

**Energetics  
Meets Generex  
Negotiation  
Exercise:  
Basics with a  
Spin**

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# Energetics Generex Basics

- **Brief and Efficient**
  - Short prep/neg. time
  - Gets a large # of pairs negotiating
  - Little oversight needed
- **Engaging and approachable**
  - Some familiarity, lots of mass appeal
  - Many have opinions about wind power
  - Perfect 1<sup>st</sup> or 2<sup>nd</sup> exercise in a course
- **Broad appeal**
  - Used with professionals, mid-level managers, MBA students, international audiences, etc.
  - Many students have experience with some aspect
- **Explores bargaining zone idea, distributive basics, and anchoring and adjustment**



# How does it work

- **Preparation:** <15 minutes
- **Negotiation:** <20 minutes
  
- **Instructions to Negotiators**
  - Act out role of high-level corporate officer
  - You have equal motivation to buy/sell
  - Equal power to make a deal
  - Submit deal/no deal, and if deal, price
  - No other terms (although many add clarifications)



# Energetics Generex Basic Scenario

- **Buy/Sell Wind Division**
- **Dyadic, distributive negotiation**
- **Illustrates one issue bargaining zone on price**
- **Lots of public and private reference points**
  - Ranges from \$100 million to \$450 million
  - Credible values between \$170 million and \$350 million
- **Big Twist: Availability heuristic can lead to anchoring and adjustment**
- **Preponderance of information at low end of bargaining zone anchors discussions there**
- **Seller in particular needs a more aspirational target**

# Discuss Anchoring and Adjustment

- **Energetics-Generex reference points**
  - \$100M past purchase price
  - \$170M scrap value (private to Energetics)
  - \$189M depreciated book value
  - \$190M replacement cost (private to Energetics)
  - \$200M failed asking price 2 years ago
  - \$220M Siemen's AE division (Generex private info)
  - \$350M build from scratch (Generex private info)
  - \$450M limit set by accountants (Generex private)
- **Preponderance at lower end of range anchors low**
- **What effect might this have on settlement price?**

# Energetics Generex Debrief

- **Show a simple table with results**
- **Note any impasses, discuss range**
  - Impasses are rare—5-10% of the time
- **Diagram to depict Bargaining Zone**
- **What yields higher or lower sales prices (more or less of the bargaining zone)**
- **Worksheet: Target, BATNA, Reservation**
- **Talk about the danger of anchoring and adjustment**

# Energetics Generex Results

<b>Seller</b>	<b>Buyer</b>	<b>Price</b>
AI	Ghassan	<b>\$275,000,000</b>
Torian	Alis	<b>\$232,000,000</b>
Cameron	Greg	<b>\$230,000,000</b>
Jessica	OSP	<b>\$215,000,000</b>
Daniela	Pat	No Deal

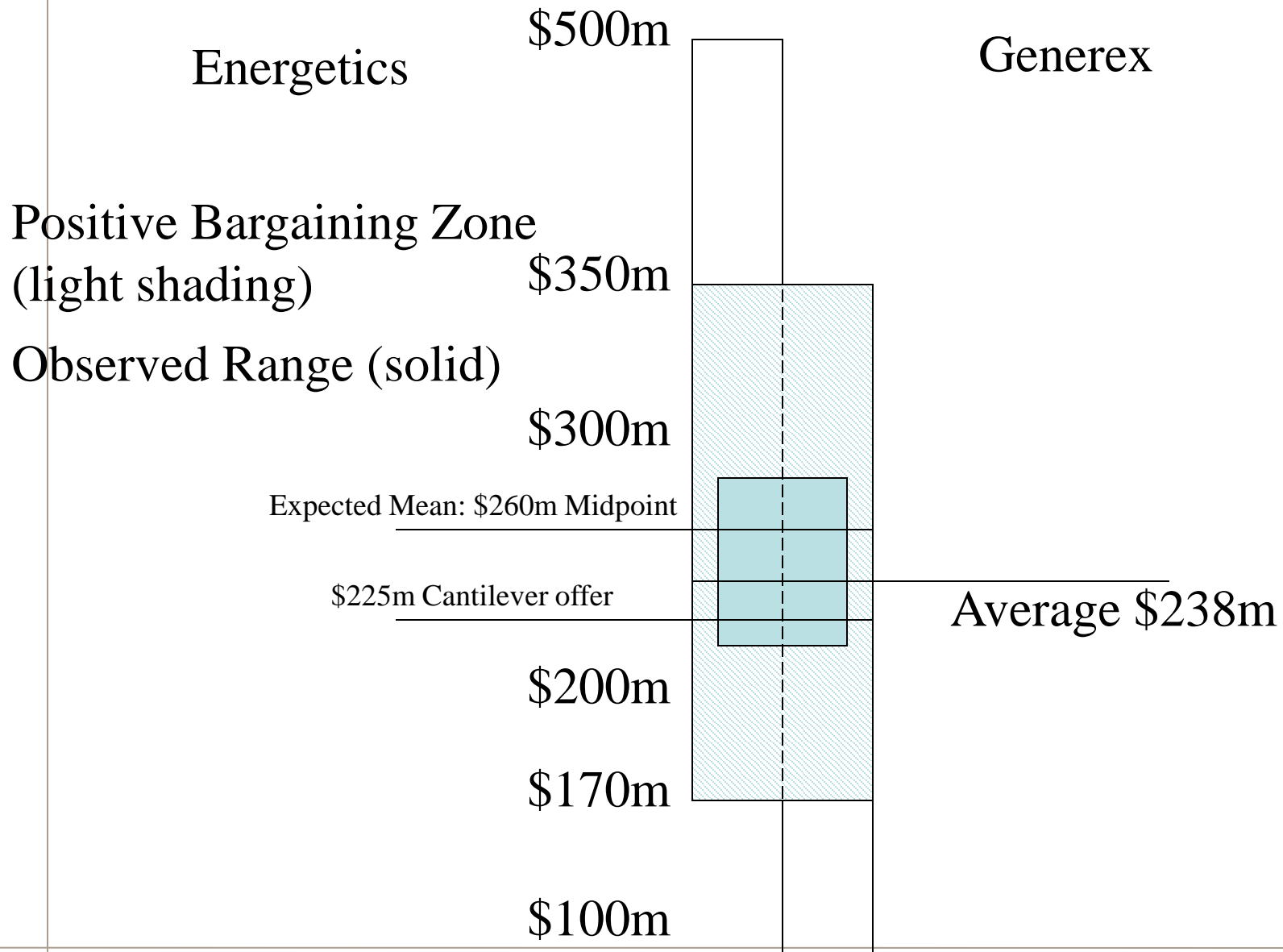
Average: \$238 million

# Show Past Results

<b>Seller</b>	<b>Buyer</b>	<b>PRICE</b>
Vida	Brian	\$295,000,000
Matthew	Seref	\$250,000,000
Nancy	OSP	\$232,000,000
Wes	Katheryn	\$231,000,000
Aaron	Marcio	\$226,000,000
Cheryl	OSP	\$225,000,000
Rachel	Deborah	\$220,000,000
Kevin	Fernando	\$210,000,000
Nguyen	Ryan	\$197,500,000
Carol	Walter	\$180,000,000
Jonathan	OSP	\$100,000,000
	Average	\$215,136,364
	Minimum	\$100,000,000
	Maximum	\$295,000,000



# Show a Diagram of BZ



# Energetics Generex Worksheet

Energetics SELLER:

Generex BUYER:

Target=

Target=

Reservation=

Reservation=

BATNA =

BATNA=

Advice...

# Energetics Generex Worksheet

## Energetics SELLER:

Target= ???

Reservation= \$170m

then \$225m

BATNA = Sell for scrap,  
then Cantilever

Advice...

1. Don't make 1<sup>st</sup> offer
2. Don't rush to counter
3. Ask about other's  
BATNA

## Generex BUYER:

Target= \$189m (or other  
number from case)

Reservation= \$350m

BATNA=Build from  
scratch in 3 yrs.

1. Make 1<sup>st</sup> offer
2. Rush counter-offer
3. Attempt to anchor

# Takeway 1: Practice Right Mindset

- **Pitfall: Using RESERVATION to set ASPIRATION**
- **Fix: Change script to focus on aspiration**
  - Do my best... get the most I can (aspirational)
  - What's the most the other party can give? (aspirational)
  - Don't pay any more than...(reservation)
  - Get at least as much as...(reservation)
  - Don't anchor at your end of the BZ

## **Takeway 2: New or Recent Info**

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- **Pitfall: New BATNA means another potentially disadvantageous anchor**
- **Energetics gets a potentially large improvement from Cantilever offer**
- **Offer of \$225 million is very vivid and recent**
- **BUT, danger of anchoring too much on this instead of opponent's reservation**

# Takeway 3: Learn Opponent's Options

- **Pitfall: Assume opponent has no choices**
- **Fix: Try hard to understand opponent's BATNA**
  - Understand YOUR alternatives, and theirs
  - Using questions to get information before making offers or counteroffers
  - SET YOUR GOALS using THEIR BATNA!

# Questions and comments?