

Note: Details of this case, including the names of individuals, have been omitted or changed to protect the confidentiality of the data.

The first person I interviewed was a small business owner named Chloe. She owns several small businesses, but the one that was the subject of our interview was a convenience store called Chloe's Convenience Store. Chloe is from a small town, and has not had a lot of experience in sophisticated negotiations, outside the normal business-type negotiations involved with owning and buying businesses.

The negotiation she described to me involved the Missouri Division of Alcohol and Tobacco Control ("Division"). The Division periodically sends minors paired with one of their employees into places that sell cigarettes and alcohol to see if the establishment will sell cigarettes to a minor. In Chloe's case, she happened to be working the cash register at the time. Chloe asked to see the minor's ID and saw that the minor was only seventeen years old. However, Chloe mistakenly calculated her age to be eighteen and sold the minor cigarettes. The inspection occurred at the convenience store's peak rush hour and Chloe said she was very busy when the minor came in. A few minutes after selling the cigarettes, she realized her mistake and ran outside to try to catch the minor, but the minor was already gone. Chloe called the Division's office and told them what had happened, but they said they would have to wait to see if it was in fact an inspection, and even if it was, it did not matter that Chloe realized her mistake, since she already sold the cigarettes. Chloe said she knew she would receive a fine and each time a store receives a fine, the amount of the fine increases. Chloe's store had received a fine a few months ago.

I asked Chloe about preparing for the negotiation. She said she researched if there was any way to appeal the fine or get it reduced. She looked on the Division's website and called a

few people who worked there. One woman told her she had three options: pay the fine, appeal the fine but admit her guilt and argue it should be reduced, or appeal the fine and argue she was not guilty at all. Chloe considered each option and decided she would appeal the fine and try to get it reduced. She scheduled a hearing with the Division, which occurred over the phone. Before the hearing, she did more research on the topic to see if other people had appealed fines and had had any success, and if so, what they did. Chloe said she considered what she could say in her defense and what would be the most likely to get her fine reduced.

When the Division called, Chloe told them about all of the steps she had taken to prevent selling to a minor again. She told them how she had gotten a new machine where you type in the person's birthday and it will tell you if you can sell to them or not. She also gave all of her employees a statement to sign that educated them on the law regarding minors and precautions to take. Chloe hired a minor to come into her store and try to buy cigarettes to check to see if her employees were carding minors and complying with the law. Finally, Chloe told them how her store was located in a small town and was locally-owned, not a big company store like a BP or Phillips 66. She could not afford the fine. Chloe said the Division representative was very nice, and after listening to the steps she had taken, he acknowledged her progress and mitigation factors. He offered to reduce the fine by 50%. Chloe said she accepted the 50% reduction, which happened to be a couple hundred dollars. She said she was expecting to get \$50 off at the most, so she was very pleased with the offer and did not try to get it reduced further. Overall, Chloe was very happy with the outcome, and did well despite her lack of experience in sophisticated negotiations.

The second person I interviewed was a business-owner named Jack. He owns multiple businesses, but only one was involved in the subject of our negotiation. Jack is an experienced

businessman who has had quite a lot of experience in negotiations. In one of Jack's businesses, his employees were mopping the floor before closing time. It was a fairly big store, and there was only one wet floor sign on the half of the store that had been mopped first, but the employees did not put a sign on the other half of the store when they began mopping that side. An elderly customer came in the store a few minutes before closing. She slipped and fell. She was not seriously injured, but was taken to the hospital to make sure everything was fine.

Jack told me his insurance company urged him to settle, even though the elderly woman was not threatening to sue and was not seriously injured. They were afraid she may sue in the future. Jack said he considered his options, but ultimately decided to settle the potential claim with the woman. It was a fairly informal negotiation he said, because she was not yet threatening to sue and did not have a lawyer. Jack said he reached out to see what the cost of her hospital visit was and any other costs associated with the fall. He then discussed it with his insurance company and they settled on a number that would cover her costs associated with the fall. It was not a really high amount, because her injuries were minimal. I asked if he did a lot to prepare for the settlement offer, and he said he did not do much except find out the cost of her injuries and consult with his insurance company. I asked if he considered any leverage he may have in the negotiation, but he just told me he was not thinking of that, he just wanted to make sure the lady was alright. His main concerns were her health and whether or not she planned to sue him. Because Jack did not want to be sued, he wanted to cover the total costs of her fall. This meant that there was not much of a negotiation between the parties; Jack offered her the amount to cover the costs of her fall, and she accepted. Both parties were happy with the outcome.

My third interview was with a man named Luke. Luke used to be a salesman for a national company that made equipment for barns and stables. His job was to travel to different states to meet with other companies and people who wanted to buy equipment from his company. During our interview he told me about a time when he made a bid with a huge equestrian company who held a big horse show each year. Luke's company was one of the sponsors for the horse show, and that is how they knew about the project. There were two other companies also trying to get the bid for the project, which was redoing the equestrian company's stables. Luke had to meet with his company's engineers and figure out how to meet the equestrian company's specifications. Then he presented a proposal to the equestrian company about cost and the number of pieces that would be involved. After his presentation, the company asked him to build a prototype to show to their board of trustees. Luke told me his company came up with two prices: one they preferred because it would make them quite a bit of profit and one that was the lowest possible price they would do it for. Luke said he was authorized to offer either number, and was supposed to get a feel for the board in order to decide which price he should give them.

When Luke got to the negotiation, he said he decided to give them the lower price, because he had found out that a local company was also bidding to get the job. Luke reminded the company that even though Luke's company was national, not local, it was sponsoring their show. He presented them with recommendation letters from other locals his company had done work for and gave them a list of his top clients. He also explained all the work his company had done for top trainers in the business. They tried to get Luke to come down from his bottom line offer, but Luke said he could not come down anymore if they wanted to maintain the quality and quantity they requested in their specifications. In the end, Luke got the bid without coming

down from his offer. He said that although the equestrian company had more power in that they decided who would get the contract, his company had the highest quality product and he knew his offer was competitive, so he felt prepared going into the negotiation.

The final interview I conducted was with another business owner who owned several restaurants. His name was Tim and he was moderately experienced with negotiations, but mainly those relating to employment matters. He told me about a time when he was having trouble finding a good manager for one of his restaurants. He had tried several people in the past few years, but none had worked out very well. He talked to one guy, Bill, who had a lot of managerial experience, but he wanted about 50% more starting salary than what Tim was willing to offer. Tim hired someone else, but about a year later he heard from Bill again. Bill was tired of traveling around and wanted to come back home to spend more time with his kids, and Tim's restaurant happened to be in Bill's hometown. Bill still wanted the same salary though. Tim was about to fire his current manager, because he was not working out. Tim told me he really wanted to hire Bill, but he just could not afford to pay him that much. He thought about how he could persuade Bill to work for him at a lower salary, but was afraid to risk losing Bill by making him a low offer. In the end, Tim decided he had to try, because he really needed a manager with some experience.

Tim told Bill that he could not pay him what he was asking, because his store was not doing well enough in sales to support that kind of manager salary. However, he told Bill that if Bill could get his store's sales up, he would give him a raise. Tim also told Bill that Bill would like working for him because it was close to Bill's home, Bill could see his kids more, and Tim would not require him to work as many hours. Tim thought that if he explained the reasons why he could not afford to pay Bill that much and also told him about the benefits of working for him

even at a lower salary, Bill may accept his offer. In the end, Bill gave in and they settled on a salary Tim could afford. Bill still works for Tim today.

Insights

I asked the individuals I interviewed about two main topics: preparation and power. I did not use this specific language, but used plain English when asking questions related to these topics. I found that most people at least did some preparation. Those with very little experience negotiating (Chloe) and those involved in a very sophisticated negotiation (Luke) did the most preparation. I think people with less experience negotiating do more preparation work, because their lack of experience makes them feel like they need to do more work before negotiating since they do not know what to expect. Further, those involved in sophisticated negotiations prepare a lot too, because they know the other side will be prepared and they do not want to be at a disadvantage. Those with moderate experience and in average negotiations, like Tim and Jack, prepared the least.

In preparing, most people considered their goal and the likely outcome. Not all considered a particular reservation point though. For example, Chloe said she had nothing to lose by appealing her fine, so she really had no reservation point because she would take anything she could get. This makes sense because if you have nothing to lose when entering a negotiation, you will not reach a point where you will be better off “walking away.” But more experienced negotiators in sophisticated negotiations, like Luke, usually do have a reservation point. I think one difference between Luke having a reservation price and Chloe not having one is that Chloe was her own boss negotiating for herself, whereas Luke was working for a big company. He had to have a reservation price, because his company would not be comfortable with him negotiating without a set bargaining range.

Another thing I noticed was that most people considered what the other party was likely to want. When considering what the other party would probably want, most of the individuals asked themselves how they could influence the other party. In regards to power, I asked them if they considered the leverage they had or any factors they could bring up in the negotiation to influence the other party. Most of them considered this. For example, Chloe considered what factors she could bring up in her hearing that were the most likely to influence the Division to rule in her favor. She tried to play on their emotions by saying she was a small store who could not afford the fine. She also used logic and reason by explaining the measures she took to rectify her mistake and to prevent it from happening again. She told me she knew that that was likely the thing they were most concerned about. The opposing party (the Division) had almost all the power in this situation and was perceived to be very experienced in negotiating. However, Chloe felt like she had to use all the leverage she had to try to influence them. Tim is another example. He considered how he could influence Bill to work for him for a lower salary. He also used Bill's emotions (Bill wanted to get a job closer to his kids) to try to persuade him. Tim knew it was risky to attempt this, because Bill had a good reputation and could get hired easily, but Tim felt he had to use his leverage anyway to try to persuade him. Chloe and Tim were the two with the least experience, yet they were also the two who tried to use the most leverage and influence. Although Luke had a lot of experience and did try to persuade the equestrian company to give him the contract, he ultimately went with the lowest offer his company would allow, because he did not want to take the risk of losing the bid.

In other types of negotiations though, some do not consider leverage as much. In Jack's case, when I asked about leverage or influence, he stated he did not consider that very much, and just wanted to do the right thing. Social norms may have overridden power in his situation. He

wanted to pay for her injuries because he saw it as the right thing to do (although I am sure one reason he did it was to prevent being sued). I do not believe this is the norm though. I think that because Jack had so much experience and was in a position of power compared to the elderly woman, he felt as though he did not need to exercise his power to get what he wanted. I am sure this would have been different if the other party was another businessman. Therefore, I think that depending on the perceived strength and experience of the opposing party, one's use of power changes. When the opposing party has a lot of power, one will attempt to use more of their own power to influence them; but when the opposing party is weaker, one will use less power to achieve their goal. This helped me see what to expect in future negotiations.