Nova School of Business and Economics Universidade Nova de Lisboa **CEMS-MIM Programme**, 2023-2024 1st Semester

Name	
Number	
Number of <i>written</i> pages submitted for correction	

NEGOTIATION STRATEGY

Professor Luís Almeida Costa

Wednesday, 13 December 2023

11:00 - 13:00

Total number of questions: 7

Answer all questions.

- \diamond Duration of the exam: 2 hours.
- ◊ Closed-book exam.
- ♦ Your answers should be in **English.**
- Please answer in the **space provided** (one side of the page only).
- **Answer all questions.**

Good luck!

<u>1. (1 point, on a 0-20 scale)</u>

To be credible, an offer has to be acceptable.

- True □
- False □

<u>2. (1 point, on a 0-20 scale)</u>

Identify the three main problems typically associated with a "boulwarian" offer.

<u>3. (2 points, on a 0-20 scale)</u>

We discussed four standard auction forms: the English Auction, the Dutch Auction, the First-Price Sealed-Bid Auction and the Second-Price Sealed-Bid Auction. Discuss the relative effectiveness of these types of auctions when the objective is to avoid collusion among bidders.

4. (4 points, on a 0-20 scale)

How to react to an "extreme" offer? What mistakes should be avoided? Justify your answer.

<u>5. (4 points, on a 0-20 scale)</u>

According to Dean Pruitt: "The substance of the arguments employed to defend one's position almost necessarily reveals something about the nature of the motives underlying this position".

Do you agree with Dean Pruitt? Discuss the role of arguments in a negotiation.

<u>6. (4 points, on a 0-20 scale)</u>

Discuss the following statement: "Differences in preferences and expectations are an obstacle to an agreement".

<u>7. (4 points, on a 0-20 scale)</u>

In *The Art and Science of Negotiation*, Howard Raiffa discusses the Daniels' issue. The labour Union wants the Mayor to fire Daniels and assumes that the Mayor wants to keep Daniels in office. In fact, the Mayor also would like to let Mr. Daniels go, preferably "under pressure of the Union". Raiffa calls this a case of "hidden congruence of interests": both players want the same outcome, but the Union is unaware of that fact.

Suppose you are the Mayor. The Union negotiator confronts you with an aggressive demand: "Mr. Mayor, we want to fire Mr. Daniels. You know this is one of our key demands. Are you willing to fire Mr. Daniels, yes or no?

The mayor may use a strategic misrepresentation in an attempt to take advantage of the Union negotiator's mistaken assumption - without lying. This would involve a two-step procedure:

7.1. (2 points, on a 0-20 scale) Step 1:

• Give an example of language that could be used:

• From a tactical point of view, the key difference between a lie and a strategic misrepresentation is:

7.2. (2 points, on a 0-20 scale) Step 2:

• Give an example of language that could be used:

• Step 2 is essential because of the following fundamental reason: