

**Like the game you just played, you face
a problem and a Problem whenever
you negotiate. How do you cope?**



**Debriefing Materials for the Win As Much as You Can Game
Negotiation
Prof. Seth Freeman**

The Trust Problem

“How do I know what you’re saying is true
and that it’s safe to deal with you?”

Why the Trust Problem Matters

If I trust you, you may cheat me



But if I wrongly distrust you, I may lose a wise deal



Examples of The Trust Problem

- I'm from New York and I Visit Your Bordeaux Restaurant Without Any Cash



Examples of The Trust Problem

- Warring Nations Discuss Peace Treaty



Examples of The Trust Problem

- Loan agreement



Examples of The Trust Problem

- Leases



Examples of The Trust Problem

- Job Interview



Three Ways to Overcome the Trust Problem


1. Build Rapport, Relationship, and Constructive Tone



--Slow Down



- Set a constructive, positive tone
- Spend time on personal matters



I'm glad to see you today.
I've been looking forward
to our conversation. I'm
hopeful that we'll come up
with something very good
together.

How did you and your
family enjoy the trip?

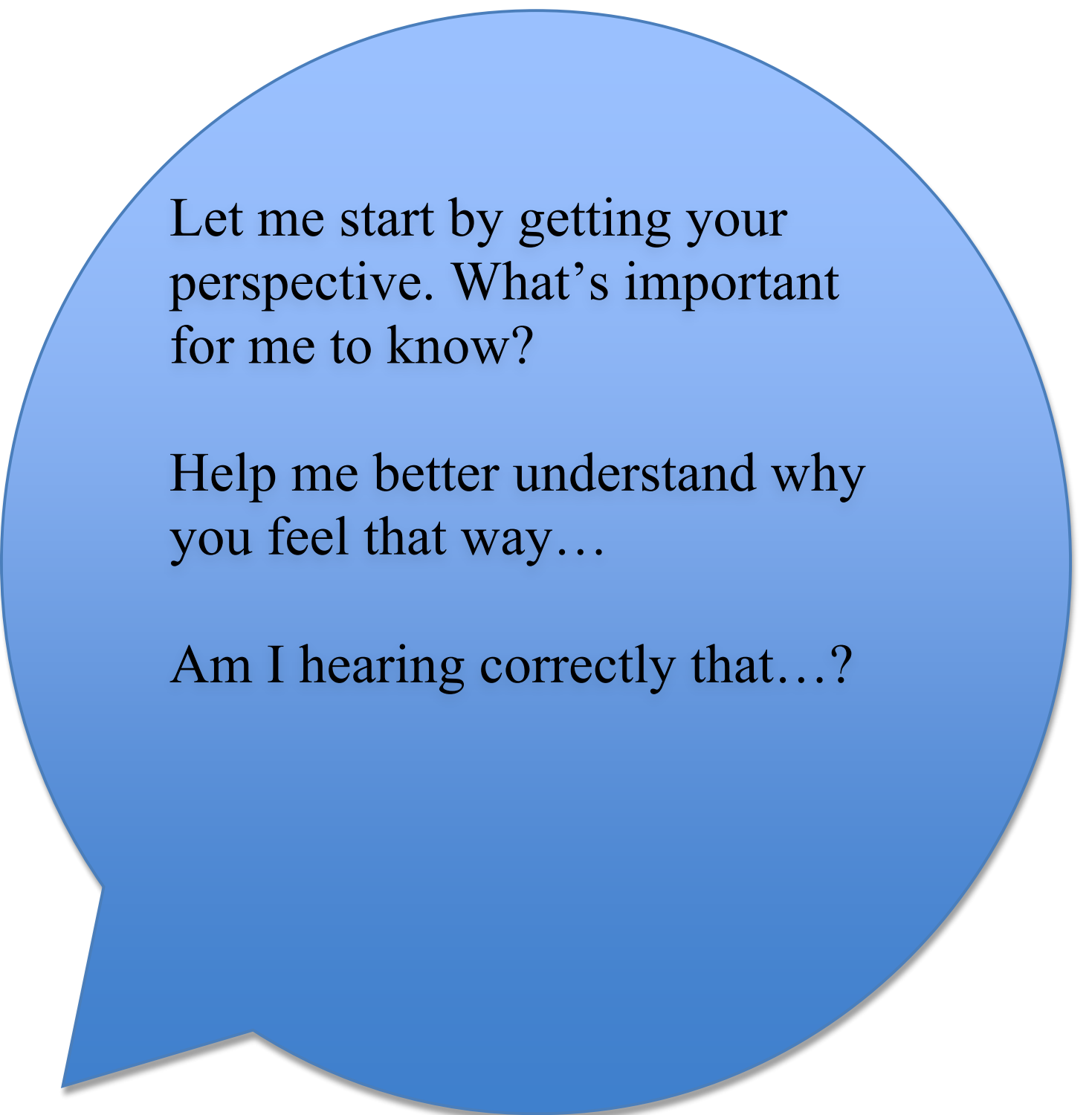
--Listen



- Invite the other to talk
- Listen and ask questions
- Recap

Skilled negotiators ask questions, test for understanding, and summarize more than twice as often as average negotiators do.

Neil Rackham, “The Behavior of Successful Negotiators

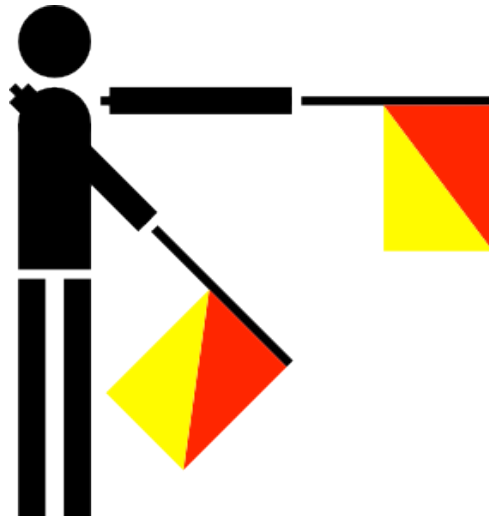


Let me start by getting your
perspective. What's important
for me to know?

Help me better understand why
you feel that way...

Am I hearing correctly that...?

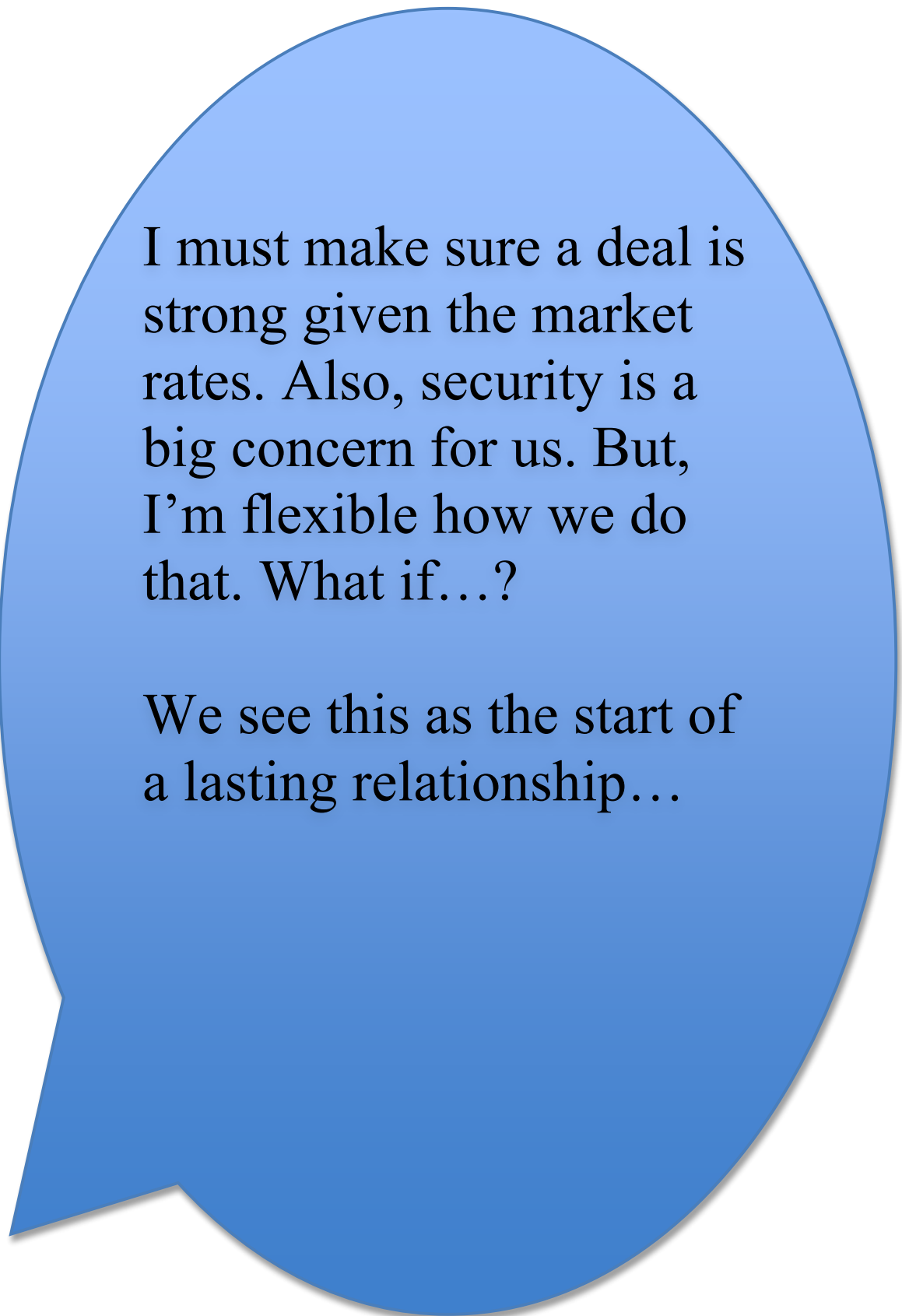
--Send Collaborative Signals.



Tell and show the other you want to...

- be hard on the problem, soft on the person.
- lengthen the shadow of the future.*

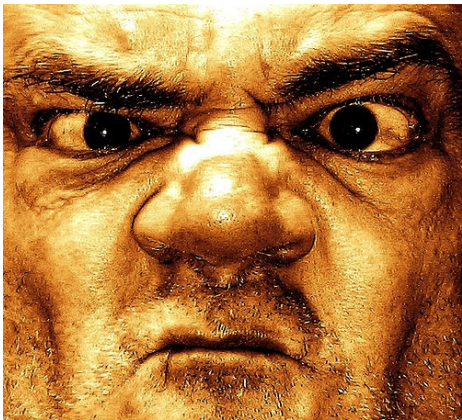
*If true.

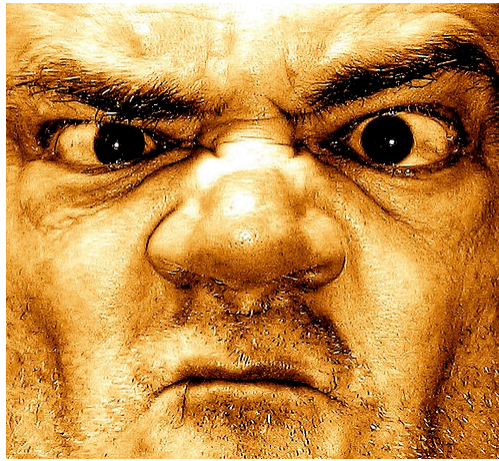


I must make sure a deal is strong given the market rates. Also, security is a big concern for us. But, I'm flexible how we do that. What if...?

We see this as the start of a lasting relationship...

--Avoid Irritants- Reframe





Irritators- words that don't persuade and often bug the other side.

- “I’m making you a fair offer.”
- “I’m being very generous.”
- “You’re being ridiculous.”

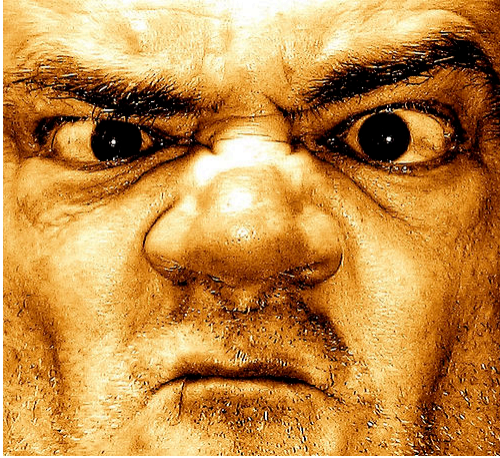
Average negotiators use Irritators five times as often during negotiations as skilled negotiators do.

Average negotiators make Defensive or Attacking comments three times as often during negotiations than skilled negotiators do.

Neil Rackham, “The Behavior of Successful Negotiators”



Reframing- rephrasing an idea using more attractive, constructive, and respectful language.



I'm making you
a fair offer.

I'm being quite
reasonable.

That's ridiculous.
We'll walk first.



Let's see what's
fair

Help me under-
stand your
concerns.

While I have
other offers, I'd
love to find a
way to work
with you.



That's totally unfair.



Since the industry report says the going rate is much higher, I can't agree to that. I wonder what if we...

--Keep it Real



- Thoughtful, not scripted.
- Honest, not naked

Three Ways to Overcome the Trust Problem

2. Trust Mechanisms

Any arrangement that can strengthen one's confidence that the other will keep his promises.



Examples of Trust Mechanisms

Collateral

Guarantor

Guard

Legally enforceable agreement

Letter of credit

Mediator

Monitor

Oath

Security device

Staged commitment

Threat of violence

Power Sharing

Arbitrator

Trust Bridge (I promise X, who promises Y)

Four Kinds of Trust Mechanisms

1. Watching Solutions

Things one can use to keep an eye on the other



Examples of Watching Solutions:

- Clear rules and boundaries
- Early warning mechanisms
- Reporting
- Disclosure
- Due Diligence
- Monitors
- Auditors
- Power Sharing

2. Incentives and Penalties



Carrots and sticks that encourage cooperation

Examples of Incentives and Penalties:

- Bonus for early performance
- Penalty for late performance
- Threat of violence
- Collateral
- Risk Shifting
- Legally Enforceable Agreement
(and the threat of litigation)

3. Go-Betweens



Reliable people who can help support
at least one side's promises



Things both sides trust that can confirm a deal is fair

Examples of Go-Betweens

- Credit Cards
- Letters of Credit
- Sponsors
- Go-Betweens
- Experts
- Mediators
- Arbiters
- Published data from a reliable source
- Secretariat
- Rating Agency

4. Formalized Relationship

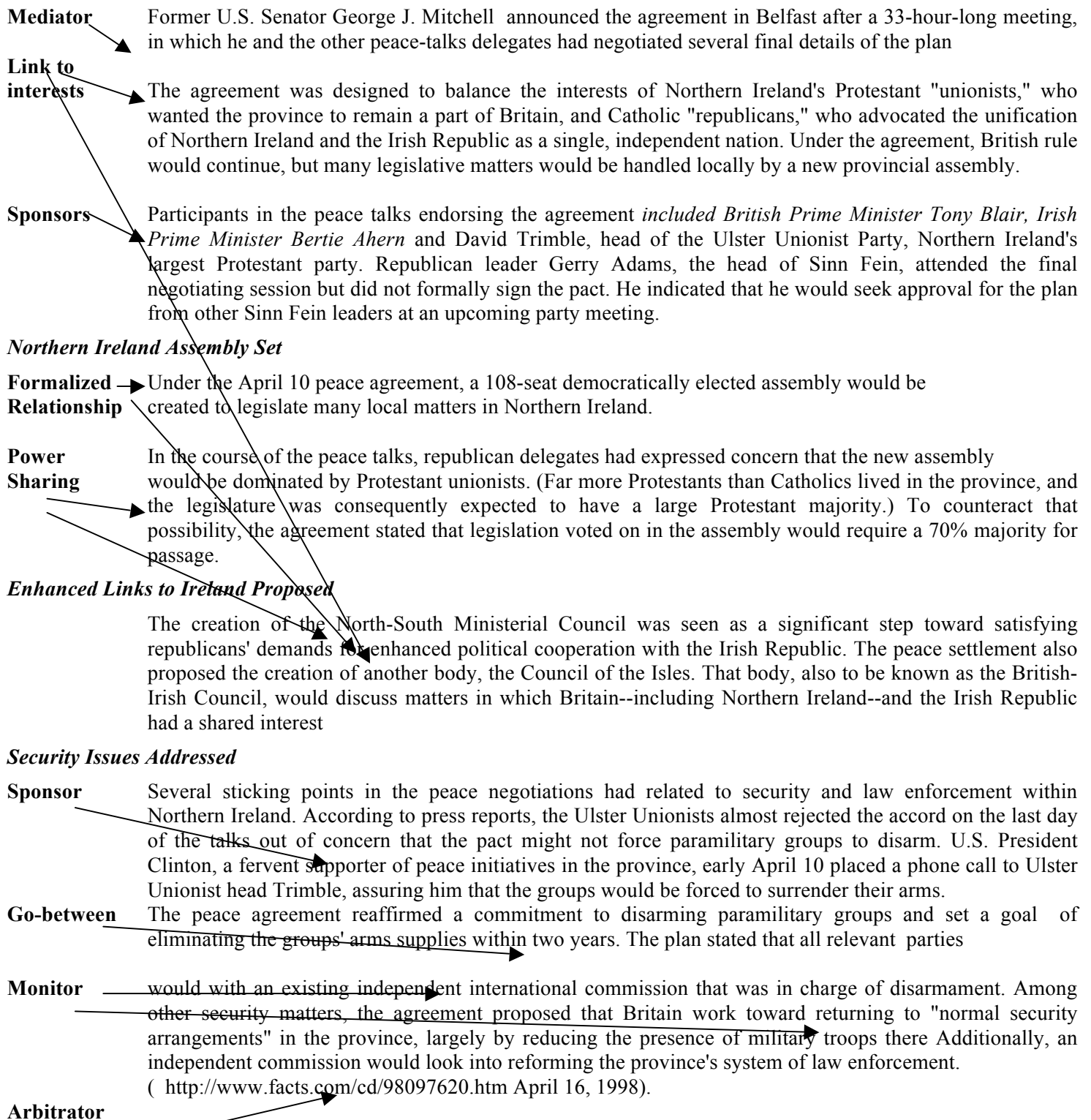


Rules of engagement to guide
our ongoing conduct

Examples of Formalized Relationship

- Regularly scheduled meetings
- Honor code
- Alternative Dispute Resolution Rules
- Charter
- By-laws
- Constitution
- Dance rules

Northern Ireland Peace Negotiators Reach Ground-Breaking Settlement- April 16,1999



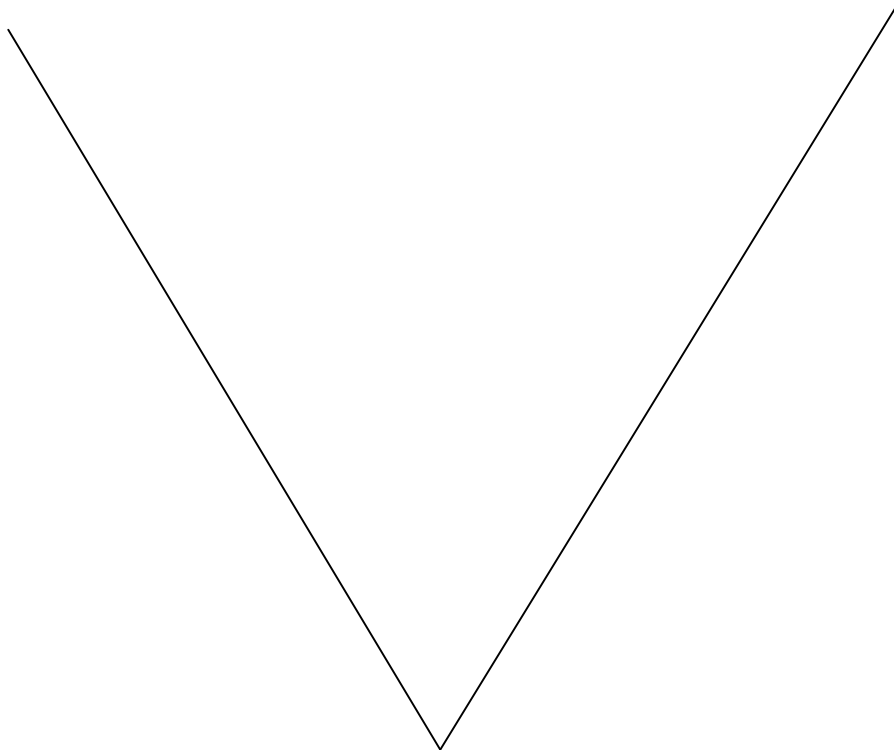
Trust Mechanisms in a Landlord - Tenant Relationship

- *Clear Rules* in the lease spelling out what each party must do when.
- *Disclosure* by Tenant on application form reveals information L can use to assess T
- *Documentation* such as a tax return or a pay stub to show T has enough to pay the rent
- *Early Warning Mechanism*- pay 1st of month so LL knows early if T breaks promise to pay
- *Monitor*- Super, doorman in building can spot and report T misconduct
- *Evidence of Agreement*- Agreement will be put in writing and signed.
- *Witness* such as a broker or a notary public to strengthen evidentiary effect of signing
- *Simultaneous Exchange* T gets keys when T signs and makes 1st payment.
- *Staged Commitment* T rents for a year or two at first, and then negotiate a renewal either may end the relationship if the other hasn't kept his word in the most recent stage.
- *Backer or Guarantor*. L may require co-signer.
- *Trust Bridge*. Have third party rent directly and sublet to T.
- *Broker*. The broker acts as a go-between during negotiations.
- *References*. From T's current or past landlords, friends and colleagues, or other people.
- *Formally Lengthening the Relationship*. creates an incentive to pay because T knows he will continue to see the L each month.
- *Trust Accounts*. L requires T to post first and last month's rent in advance plus a security deposit.
- *Price Adjustment for Risk* by adding a premium to the rent so LL knows he will not lose a lot if T turns out to be untrustworthy.
- *Market*. If one turns out to be dishonest and there is a strong market, the other can rent with someone else.
- *Interests* design the agreement to satisfy LL's and T's *Interests* as fully as possible. Each can be more confident that you will live up to the deal because each likes it.
- *Threat of Litigation* of course is the most obvious penalty one may use to penalize the other
- *Collective Action* T can organize a rent strike if LL does not keep his promises.
- *End the Relationship* by refusing to renew the lease.
- *Shame*- One can publicizing the other's misconduct through media, government agencies.
- *Threat of Violence* T can damaging or neglecting the rental property. LL can threaten violence by changing the locks and physically evicted with the help of your own people or the sheriff.
- *Solemnizing Gesture* printed lease, legal jargon, formalizes the commitment and stake their reputations more fully to it.
- *Objective Standards* - Government regulations, the printed lease itself and the opinions of brokers, other tenants, and other landlords act as fair standards in case of dispute.
- *Lease may call for landlord-tenant meetings and ADR clauses*.

Ways to Overcome the Trust Problem

3. Interest-Based Bargaining-

- Fight for your interests
- Show the OP you can satisfy her interests too



How Do You Overcome the Trust Problem?

- Build Rapport and Long-term Relationship
- Use Trust Mechanisms
- Use Interest-Based Bargaining

The Trust Building Challenge!

Think of a business problem or an issue in the news, and ask, “what trust problems are driving it?” Solve it by thinking of several different solutions to the trust problem.