Department of Management & Organization
Managing negotiations (22013)
Date: 24.10.2012
Examiner: Birgit Pauksztat

Time: 4 hours — **Max points: 30**
Extra material allowed: None — **Points needed to pass: 15**

Please answer all the questions below, based on the material covered in lectures and seminars and in the course literature. Write short and concise answers, but ensure that you capture the central ideas.

1. What is meant by the following concepts? Please define briefly (max 3 sentences per concept). *Scoring: you can get max 2 points per concept.*
   a) Negotiation
   b) Mythical fixed-pie belief
   c) Shadow negotiation
   d) Latent coalition

2. Answer the following questions briefly (max ½ page [250 words] per question). *Scoring: you can get max 4 points per question.*
   a) Which factors hinder or facilitate integrative negotiation?
   b) There are different ways of dealing with emotions in negotiations. What is the approach suggested by the "core concerns model" (Fisher and Shapiro 2005)? In your answer, please give a definition of "core concerns", name the five core concerns, and describe the basic idea of the model and how the model can be used in negotiation.
   c) What are the advantages and disadvantages of involving someone as a third party in a negotiation?

3. Read the case on the next page. Then answer the questions below. (Write max 2.5 pages) *Scoring: you can get max 10 points, including max 4 points for part (a), and max 6 points for part (b).*
   a) First of all, the CEO wonders about Incredible Inc.'s alternatives and BATNA. Please advise on the following: (1) What are Incredible Inc.'s alternatives? (2) What is the definition of BATNA, and what is Incredible Inc.'s BATNA in the negotiation with VIC? And (3) in what ways could Incredible Inc. use their BATNA in the negotiation with VIC?
   b) Incredible Inc.'s CEO is also thinking about the first offer. More specifically, the CEO would like to know the following: (1) what are the advantages and disadvantages of being the first to put an offer on the table? (2) Further, if Incredible Inc. is making the first offer during the negotiation with VIC, the CEO thinks that their first offer could be 2000 Euro. Discuss the advantages and disadvantages of 2000 Euro as the first offer. (3) All of this considered, please recommend a reasonable first offer, and whether Incredible Inc. should be the first to make an offer in the upcoming negotiation with VIC.

Good luck!

Case: Incredible Inc.

It is 24 October 2012, an important day in the history of Incredible Inc. Their first product, the Incredible Machine, has been launched to the press earlier this month, and the first 1000 Incredible Machines are now available for sale. However, Incredible Inc. is in a tricky situation: they need to sell all 1000 machines by 31 October (this is because they had forgotten to extend the rent period for their current storage space, and they have been unable to find a new storage space yet).

By now, Incredible Inc. has had enquiries from three potential customers: Very Important Company (VIC), Second Company, and Third Company. Incredible Inc. is particularly pleased by the inquiry from VIC. VIC is the largest company in the country, and, if things work out, VIC might become an important customer.

In their email, VIC wrote that they are impressed with what they heard about the new product, and might be interested in buying 1000 Incredible Machines. They proposed to meet with Incredible Inc. later today to discuss the details, notably the price per machine.

Because the CEO of Incredible Inc. has little experience with negotiations yet, you have been asked to advise on the upcoming negotiation with VIC.

From the CEO, you learn that the minimum price at which the machines can be sold is 600 Euro per machine - anything below that would not make sense economically; it might even present a risk to the future of the company. Ideally, the CEO would like to sell at a price of 800 Euro per machine - this would allow to cover the costs, pay back some of the company's debts, and make a profit. Indeed, the CEO thinks that this is what the price should be, given the market situation. Similar machines made by other companies cost about 550 Euro, but they are slower, need much more energy to run, and are less durable than Incredible Machines.

Incredible Inc. already has offers from Second Company and Third Company. Second Company would be interested in buying 1000 Incredible Machines, and is willing to pay 550 Euro per machine, noting that Incredible Inc. is a new and untested company, and the Incredible Machine is a new and untested product. Third Company offered to buy 1000 machines at 700 Euro per machine.