



# CESP

## CERN Entrepreneurship Student Programme

An introduction to negotiation

# AGENDA FOR THE DAY

13:00 – 13:45 An introduction to negotiation

13:45 – 14:15 Clarifying issues

14:15 – 14:45 Preparing for the negotiation

**14:45 – 15:00 Coffee break**

15:00 – 17:00 Negotiation role play

17:00 – 17:15 Compiling the results



# An introduction to negotiation



Examples:  
Negotiating a licence to a technology



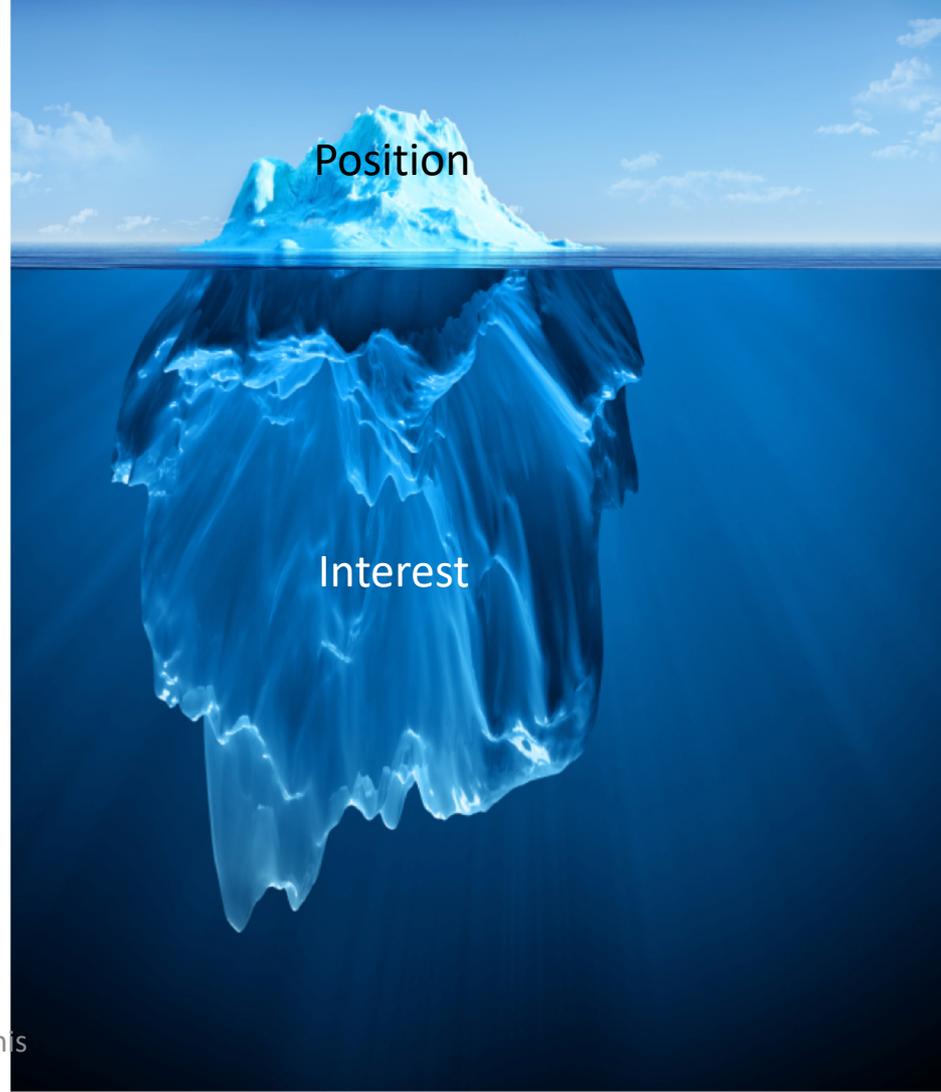
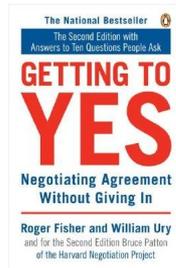
# Win-win negotiations



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# Principled negotiations

- Fischer and Ury proposed the method of principled negotiation:
  - focus on interest, not positions
  - invent options for mutual gain
  - win-win negotiation



Andrea



Martyna

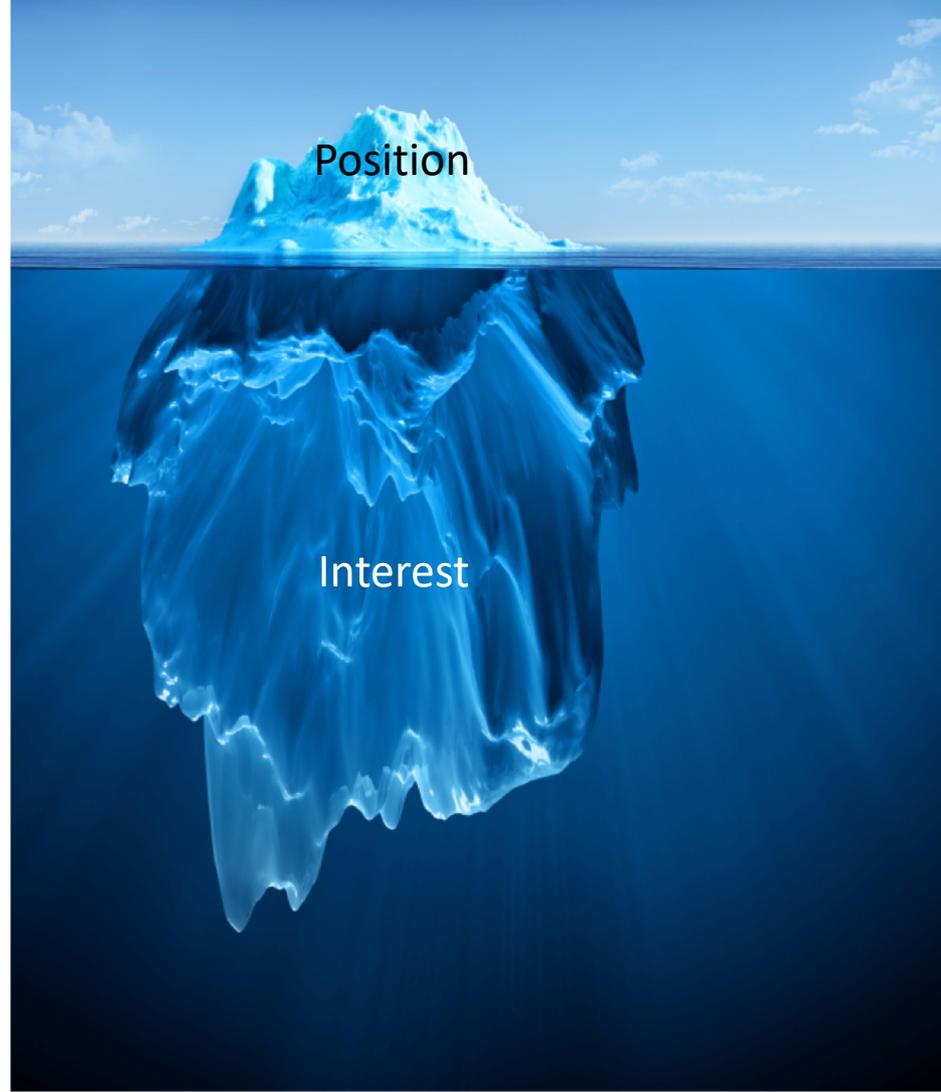
Andrea wants to eat the fruit



Martyna wants to bake a cake with the peels of exactly one orange

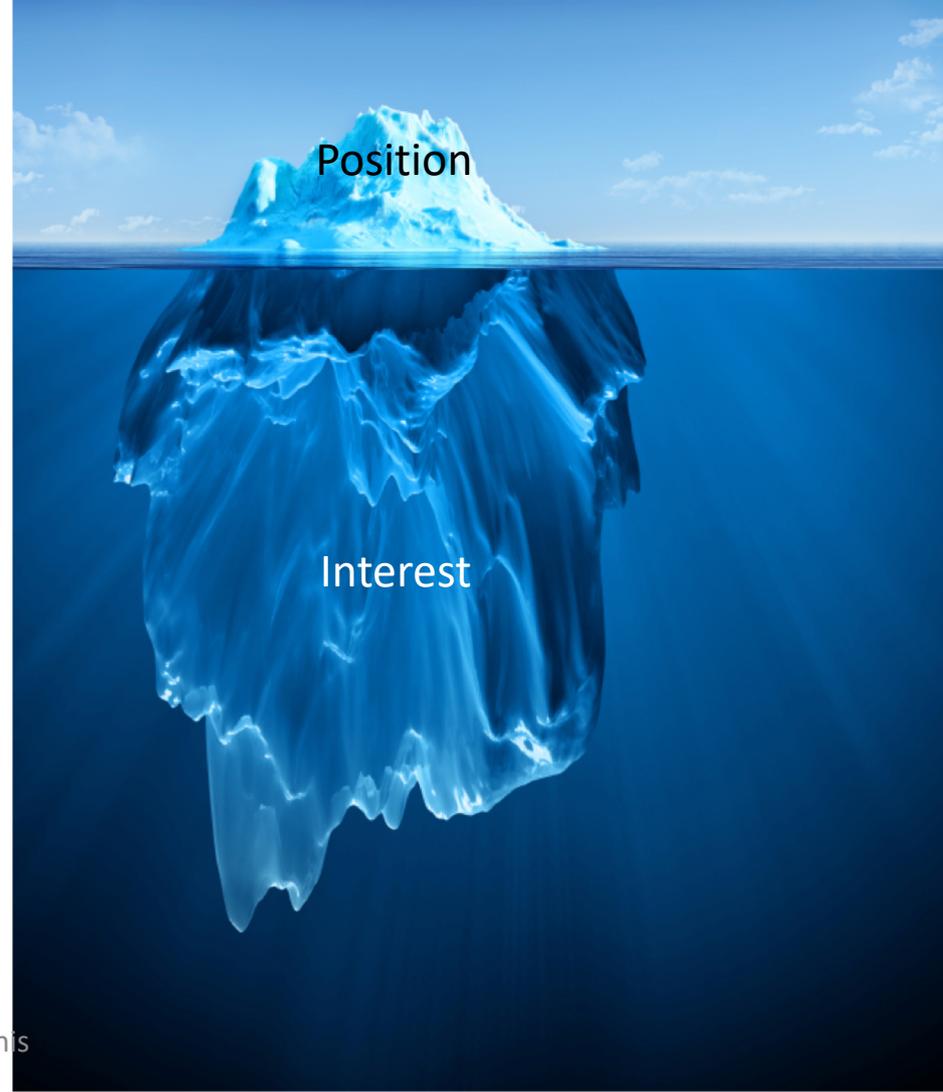


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# Principled negotiations

- It may be possible reconcile irreconcilable positions by focusing and analysing interests
- Beyond tangible interests consider subtler interests (reputation, demonstrating competence)



# Creating value

- Identify share interest
- Difference in:
  - Time preference
  - Risk aversion
  - Relative valuation

Example:

negotiating a license to a technology

Issues	Licensee	Licensor
Lump sum	↓↓↓	↑↑
Royalties	↓↓	↑↑↑
Guarantee	↑↑	↓↓↓↓
Use of logo	↑↑↑	↓

Interest

# Two types of negotiation

- Distributive negotiations



There is a fixed pie of potential value to be distributed among the parties (zero-sum game)

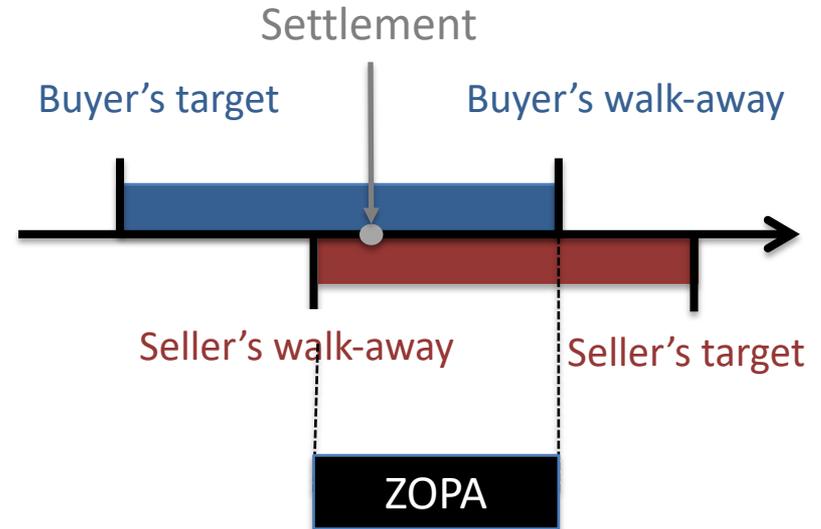
- Integrative negotiations



There are ways to enlarge the pie and create value

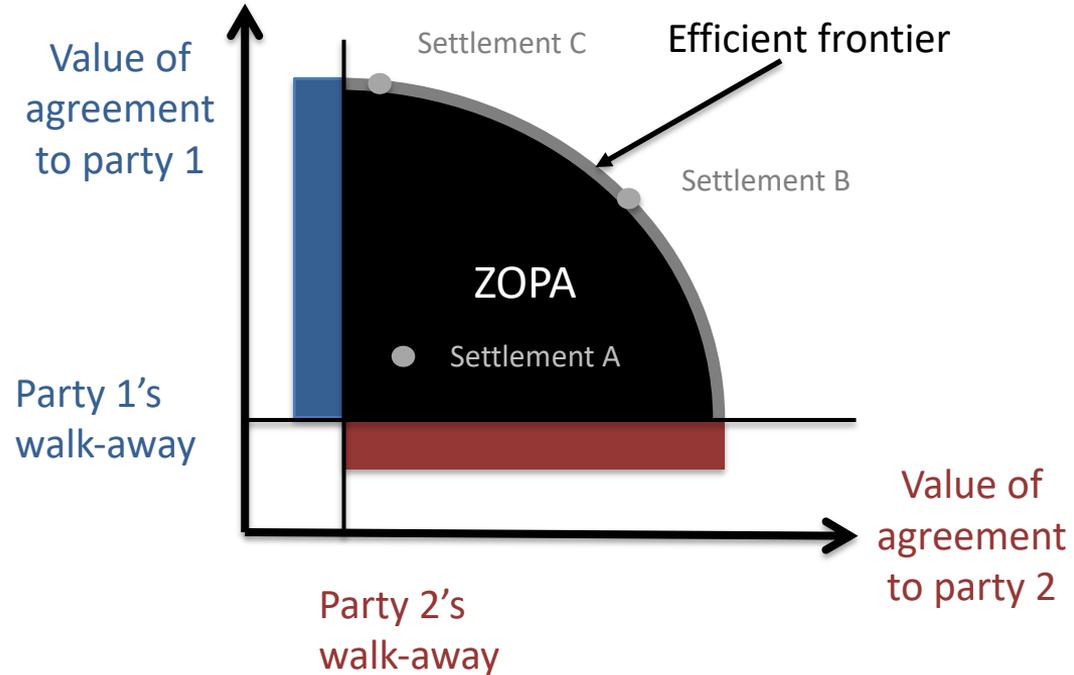
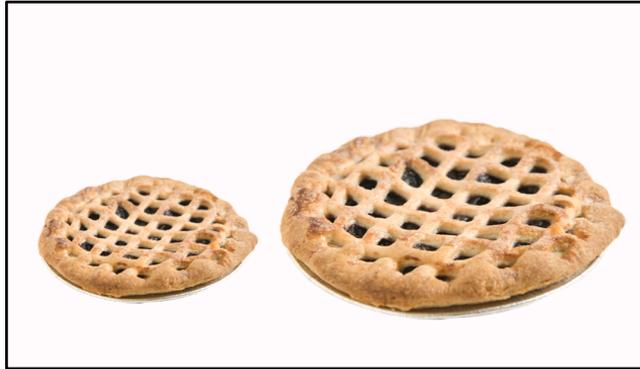
# Zone Of Possible Agreement (ZOPA)

- Distributive negotiations

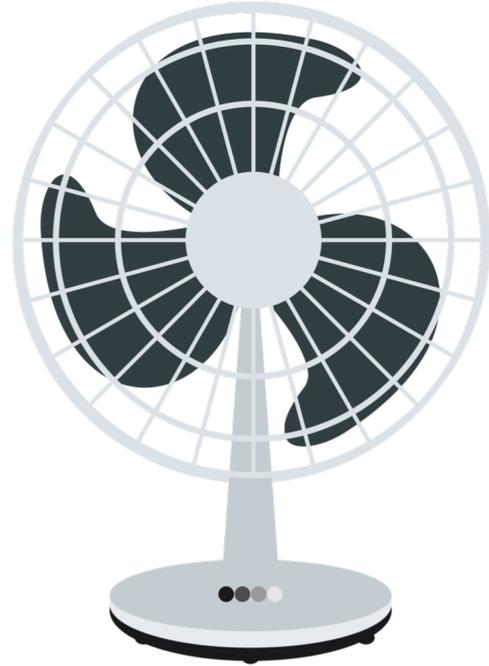


# Zone Of Possible Agreement (ZOPA)

- Integrative negotiations



# Efficient frontier



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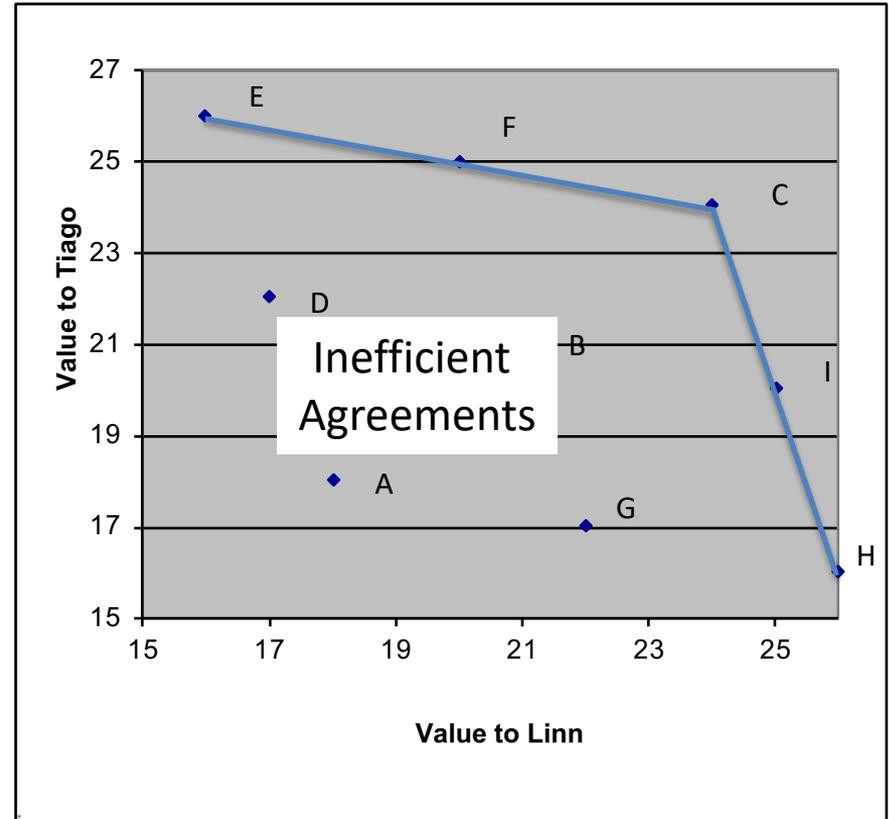
# Efficient frontier

Linn and Tiago live in Geneva. Each owns three space heaters and three table fans, and they are exploring potential trades. Though Tiago doesn't know it, Linn is moving to back to Norway and needs more heaters than fans; one heater is worth the equivalent of four fans to her. Likewise, Tiago hasn't told Linn that he is moving to Portugal and needs fans more than heaters; for him, one fan is worth four heaters. To Linn, in other words, each heater is worth four units of value and each fan is worth one unit of value; for Tiago, fans are each worth four units of value and heaters just one unit. Both Linn and Tiago start out with an endowment of heaters and fans worth 15 units of value to them:  $(3 \times 4) + (3 \times 1) = 15$ . No trade will take place unless it leaves both of them with more than 15 points, their walk-away.

Identify the possible trades where Linn gets  $x$  heater(s) and gives Tiago  $y$  fan(s). Draw the ZOPA, identify the inefficient agreements and the efficient frontier.

# Efficient frontier

Trades		Value to Linn	Value to Tiago
A	Linn gets 1 heater and gives Tiago 1 fan	18	18
B	Linn gets 2 heaters and gives Tiago 2 fans	21	21
C	Linn gets 3 heaters and gives Tiago 3 fans	24	24
D	Linn gets 1 heater and gives Tiago 2 fans	17	22
E	Linn gets 1 heater and gives Tiago 3 fans	16	26
F	Linn gets 2 heaters and gives Tiago 1 fan	20	25
G	Linn gets 2 heaters and gives Tiago 3 fans	22	17
H	Linn gets 3 heaters and gives Tiago 1 fan	26	16
I	Linn gets 3 heaters and gives Tiago 2 fans	25	20

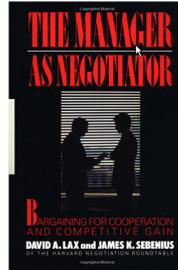


# Claiming value



# Negotiator's dilemma

- Dilemma:
  - create value for mutual benefit
  - claim value
- Moves to claim tend to block moves aimed at creating value
- The downside of pursuing a cooperative approach aimed at creating value is that it often expose you to exploitation



# Impact of informational asymmetries

- Wrong perception of interest
- Difficulties to assess whether a ZOPA exist or not
- Difficult to create value



# Preparation

- 
- Select the team
  - Define your business objectives
  - Identify the issues
  - Identify your alternatives
  - Determine your goals
  - Gather information
  - Evaluate the other party

# Select the team

- prepare with the team, brainstorm the options
- combined skills:
  - Example: negotiating a licence to a technology
    - technical expert
    - marketing expert
    - legal counsel
- who will be at the negotiation table?
- who will speak?
- who has the power to decide?



# Be clear about your interest

## Example: negotiating a license to a technology

- exclusive access to a technology (competitive advantage)
- support in terms of technical expertise, knowledge transfer
- access to resources and facilities
- benefit from reputation of the licensor
- etc..



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# Identify the issues

- Full set of issues
- Unbundle the issues
- Defining the agenda
- Toxic issues
- Relationship:  
Relationship or transaction?

## Example: License to a technology

Subject matter  
(patent, sw, know-how)

Scope  
(use, field, exclusivity)

Financial conditions  
(lump sum, royalties)

Access to resources and facilities

Technical support

Access to future developments

Transfer of right in case of merger or acquisition

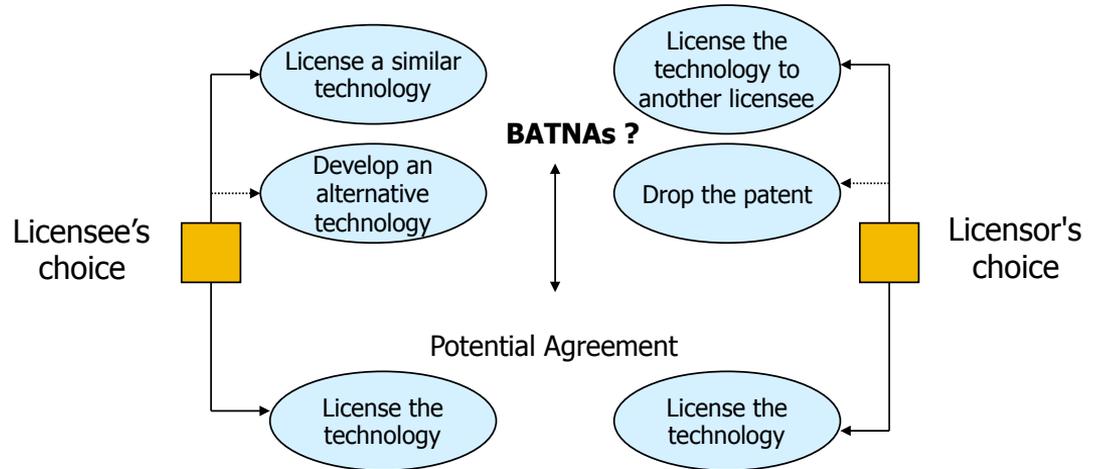
# Identify your alternatives

- What are your alternatives
- What is your best alternative?

**B**est  
**A**lternative  
**T**o a  
**N**egotiated  
**A**greement

- Never accept a deal with a value below your BATNA!

Example:  
Negotiating a licence  
to a technology



# Determine your goals

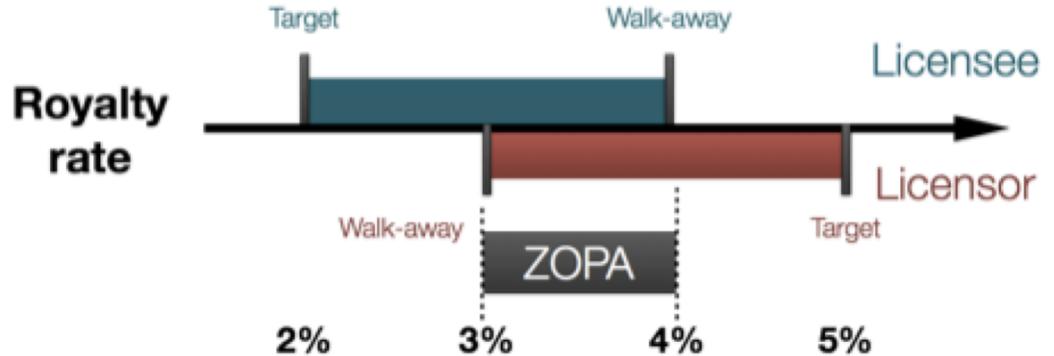
Example: negotiating a license to a technology

For each issue:

- Identify your target (preferred settlement)
- Identify your walk-away position (in regards to your BATNA)

Identify possible trade-offs

Package issues



# Gather information

About the object of the negotiation,  
the authoritative standards and norms

Example: negotiating a license to a technology

- Using your knowledge of the market, assess the value of the technology
- What are the norms on the targeted market?
- What are the common practices of your licensor? Any previous deal? Does he have a published knowledge transfer policy?
- What is the reputation of the licensor?



The goal is to be able make justifiable propositions for the different issues, prepare your arguments

# Evaluate the other party

- What are their alternatives (BATNA)?
- What are their likely interest?
- Who are the key influencers?
- Who are the decision makers?



At the  
negotiation  
table



# The negotiation process



Small talks  
Establish rapport



Establish agenda  
Open negotiation



Listen  
Selectively share information



Claim value  
Shape perception  
Make proposals



Test hypothesis, ask questions  
Develop solution (create value)

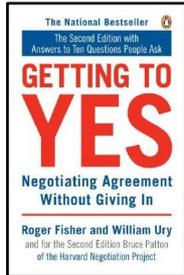


Make concessions  
Summarise agreement so far



Close the deal  
Gain commitment

Go to the  
balcony!



B. Denis