

## Moving Up: Positional Bargaining Revisited

Noam Ebner and Yael Efron\*

*Editors' Note: Somewhere along the way toward widespread teaching of interest-based concepts, Ebner and Efron argue, the teaching of negotiation has lost something – a tough-minded focus on what to do when the pie can't be enlarged, the competing interests of the parties are intense, and the bargaining zone is small. If we are going to teach our negotiators to succeed in real life, they contend, we are going to have to teach them to bargain. The authors offer a fully worked-out exercise to do just that.*

### Introduction

Negotiation brings conflicting forces into play against each other: a desire to win or prevail in a given situation, versus a process dynamic that ultimately necessitates the other party's agreement to any outcome. Some negotiation scholars have argued that this competitive/collaborative dichotomy represents two fundamentally different approaches to negotiation (Fisher, Ury, and Patton 1991), while others have portrayed them as opposing forces at work in a negotiator's mind throughout any and every negotiation process (Lax and Sebenius 1986). Certainly negotiators must be aware of the dynamics underlying this dichotomy and the impact of its manifestation and sequencing in the negotiation process.

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It seems, however, that of the two dichotomous approaches, integrative versus distributive (or interest-based versus position-based, as these are often portrayed, although the two distinctions are not synonymous), the first is the more widely expressed in training, particularly in intensive executive workshops.

In fact, we contend that in the framework of an average negotiation workshop, not only are these concepts usually framed as two *distinct approaches*, they are sometimes assigned *value* as being beneficial or detrimental – or even as being “right” or “wrong.” As teachers and trainers, we respectfully suggest that the negotiation teaching community, wholly or partially, holds a bias in favor of interest-based negotiation and views positional bargaining as – at best – a necessary evil. This pedagogical bias, we believe, is part of a wider trend in negotiation research and culture (for a discussion, see Condlin 2008). As trainers ourselves, we admit that we have been influenced by these views. Furthermore, because positional bargaining is seen as more intuitive and thus more prevalent, negotiation trainers seem to view themselves as engaged in an uphill battle, struggling to instill in students an integrative approach in a competitive world.

We also contend that by preferring one model over another, regardless of contextual considerations – and by ignoring the fact that even in the most integrative of interactions and relationships, the need to distribute value often arises – we may fail to teach our students to take care of themselves in a great many of their interactions.

Nowhere, perhaps, is this truer than in the kind of two-day executive training workshop that served as the focal point of the conference on next-generation pedagogy held in Rome in 2008, from which this book arose. Although workshop participants – businesspeople, attorneys, and managers – are likely to experience negotiation situations that involve distributive bargaining and to have enrolled in such workshops expecting to learn how to contend better in these situations, they rarely receive such guidance. When positional bargaining is taught in these workshops, it is usually only to contrast the detriments of this style with the benefits inherent in interest-based negotiation. Trainers typically advocate integrative, interest-based approaches to all negotiation situations, highlighting the inefficiencies and inherent pitfalls of positional bargaining.

Even when positional bargaining is described more positively, we suggest that this is more likely to be at the informative level, with the goal of familiarizing students with positional bargaining as background against which integrative negotiation can be contrasted. Less frequently will trainers actually prescribe positional bargaining or teach participants how to get the better of a deal, how to gain the

lion's share of a surplus left between two negotiators, how to avoid commonly encountered traps and pitfalls – or how to set them.

We contend that when the representatives of two companies sit down to negotiate the price of a widget, their negotiation will *always* include distributive elements. Regardless of whether or not the negotiation passes through integrative phases, in the end, the representative skilled at managing distributive dynamics will, we believe, be more likely to get a better deal than the representative who is unfamiliar with basic distributive tactics.

In executive workshops, our students expect us to help them get that better deal. We have the knowledge and the skill-set to help them, but for reasons of personal and professional preference, we often do not. However, we *owe* it to our students to help them achieve better gains, *in addition to* (if not *before*) any style-advocacy we wish to engage in.

We certainly do not mean to say that emphasizing integrative negotiation is detrimental. We also do not contend that distributive negotiation should become the focal point of a workshop. We recommend, however, that – at *least* in the context of the executive workshop – trainers devote more time to teaching distributive negotiation. No longer should they say “Here is what you need to avoid” but rather “Here is what you need to know in order to get a better deal and take care of yourself.” Perhaps this is an area in which “second-generation” negotiation training can improve on “first-generation” workshops: now that the integrative ground has been broken and interest-based negotiation holds a place of respect on the negotiation-style spectrum, we as trainers can stop advocating one approach over another and instead focus on client needs and contextual considerations.

In this chapter, we refrain from suggesting what distributive-oriented content needs to be taught, which skills need to be honed, and what caveats pertain. We prefer to leave this to the discretion of teachers and trainers as they revisit the practice of distributive bargaining, in the hope that this will engender a new discussion in the field. Instead, we provide some teaching materials – a simulation-game and teaching notes, designed to engage students in positional bargaining and to trigger discussion round this experience, providing teachers with a flexible platform onto which they can fuse any distributive-oriented knowledge or skills they prefer.

Many excellent simulation-games have been designed for the purpose of allowing students to explore and appreciate the difference between integrative and distributive negotiation. The design of these simulation-games, however, often reflects the pro-integrative

bias: students are deliberately placed in situations in which the numbers alone are not enough and dancing the positional dance is inefficient or insufficient to make a deal. Non-monetary interests and needs, suggested or hinted at in the text, are what allow parties to go beyond inefficient bargaining, enlarge the pie, create value, and reach agreement.

We designed a simulation called *Moving Up* to trigger the opposite dynamic. In this simulation, while interest-based negotiation can do wonders for the at-the-table relationship and can perhaps help reduce costs, it will rarely lead, by itself, to agreement. In *Moving Up*, there is no magic key, no orange to peel, and little to look for in terms of an ongoing relationship between parties. In the end, parties *must* engage in positional bargaining – and must do so effectively. Using this simulation-game as a teaching tool, teachers can help participants learn some skills that are not usually in the toolbox we equip negotiation workshop participants with: how to bargain more effectively and more efficiently, how to steer bargaining processes towards agreement rather than impasse, and how to walk out of a bargaining situation with more rather than less.

### **Moving Up: Overview**

*Moving Up* is a negotiation simulation-game designed around a familiar scenario: homeowners hope to “move up” by buying a more spacious and expensive home from other homeowners (who seek in turn to do the same themselves.) The structure of the game engages participants in prioritizing, at-the-table relationship building, positional bargaining, and creative thinking; often the parties find themselves at impasse and need to reconsider and re-enact any or all of those activities. This guide covers the following:

1. Logistics
2. Teaching Notes
3. Material for Participants
  - a. Instructions for Party A: Owners/Sellers
  - b. Satisfaction Measurement Form for Party A: Owners/Sellers
  - c. Instructions for Party B: Prospective Buyers
  - d. Satisfaction Measurement Form for Party B: Prospective Buyers

### ***Logistics***

*Moving Up* does not require that participants have any legal knowledge or training, although they may choose to apply whatever general knowledge of contract or property law that they have.

The simulation works best when conducted by four players, broken down into two teams: two spouses who seek to buy a house and two spouses who seek to sell it. (If there is an odd number of students, one may also negotiate singly rather than as a couple.) It is designed to last for one-and-a-half to two hours, broken down as follows: twenty minutes for setup and preparation; forty to sixty minutes for playing the game, and thirty to forty minutes for debriefing.

Hand out the following material:

*Party A:*

- Instructions for Party A: The Owner/Seller
- Satisfaction Measurement Form for Party A: The Owner/Seller

*Party B:*

- Instructions for Party B: The Prospective Buyer
- Satisfaction Measurement Form for Party B: The Prospective Buyer

## Moving Up: Teaching Notes

### *Educational Overview*

The Moving Up simulation-game is an educational tool for negotiation training. Designed for the beginner-to-intermediate level, it provides a relatively simple and familiar setting against which the dynamics of negotiation manifest themselves and play out. It is especially useful for highlighting the differences between positional bargaining (which the scenario seems to call for), necessitating a competitive approach, and interest-based negotiation, by means of which parties may be able to expand the pie through creative thinking.

In contrast with many excellent simulations that seek to help students appreciate and navigate the dichotomy between distributive bargaining and integrative negotiation, this simulation-game does not aim to lead participants toward dynamics and outcomes that can be later be debriefed to demonstrate the deficiencies and inefficiencies of the former and the advantages and intricacies of the latter. On the contrary, in order to succeed in this negotiation, parties must *bargain*, and their failure to do so – or to do so competently – will lead to impasse and/or loss. Although integrative negotiation dynamics might serve to *improve* the inter-party relationship and alleviate some of the difficulty built into the mathematics of the game, the game is structured so that they cannot, without bargaining, provide for their own needs. This encourages participants to examine

the bargaining tactics used by parties and consider how adept and comfortable they are employing them.

### ***Setup and Management***

Break the group into pairs, asking participants to choose a partner with whom they would like to work. Assign each pair the role of buyer or seller.

Next, explain to the group that each pair will be playing the role of a couple, negotiating the purchase/sale of an apartment, with another couple. Assign each couple a counterpart couple, so that the class is divided into groups of four, comprised of two couples each. This makes the family element which is included into the storyline very tangible, allowing for very realistic dynamics to enter the bargaining process. A word of caution, though: This trainer intervention adds a twist to the relationship participants had in mind when they paired up. Sometimes this might have adverse consequences. For example, this move might actually intervene in an ongoing (and perhaps unspoken) relationship amongst participants. It often transforms work- and study- partners into same-sex couples for an hour. Invite pairs to rewrite any distracting elements of this matchmaking (but not any of the numbers – see below) so that they feel comfortable in the simulation environment (for more on the advantages, and the challenges, associated with this type of intervention, see Ebner and Efron 2005). Our experience, gained in a wide variety of cultural settings, is that students enjoy this, laugh it off or slightly rewrite the relationship imposed on them, and not once has it caused any lasting adverse effects.

Instruct participants to read and analyze their background materials carefully and then to flesh out the instructions with their own knowledge, emotions, and experience. In this way, the simulation will not only become more lifelike, it will also enable them to understand what parties to such a negotiation truly experience. Their resulting insights will therefore be highly transferable to real-life situations.

Prior to beginning the actual simulation, the trainer should instruct participants to not only to prioritize their needs and interests but to also fill out the “satisfaction measurement form,” putting down on paper (*before* initiating the negotiation) their anticipated satisfaction with different outcomes. They may fill it out using ranges, such as “Extremely Satisfied: \$190-195,000.”

### ***Typical Outcomes***

In our experience conducting this simulation-game, we have identified the following trends in negotiation dynamics and results:

### 1) Early Impasse

Often, parties feel they are at a process breakdown relatively early on in the negotiation. After exchanging one or two offers, parties issue ultimatums, declare impasse, and break off the negotiation. Some groups return to the table, others do not.

### 2) A High Degree of Final Impasse

Relative to other simulation-games conducted in negotiation courses, this exercise generates considerable frustration and impasse occurs frequently. Fewer than half the negotiation groups typically reach agreement, and the rate of agreement is sometimes much lower.

### 3) Inventing the Pie

Frustrated by their inability to reach quick conclusions, or faced by the unexpected reality that there is no apparent interest-based solution, participants sometimes choose to change the rules of the game, inventing additional resources. Teachers must watch out for this. Participant rewriting of role information or creative interpretation of instructions can often be a positive development in negotiation role-play, but teachers may need to take a more rigid stance in the context of this simulation, or risk missing the educational benefits it was designed to provide due to the upsetting of the simulation's mathematical structure.

### 4) Over-commitment

Some groups might reach "impossible" agreements, which involve parties committing to more than they can deliver.

### *Mathematical Structure of the Simulation*

The mathematics of this simulation-game are simple, but they are what make the scenario most challenging. The sellers need \$210,000 to buy their new apartment, \$4,000 for repairs to the new apartment, and \$1,000 to pay their moving costs. They have saved \$33,000 from other sources, so the minimum required to buy the new apartment if they put off all the repairs is \$178,000.

The buyers begin with \$150,000 from the sale of their previous apartment. At most, they can come up with \$34,000 from other sources. This gives them \$184,000, but their moving costs are \$1,000 and they hope to undertake renovations to the new apartment costing \$4,000. Should they pay everything they've got and put off the repairs, the most they can afford to pay for the new apartment is \$183,000.

Thus, the zone of potential agreement (ZOPA) lies between \$178,000-\$183,000. Given this framework, we can identify several roadblocks to agreement. The first involves how each party chooses to prioritize its goals: parties will *only* reach agreement if both parties decide to utilize all, or nearly all, of their resources and if both parties forego undertaking most of the renovations they had in mind. Both parties may be able to pay for *some* of their planned renovations or to avoid spending *some* their savings, but the simulation *forces* the parties to prioritize.

The second roadblock is that the simulation intentionally limits parties' abilities to use integrative, creative, pie-enlarging negotiation strategies. If teachers ensure that participants follow the rules of the game, it is unlikely that they will reach an integrative solution without resorting to positional bargaining. Certainly, they can introduce integrative elements to facilitate reaching a solution and to increase parties' satisfaction; for example, they can explore cost-cutting strategies. (Participants sometimes suggest that both parties contract with the same moving company to move both families, which might reduce costs by a few hundred dollars). Without an agreed-upon number inside the zone of potential agreement, however, the prevalence of opposing interests makes a wholly interests-based solution unlikely if not impossible.

These distributive elements channel parties into the positional bargaining dynamic of numerical offers and counteroffers so often encountered in real-estate transactions and trigger the third roadblock, inherent to distributive bargaining, which is the relatively narrow zone of potential agreement and the lack of information as to its location, resulting from parties' aspirations, posturing, and reluctance to reveal information that they fear could be used by the other party to their own detriment.

Instructors can reveal these roadblocks in their debriefing, charting participants' desired outcomes, opening positions, and subsequent moves on the boards, while highlighting the \$178,000-\$183,000 ZOPA and asking whether participants discovered this range or operated within its framework.

It is thus important that the mathematical structure of the game not be changed. If participants raise questions regarding costs or assets not discussed in the instructions, teachers would be advised to instruct them to ignore them. For example, if participants ask about closing costs incurred by the transaction, they should be instructed to assume there are none. The instructor might also need to curb the participants' creativity if, for example, they try to "invent" assets (e.g., "we can ask our rich uncle for help").



### **Debriefing**

Debriefing is an important element of the *Moving Up* simulation and instructors could choose to focus on a variety of topics. Provided are some recommendations for possible managing of the debrief session. The first topics focus participants specifically on the dynamics of distributive bargaining; those listed towards the end allow for more general conversation. This is not in any way meant to provide an exhaustive list of questions or discussion-themes, which depend on time, specific training goals and on particular dynamics the teacher noticed as the simulation-game was underway.

Once we have determined which of the pairs reached agreement and which did not, and what kind of agreements were reached, we typically focus on the following areas: negotiation dynamics; the ZOPA; participants' aspiration, expectation, and satisfaction levels; alternatives to an agreement; comfort levels and negotiation strategy.

#### **Transition to Debrief**

Ask these pairs for the sum they agreed on, and whether their agreement includes any other issues or clauses beyond the agreed-upon sum. Put the final sums and additional clauses up on the board. In addition, ask groups who did *not* reach agreement whether there had been a last refused offer or offers on the table, and display this impasse-gap on the board as well. This is done for transitional reasons: it allows participants still engrossed in the game to join the group, and allows others to vent a bit. It also stresses the joint-but-separate experiences of the groups, transforming them back into one large learning-group. Finally, having the numbers up on the board serves as an excellent visual reference for the rest of the session.

#### **Negotiation Dynamics**

Would parties characterize their negotiation as an interest-based one, or as one that took the form of positional bargaining (presenting positions to one another, making concessions in order to get the other to make concessions, and trying to bring the other as close as possible to one's desired outcome)? What dynamics, actions and turning points in the negotiation process make them feel this way?

Most groups recognize the positional elements in their negotiation; with others, we have found that we sometimes need to draw it out. They are sometimes hesitant to discuss it, given the degree of bias against such behavior they have encountered.

We also sometimes ask one or more groups to reconstruct the bargaining dance. Beginning by noting their opening offers on a

simple line chart, we record the concessions they made along the line towards one another. This helps to identify dynamics that instructors might choose to raise later, such as when the same party offers successive concessions, or when the concessions are erratically spaced.

### **Zone of Potential Agreement (ZOPA)**

At this stage, we find it useful to share the mathematics of the game with participants. This can be done on a simple line chart, showing the \$5,000 zone. We will usually ask the participants whether any participants went beyond their resources, with buyers agreeing to pay more than \$183,000 or sellers agreeing to accept less than \$178,000, and why this happened. This can trigger a discussion of faulty analysis, different approaches to risk, and over-commitment.

We also typically ask whether offers were made inside the ZOPA or both parties' offers remained outside of the ZOPA, creating an impasse. If this occurred, why did the parties refrain from exploring options within the ZOPA? Finally, we also typically ask whether parties believed they had to make sacrifices in order to achieve their main goals in this negotiation and how they would describe their prioritization processes.

### **Aspiration, Expectation and Satisfaction Levels**

Having participants fill out "Satisfaction Measurement Forms" gives us insight into their original aspirations and expectations, and also enables us to make *post-facto* comparisons with what they actually did at the table. To that end, we typically ask the parties to describe what they considered to be satisfying results, what their opening offers were, how they chose their opening offers, how satisfied they were with their outcomes, etc. We also asked whether any of them accepted an offer that they had originally rated as unacceptable. Was this the result of new information? Of reprioritizing? Or of some dynamic at the negotiation table pulling them in towards accepting an unsatisfactory offer?

### **Best Alternative to Negotiated Agreement**

While the concept of Best Alternative to Negotiated Agreement (BATNA) is often used to delineate satisfaction ranges or reservation points in positional bargaining, in reality a BATNA is often more vague than a specific point on a chart. This facts of this simulation underscore this lesson, because neither party has a clear BATNA but rather a subjectively perceived degree of risk or opportunity.

Thus we typically ask participants what they perceived their BATNAs to be and how this knowledge shaped their reservation (or

“walk-away”) point, whether the parties divulged their BATNAs to each other, and whether they bluffed about their BATNAs. In the simulation information, the only real BATNAs parties have is to walk away, and hope to find a better deal from another buyer or seller. How they evaluate this in terms of probability is a matter of subjective perception, which affects the degree to which they feel confident in their BATNA and comfortable bluffing about even better BATNAs (such as the sellers pretending to have another buyer waiting in the wings).

### **Comfort Level**

We also typically seek out information about parties' comfort levels in the negotiation. Were they comfortable within the negotiation process? Did the bargaining dynamics of offer and rejection, counteroffer and rejection, applying pressure, and posturing cause them to feel positive and charged, or tired, weakened and wanting to leave the table? What would have helped them to feel more comfortable and empowered at the table?

### **Negotiation Strategy**

Negotiation strategy is another important area for debriefing discussion. How would parties define their overall initial strategy, as cooperative or competitive, for example? Did they feel that they implemented that strategy throughout, or did something in the negotiation dynamics or in the other party's actions or attitude cause them to shift their strategy? Can they identify specific incidents or “turning points” in the negotiation that caused shifts in strategy? Are they able to describe positional bargaining in terms of cooperative strategy, or are the two mutually exclusive?

### **Communication Skills and Information Sharing**

How parties communicated with each other is also an important topic for the debriefing. What communication tools did the parties use throughout the negotiations? Did the parties feel that they focused on question-asking and learning, or on making statements and making themselves heard? Was it difficult to utilize techniques such as active listening or reframing, given the competitive setting?

We usually ask participants to describe how information was or was not shared during the simulation. This is a critical aspect of this simulation because there is a very limited ZOPA, and the way parties share information can determine whether the ZOPA is ever identified. Was an atmosphere of trust built between the parties? Did they share information openly between them or withhold it? Did they

disclose their true numbers? What actions or circumstances proved conducive to information sharing, and what actions or circumstances inhibited it? Did any of the parties have a feeling that the other was holding back important information? And if so, how did they feel about that?

### Exploring Options

A final debriefing topic is option exploration. We ask the participants how offers were made and received in the context of this relatively distributive scenario. Who put the first offer on the table? How did this affect the flow of the negotiation process? Were both parties actively involved in the search for options, or did one lead and another assume a passive role or a wait-and-see stance? Did the search for options (or the final agreement) focus on elements that were very much on the table (for example: finding a number that could work for both of them) or were attempts made to expand the pie?

## References

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## Moving Up

### *Instructions for Party A: Owners / Sellers*

Ever since your marriage ten years ago, you and your spouse have been living in an apartment located in a nice, quiet part of town. Situated one flight up, the apartment is huge, with four bedrooms and a large living room that opens onto a balcony overlooking a wonderful view of the park. The neighbors are all terrific people, and the area is well-lit and secure. You have kept the apartment in excellent shape, and are very proud of the condition it is in.

Looking back, it was a perfect first home, and a great place to raise your four daughters. However, as the girls began to grow, you felt the need for more room. When your mother-in-law fell ill several months ago, you decided to buy a larger apartment and have her live with you. After an intensive search, you have finally found a suitable apartment: centrally located, spacious and in great condition. After several weeks' negotiation with the owner, you've reached the conclusion that if you move fast on the deal, you can close it for \$210,000 (and not a penny less). This is the owner's final price for cash-in-advance payment; he is not willing to let you pay anything off over time. You get the feeling that he is getting impatient with the lengthy negotiations, and he has recently told you that he could not wait for your decision indefinitely and intends to begin showing the apartment to other potential buyers.

While the new apartment looks great, you feel it needs two important improvements, which you would have to fund yourself. First, a couple of the rooms need to be turned into a separate, independent unit for your mother-in-law, for the sake of her own privacy (and, of course, because living with her full time in close quarters might be more than you can take.) You estimate the cost of this project at about \$3,000. The second improvement you don't want to do without is soundproofing the kids' den/playroom at the back, so as allow yourself the possibility of you and the kids actually enjoying the house at the same time. You estimate the cost of soundproofing at \$1,000. While this project could theoretically be put off, the work would be much more complicated to do after you've moved into the house. In addition to these improvements, you estimate your moving costs will be \$1,000.

Faced with the need to come up with this amount of money, you started looking at your options. The recent credit crunch has driven mortgage costs and interest rates sky-high, and there is no way (especially given the anticipated costs of having to support your mother-in-law) that you can afford to take out a mortgage. You will

need to finance the purchase of your new house from your own independent sources.

Naturally, the primary source of funding will be the proceeds from the sale of your current apartment. You have had the apartment evaluated by several experts and real-estate agents, and although the direction in which the real-estate market is headed is uncertain, you think that anywhere between \$180,000 and \$195,000 would be a fair price.

Beyond the money from the apartment sale, you are considering use of the following sources and amounts of money:

- 1) A savings account you've put together over the past 10 years, containing all your savings: \$10,000;
- 2) Your mother-in-law has suggested you use her savings of an additional \$10,000;
- 3) Your daughters' education fund, which has \$5,000 in it;
- 4) \$5,000 that you have been saving up over the past couple of years to take the whole family on a vacation abroad; and
- 5) \$3,000 that you set aside for purchasing furniture for the new house.

To put it plainly, every penny is important. Every dollar you spend from one of your savings accounts means your family has to give something up later on down the line; every dollar you take from your mother-in-law might bite into your independence. You also know that moving entails a million little expenditures that you never thought to take into account, and that you need to prepare for this. Additionally, with the condition your mother-in-law is in, you figure she may soon need expensive medical attention.

For these reasons, you must insist on receiving payment up front from the buyer of your apartment, and can't let anything be paid off over time. Additionally, you have no money (or time) to spend on renovating or tailoring your old apartment to suit a particular buyer's needs; you know the apartment is in great shape and will sell it "as is."

You have shown the apartment to several couples over the past few weeks, but no serious buyers have emerged. The slow trickle of people expressing interest in your apartment has been of concern to you because the owner of the apartment you want to buy continues to make it clear that time is of the essence, and he may have other potential buyers.

Today you are meeting with some people who might make a difference – a couple who saw your apartment last week, liked what they saw and spoke with you several times since on the phone, although you have not yet discussed money. You agreed to meet them in a café near the apartment today to discuss a deal.

**Satisfaction Measurement Form**  
*Party A: Owners / Sellers*

Based on the information you have been given, decide how much money you wish to receive for your apartment. You have decided to assign yourself satisfaction levels in order to assess the outcome of your negotiation. Fill out the form below, according to your own understanding and analysis of your needs and preferences.

<b>Satisfaction Level</b>	<i>Extremely satisfied</i>	<i>Satisfied</i>	<i>Can Live With</i>	<i>Unacceptable</i>
<b>Outcome</b>				

## Moving Up

### *Instructions for Party B: Prospective Buyers*

As a wedding gift, your parents bought you and your spouse a small apartment located near the university where you were both studying. Eight years later, you have decided that enough is enough. The walls are peeling, the pipes are rusty, and the neighbors are annoying. A two-bedroom apartment may have seemed luxurious as newlyweds, but with two children – and another on the way – it seems as cramped as a matchbox.

For the past three months you have been looking for a new apartment, searching on your own as well as through real estate agents. Every weekend, you wake up early to get to the “For Sale” ads in the paper before anyone else, and line up apartments to see over the weekend. You must have seen twenty apartments so far, and are beginning to feel depressed by what you have been seeing. Far from finding your dream house, you are getting the impression that it will be very hard for you, on your limited budget, to find something that would make the move worthwhile. You have entered initial negotiations with two apartment owners, but cut these off quickly when you saw there could be no deal.

Last weekend, after seeing an ad in the paper, you saw an apartment you think might be perfect for you. Located in a nice, quiet, part of town, the apartment is one flight up and overlooking a park. While not huge, the apartment is certainly spacious, with four bedrooms and a nice-sized living room with a balcony.

While it could use some fixing up, the apartment isn’t in bad shape. It seems a bit worn out by the owners’ young children, it needs painting and some of the fixtures need replacing. You’ve put together a list of items you want fixed, with the main items being replacing rusty pipes and the leaky sink in the kitchen, and installing a gas-heating system to replace the ancient kerosene-heated radiators that are currently in place. You estimate the cost of painting at \$1,000, replacing the sink and pipes at \$1,000, and the heating system at another \$2,000. Of course, you don’t have to do these renovations before moving in, and might consider putting them off for later; still, conducting major repairs while living in a place is always such a mess – and who knows if you’d ever find the money and energy to do it? In addition to these renovation projects, you estimate your moving costs at about \$1,000.

Of course, you could never dream about buying this (or any other) apartment without selling your old one. You were worried that it would take ages to sell, given its run-down condition, but you recently received an offer for \$150,000 for its immediate purchase –



more than you expected to receive, or think you could get from anyone else. You very much want to accept the offer, but this would necessitate handing over the apartment to the buyer in a matter of weeks; you cannot seal the deal until finding a new apartment.

You and your spouse have very good prospects for the future, but are presently unemployed, and therefore unable to take out a bank loan to finance the purchase of a new apartment. You will have to finance the purchase from your own independent sources.

Beyond the money from the sale of your current apartment, you are considering use of the following sources and amounts of money:

- 1) The savings account you've put together over the past 10 years, containing your entire savings – \$25,000;
- 2) Your mother-in-law has offered you a loan of \$5,000;
- 3) A savings account you opened for your children's education, containing \$3,000; and
- 4) \$1,000 that you saved up to purchase new baby furniture.

Beyond this, all you have is the hope that you both might find jobs soon, and might be able to offer some future payment when you get back on your feet.

To put it simply, every penny you can save is important. Every dollar you spend from one of your savings accounts means your family has to give something up later on down the line; every dollar you take from your mother-in-law will definitely bite into your independence. You also know that moving entails a million little expenditures that you never thought to take into account, and that you need to prepare for this.

You have spoken with the apartment's owner several times during the past week, though you have not yet discussed money. It is difficult to get an exact estimation of the apartment's true value due to fluctuations of the real-estate market, but you've heard that similar apartments in the area have been bought for between \$168,000 and \$179,000.

You called up the seller, and suggested you meet in a café near the apartment today to discuss a deal.

**Satisfaction Measurement Form**  
*Party B: Prospective Buyers*

Based on the information you have been given, decide how much money you wish to pay for the apartment. You have decided to assign yourself satisfaction levels in order to assess the outcome of your negotiation. Fill out the form below, according to your own understanding and analysis of your needs and preferences.

<b>Satisfaction Level</b>	<i>Extremely satisfied</i>	<i>Satisfied</i>	<i>Can Live With</i>	<i>Unacceptable</i>
<b>Outcome</b>				