

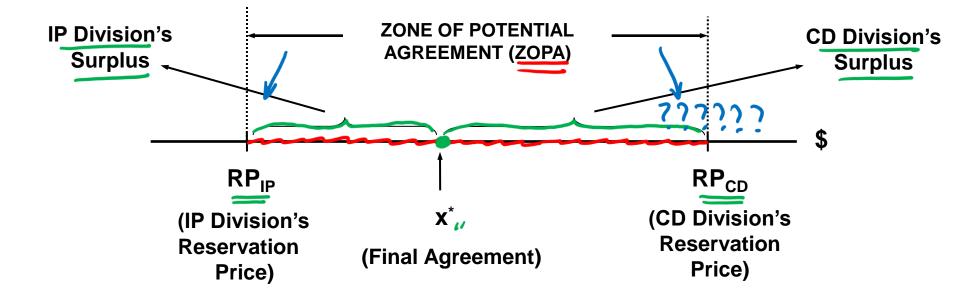
INTERNAL NEGOTIATIONS

NEGOTIATION STRATEGY CEMS MIM Programme 1st Semester, 2024/2025

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NEGOTIATING THE PRICE OF THE TECHNOLOGY









MULTIPLE-ISSUE LOGIC



IP DIVISION: POSITIONING PROBLEM

- ⇒ PRICE OF THE TECHNOLOGY
 - ☑ PROBLEM: THE CD DIVISION IS LIKELY TO UNDERESTIMATE EXTERNAL OPPORTUNITIES...
- ⇒ 'ROYALTY
 - ☑ A ROYALTY MAY ALLOW THE IP DIVISION TO CAPTURE PART OF THE UPSIDE...
 - **☑** ROYALTY ON REVENUES OR ON PROFITS? REVENUES IS TYPICALLY BETTER:
 - (1) PROFITS CAN BE MANIPULATED BY THE CD DIVISION
 - (2) ROYALTY ON PROFITS REDUCE THE CD DIVISION'S INCENTIVES TO CUT COSTS
 - **☑** "SCREENING" DEVICE: MAKE THE PERCENTAGE CONTINGENT ON REVENUES!

MULTIPLE-ISSUE LOGIC



IP DIVISION: HOW TO REDUCE ITS VULNERABILITY?

⇒ INTERNAL PRICE OF THE NEW COMPONENT

☑ TO AVOID THE "DOUBLE MARGINALIZATION" PROBLEM, THE INTERNAL PRICE OF THE NEW COMPONENT SHOULD BE EQUAL TO MARGINAL COST

⇒ LEVEL OF PROTECTION

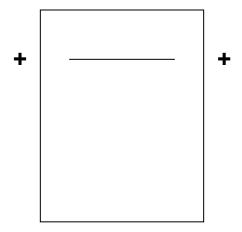
☑ PROTECTION CREATES A COMPETITIVE ADVANTAGE IN THE PRODUCT MARKET, INCREASING PRODUCT MARKET PROFITS...

☑ ... BUT DOES NOT INCREASE TOTAL PROFITS.

HOW TO DEAL WITH DIFFICULT QUESTIONS?



EXAMPLE: COMMISSIONER DANIELS' STORY (RAIFFA)



HOW TO DEAL WITH DIFFICULT QUESTIONS?



ALTERNATIVES:

YES 1 - TRUTH ← 'PRINCIPLED NEGOTIATION'

BUT: Leaves money on the table

JO 2 - LIE

Statement of fact which is incorrect, made with the objective of taking advantage of the other party's mistaken beliefs

BUT: - You lose your "liberté d'action" - The other party may reverse the situation

-You lose credibility

HOW TO DEAL WITH DIFFICULT QUESTIONS?



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3 - STRATEGIC MISREPRESENTATION STATEMENTS
- COUPLED WITH AT "IF" WESSAGE
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Objective: to take advantage of the other side's mistaken beliefs

Tool: you refrain from giving the other party information that makes them change their prior beliefs (which are wrong and favorable to you)

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EXAMPLE: 1) "Sour Company" Company sanion
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"You know, we had some <u>difficult</u> negotiations in the past, but we have always been <u>able to reach an agreement</u>. am sure that we will find a solution for Mr. Daniels as part of a global package"

4 - ANSWER WITH QUESTIONS

EXAMPLE:

"What is your proposal?"