

# How to Create Value in Negotiation

## 1. Take benefit of the differences between the parties

- \* Different resources: one party has screws, the other one has bolts
- \* Different relative valuations: both parties like fruits and vegetables, but one likes fruits better than vegetables and vice-versa
- \* Different forecasts  $\Rightarrow$  contingent agreements
- \* One party is risk-averse, the other not
- \* One party is in a hurry, the other not

## 2. Noncompetitive similarities

- \* Two companies delivering different frozen food products (e.g. ice cream and frozen vegetables) to the same supermarkets and deciding to combine their warehouses and truck fleets

## 3. Economies of scale and scope

## 4. Negotiating itself

- \* Making the process of negotiating less costly and time-consuming
- \* Reducing the risk that the parties will deceive each other
- \* Better aligning future incentives

Source: Robert H. Mnookin, Scott R. Peppet, Andrew S. Tulumello, *Beyond Winning – Negotiating to Create Value in Deals and Disputes*, The Belknap Press of Harvard University Press, 2002