

Redacted name Scenario 1 – 11.255 Negotiation & Conflict Resolution in the Public Sector – Framing Memo on Scenario #1: The Traditional Negotiation Game

THE CONTEXT

This is a scenario in which both parties come to the table as adversaries. Now our work is to advise the Head of the City’s Finance Department on the appropriate approach to negotiating with the company, which still threatens to leave town if taxes are not decreased.

THE STAKEHOLDERS

There are two main parties in this negotiation process, each representing secondary parties who will also be affected by the outcome. The negotiators at the table must ensure they can justify the agreement to the secondary parties.

	City	Company
At the table	Head of Finance Department, with Mayor’s Assistant and City Attorney	CEO, with outside counsel and the COO
Secondary parties	Local economy and job market Governor Mayor Appeals Board The community The people who informed current policies and plans that depend on the additional taxes	Almost 300 employees from around the metropolitan area Shareholders Board of Directors

THE CHOICES BEFORE US

Although Susskind (2006) has found that the mutual gains approach to negotiation often leads to better outcomes for each party involved in a dispute, in this case due to the scenario title we assume the parties are settled on traditional negotiation, or “hard bargaining.” Even in a distributive context, though, there are still many factors to consider and choices to be made in the pre-negotiation stage to help ensure that the City’s goals are met in the negotiation. What follows are prompts for discussion:

1. **What is our Best Alternative to a Negotiated Agreement (BATNA)?** According to Fisher, Ury, and Patton (1983), this is the only standard that will protect the City from accepting terms that are too unfavorable and from rejecting an agreement that would actually be in the City’s interest to accept. We should consider the guidance we’ve received from the Mayor, and indirectly from the Governor, in setting our BATNA.
 - a. *What is the company’s BATNA?* To determine this, we may want to take inspiration from the extensive background research completed for the Elmtree case in Raiffa (1982), and do background research on the sale price of the company’s properties and the costs of doing business in another city within the state.
 - b. *What are ways to cast doubt on the company’s BATNA?* This prompt is inspired by Lewicki and Letterer (1985) – our goal is to find ways to cast doubt on the company’s belief that their goals are possible.
 - c. *What are ways to reinforce our own BATNA?* This prompt is also inspired by Lewicki and Letterer. We should find ways to promote a tax increase and the company’s continued presence in our city as desirable, necessary, and/or inevitable. One way to do this would be

through our research on the costs of doing business elsewhere, and another way would be to show that the company is likely to experience the same types of property value reassessments in other cities, since the system we used is completely “by the books.”

2. What is the City’s reservation point?

- a. *What is the company’s reservation point?* We need to conduct further research before negotiations, as well as pressing the company to reveal more information about the highest taxes they are willing to pay during the negotiation itself.

3. What is the City’s goal value for the property tax increase? Bazerman and Neale (1992) emphasize the importance of setting specific and attainable targets before heading into a negotiation. To determine this goal value, the Head of Finance should evaluate before the negotiation whether it is worth breaking from the Mayor’s directive to avoid “special deals,” as well as receiving further definition on the legal parameters for shifting from an increase of \$100,000.

- a. *What is the company’s goal value?* Understanding this value, to the extent possible, will help the City determine the Zone of Possible Agreement (ZOPA) for the negotiation.

4. What is the City’s anchoring strategy? The City has already stated an anchoring point of a \$100,000 tax increase by publishing the new tax rates. We can think about how to frame this anchoring point, since Bazerman and Neale suggest that framing this in a positive light will ease the negotiation, but the anchoring point itself is already there. We can expect the company to provide their anchoring point early in the negotiations.

PRINCIPLES GUIDING PRE-NEGOTIATION:

In addition to providing thorough answers to the prompts above, we should avoid common biases related to the escalation of commitment, the myth of the fixed pie, anchoring bias, information availability, not considering the other side’s perspective, and overconfidence (drawn from Bazerman and Neale, 1992). We should walk through each of these biases with the Head of Finance and her team. The myth of the fixed pie is especially pertinent in this scenario, since the Head of Finance may find there is no ZOPA related to the absolute value of the tax increases if the Mayor holds that the increase of \$100,000 simply must hold. If this is the case, we should look into what other items could come into the discussion as part of what Lewicki and Letterer call the “bargaining mix” (p. 79), such as a delayed timeline for paying part of the additional property taxes or the ability to reinvest some of the property tax money into mutually beneficial development projects.

We should also consider deeply the perspective of the company. They are likely to attack the legitimacy of the computer-aided mass appraisal system and the Appeals Board, for example, and we should be ready to defend these processes.

NEGOTIATION STRATEGIES:

Once the pre-negotiation stage is finished, the City should come to the negotiation table ready to hold as tightly as possible to its BATNA. In defending the City’s BATNA, the City would do well to eventually offer non-monetary concessions related to the form of payment rather than lowering the taxes themselves.

CITATIONS

Susskind, Lawrence (2006). *Arguing, Bargaining and Getting Agreement*. The Oxford Handbook of Public Policy (Oxford Handbooks of Political Science, Vol. 10). M. Moran, M. Rein, and R.E. Goodin (eds.) Oxford, UK: Oxford University Press.

Raiffa, Howard (1982). *The Art and Science of Negotiation*. Cambridge, MA: Harvard University Press.

Bazerman, Max H. and Margaret A. Neale (1992). *Negotiating Rationally*. New York: Simon & Schuster Inc.

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