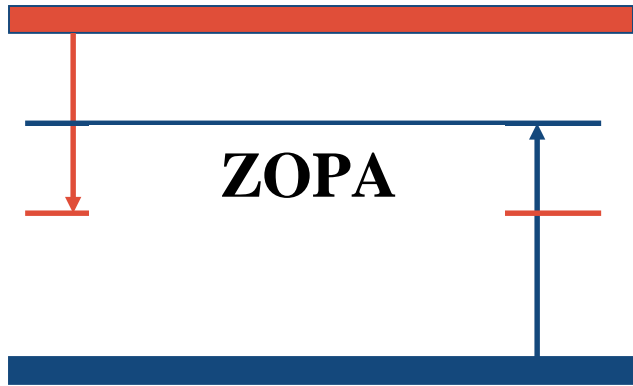
- Reservation Price
- Reservation Price

# NOPA



- Reservation Price
- Reservation Price

# Claiming Value



- Understand both sides' BATNA and RP
- Shape ZOPA perception
  - Anchoring
  - Concessions
  - First Reactions
  - Positioning

# Anchoring – First Offer

- Conventional Wisdom
  - Let other reveal information first
- Anchoring
  - Know ZOPA - shape range

# Negotiator's Dilemma

- *Probe* underlying interests
- Identify key *differences*:
  - Relative time/value, expectations, risk tolerance
- *Send message*



# Listen & Observe

- First Reaction
- Opposition's most important concerns
- Developing trust
- Creating complications to spark creativity

# Suspend Judgment

- Explore interests of both sides
- Invent without committing
- Generate options
- Use neutrals/mediators

# Interactive Thinking

- **Engaging (who)**

- Friend/Foe                      Easy/Hard

- **Framing (what)**

- Outside objective (soft on people/hard on issues)

- **Norming (how)**

- Serve/Volley                      Principled negotiation

# Build Relationships/Trust

- Understand other side's interests
- Think interactively (how will they react)
- Be trustworthy . . . Not naïve
- Separate from your client

# Principled Negotiations

- Find points of agreement
- Negotiate from points of agreement
- Think in present & future

# Uncommon Ground

- Valuation
- Time Horizon
- Expectations (contingencies)
- Risk Tolerance
- Relationships (long term)

# Key Elements of Negotiation

- Understand opposition's interests
- Build trust
- Create value

# Key Concepts

- BATNA
- ZOPA
- Reservation Price



# BATNA

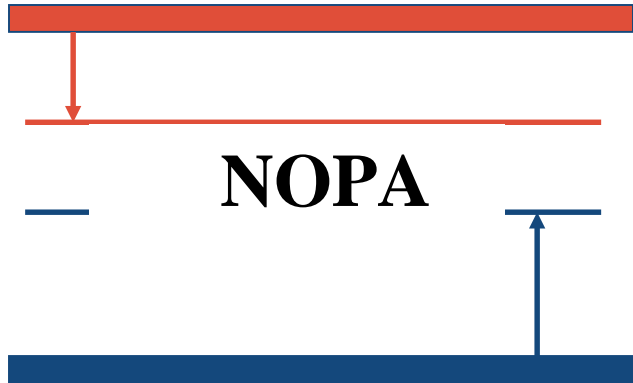
- Evaluate Own Interests
- Understand Other Side's Interests
- How Can I Improve My BATNA?
- Options for Mutual Gain?

# ZOPA



- Reservation Price
- Reservation Price

# NOPA



- Reservation Price
- Reservation Price

# Creating Value

- **Different Value:**
  - Resources
  - Valuations
  - Forecasts
  - Risk Pref.
- **Opportunity:**
  - Trade (win-win)
  - Contingent Agmt.
  - Installments
  - Insurance

# Hard v. Soft

- **Hard:**

- Principled
- My Way
- Extreme
- Stubborn
- Threaten (won't)

- **Soft:**

- Compromise
- Relationship
- Reasonable
- Concede
- Offer (will)

# Conclusion

- Key Elements

- Understand
- Build trust
- Create value

- Key Concepts

- BATNA
- Reservation Price
- ZOPA

- Dilemma

- Claiming Value
- Creating Value
- Hard vs. Soft

- Approach

- Listen & observe
- Build relationships
- Focus on present
- Find building points

**Thank you.**

# Questions or Comments?

[www.mcguirewoods.com](http://www.mcguirewoods.com)



## **Confidential Information for the Consultant**

As the founder of the up and coming MightyTalented computer consulting firm you have been highly successful in the private sector and are now attempting to break into the public sector. The Truxton Public School bid is an enormous opportunity.

Several years ago, the City of Truxton installed a “state-of-the-art” networked computer system that was supposed to link all City departments, including the schools. It did not work and did not satisfy the needs of each department.

The City has now allowed each department to customize its software for its own needs.

Truxton Public School is looking for a consultant to fix their system and create custom software to do class scheduling, registration, grading, and record keeping.

You have been communicating with the representative tasked with fixing the Truxton school system and have developed with the representative a tentative 3-4 month fix that appears to meet all of Truxton schools’ needs.

Rescuing Truxton schools would be a high visibility success and would greatly enhance your ability to get other public sector work. Accordingly, you set your bid price at \$135,000 which is below what you would charge in the private sector to get your foot in the public sector door. Anything less will lose money and will set a bad precedent for your private and public sector work.

Your school contact has been talking to a number of your competitors but seems to be particularly enamored with working with you and your firm because of your reputation, software, training manuals, and training system and seems comfortable working with you and your team.

However, your school contact has indicated that the most the Truxton Schools can afford is \$85,000 and would require cobbling together funds (legally) from multiple budgets because this fix was not budgeted.

Although splitting the difference will not work as it would be more than Truxton Schools can afford and less than you are willing to accept – you and Truxton Schools have agreed to one more meeting to see if you can make a deal.

If you can make a deal, great! If not, brainstorm with Truxton Schools to develop a list of ways in which you might break the impasse. You should only consider options that are workable for you. If you feel the other side is being unreasonable, you should end the brainstorming and not waste any further time.

## **Confidential Instructions for the Schools**

You've been asked by the Truxton Public School Superintendant to find a consultant who can fix the schools' computer network system and create custom software for class scheduling, registration, grading, and record keeping. You've found a superb consultant but the fees proposed by the consultant are more than the Truxton Public School can afford.

Several years ago, the City of Truxton installed a "state-of-the-art" networked computer system that was supposed to link all City departments, including the schools. It did not work and did not satisfy the needs of each department.

The City has now allowed each department to customize its software for its own needs.

You have talked to a number of computer software consultants but have been most impressed by the reputation, software, training manuals, and training system of MightyTalented. MightyTalented has an excellent reputation in the private sector but is new to the public sector. Nevertheless, you feel very comfortable working with the founder of MightyTalented, have worked out a tentative 3-4 month customized fix, and believe their understanding of your needs and attentiveness are head and shoulders above that of any of the other consultants.

However, MightyTalented's bid for this work – \$135,000 – is in excess of what Truxton can afford. While you understand the \$135,000 is less than what MightyTalented would charge in the private sector, there is no money in the current Truxton school budget for this fix. The Superintendent has told you the maximum she can spend for this project is \$85,000 and that money would come (legally) from several budgets. She is hoping to spend significantly less because of other budget needs and a potential cut in the coming year.

So far, MightyTalented has not been willing to reduce its \$135,000 bid and you suspect that all of the other consultants will be charging about the same amount or more with inferior service and quality.

Although splitting the difference will not work as it would be more than Truxton Schools can afford and less than MightyTalented is willing to accept – you and MightyTalented have agreed to one more meeting to see if you can make a deal.

If you can make a deal, great! If not, brainstorm with MightyTalented to develop a list of ways in which you might break the impasse. You should only consider options that are workable for you. If you feel the other side is being unreasonable, you should end the brainstorming and not waste any further time.

## **Information for Darshan Denim**

### **General Information**

Sunny Supplier, a Chinese company, is the world's biggest supplier of cotton. Darshan Denim is a fashion designer and global denim apparel omni-channel retailer.

In 2014, Darshan Denim agreed to purchase all of Sunny's cotton for 5 years at 25% off the Karachi exchange monthly spot market price for Cotton #2.

This provided certain cash flow for Sunny and a stable and reasonably priced source of cotton for Darshan. Other than a brief issue with the quality of Sunny's cotton, there has been no issue with performance of the agreement.

Since 2014, worldwide cotton production has doubled but prices have stayed flat as new Chinese textile mills have come online.

Recent press reports suggest that Chinese antitrust regulators are scrutinizing exclusive contracts.

Sunny has now asked to meet with Darshan to discuss renegotiating the agreement.

At the meeting will be Sunny's CEO who recently took over the company after his father died and Darshan Denim's buyer who negotiated the original agreement.

### **Confidential information for Darshan Denim's Buyer**

You are the buyer for Darshan Denim who negotiated the original contract. That negotiation took just 2 hours because you had such a good relationship with Sunny's late founder. In fact, the parties never papered the exclusive agreement because it would have suggested distrust.

Because of the stable supply of cheap cotton, Darshan has expanded into new countries, including China.

You've heard that your competitors are actively trying to infiltrate your supply chains and break off your suppliers.

The board has authorized you to renegotiate the agreement with the limitations that losing Sunny would be devastating for the company and so would paying spot market prices. If either of those things happens, you will surely lose your job.

Ever the hero, you want to keep the discount near 10%.

## **Information for Sunny Supplier**

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### **Confidential info for Sunny Supplier's CEO**

You are the CEO of Sunny Supplier and your late father started the company.

Recently, Darshan Denim's biggest competitor, Online Jeans reached out to Sunny and offered to buy all of Sunny's cotton supply for the next 5 years at the spot market price and indemnify it against any lawsuit by Darshan Denim.

Sunny has been recruiting more cotton farmers and upgrading its supply chain. Consequently, its cotton sales by volume have doubled since 2014.

That said, Sunny is a family run company where honor and trust are part of the mission statement. Your father negotiated the Darshan Denim agreement before he died. The agreement was never formally written into a contract because your father believed contracts imply distrust.

The board has directed you to renegotiate the contract while maintaining the relationship with Darshan, if possible. Your goal is to get as close to the spot market price as possible, even if that means terminating the Darshan contract and going with Online Jeans.

You are not worried about the Chinese regulators but can use the potential investigation as leverage.