

In the Weeds

Securing a Grass-Mowing Contract in Stockton, CA

Educator Guide

BRIAN MANDELL, JORRIT DE JONG, GUHAN SUBRAMANIAN,
STEFAN NORGAARD, ELIZABETH PATTON, AND MONICA GIANNONE

Overview

This Educator Guide is designed to assist instructors in teaching this case to students and practitioners. It is based on [case pedagogy](#), which invites participants to put themselves in the shoes of the protagonist(s) of the case and imagine how they would respond to the circumstances. Participants should read the teaching case in advance and identify key issues as a preliminary step toward meeting the learning objectives. Instructors may then use the time in the classroom to guide participants in exploring the issues and examining the challenges in the case; to introduce key concepts, tools, and frameworks; and to assist participants in applying their learning to their own environments and challenges.

This guide includes learning objectives, a synopsis, key questions, a roadmap for discussion, and appendices with additional pedagogical information and theoretical applications. The roadmap and appendices are offered to initiate meaningful conversation but are by no means the only way to teach the case. Each educator or facilitator should feel free to design their own teaching plans; both the structure and the time allotted for each component are suggestions.

Learning Objectives

This case, “In the Weeds: Securing a Grass-Mowing Contract in Stockton, CA,” will help students and city leaders:

- Understand fundamental negotiation concepts such as target points and anchoring or goal-setting; reservation point; alternatives and the “Best Alternative To A Negotiated Agreement” (BATNA); and the “Zone Of Possible Agreement” (ZOPA).
- Apply these concepts to Stockton’s distributive, price-based procurement process.

Case Synopsis

Kurt Wilson, the City Manager of Stockton, CA, joined the city government ten months after the City declared bankruptcy. After successfully steering Stockton out of bankruptcy, Wilson committed to implementing a set of permanent financial control measures to ensure that the City remained fiscally solvent well into the future. He had an extensive background in both the private and nonprofit sectors and had served as city manager in four other California cities.

Stockton's Long-Range Financial Plan (L-RFP) indicated that the City could spend, at most, approximately \$1.3M in 2019 fiscal year (FY19) on a contract to mow grass on city medians. The City had spent \$1.2M the previous year. Wilson believed shortages of tradespeople in the Bay Area—caused in part by demand for construction after California wildfires—would affect price points. At worst, he thought he could justify spending \$1.6M on the contract. Wilson cared about the fiscal health of Stockton, but he also wanted to ensure high-quality public services.

When the City issued its RFP, bids started at \$2.26M, well above what Stockton could afford. After considering his options, Wilson issued a new RFP that included a lower “base” scope of services with modular components that the City could accept or decline depending on cost. Stockton ended up spending \$1.91M for a year of service, but even as costs increased, tall grasses remained on city medians. Wilson wondered whether there might have been a better way for the City to have anticipated the higher prices.

Key Questions

1. What were Stockton's target and reservation points for the grass mowing contract? What were the available alternatives if the City could not find a suitable deal after the initial RFP?
2. Going into the negotiation, what did Wilson know about the possible vendors?
3. What could Wilson do to prevent this situation from happening in future procurements?

Roadmap for Discussion

Introduction (3-10 minutes): Briefly state the goal of the session in reference to the case, cite specific major conflicts facing the protagonist, and foreshadow broader learning objectives.

Exploration (45-60 minutes): Use class discussion, “buzz groups,” and board work to examine the issues and options confronting the protagonist.

Diagnosis (15-30 minutes): Introduce key concepts, frameworks, and tools to help participants pinpoint possible solutions to major conflicts in the case.

Application (15 minutes, optional): Ask participants to relate the concepts and frameworks to their own organizations' challenges.

Wrap-Up and Takeaways (15 minutes): Review the learning objectives and discuss insights most relevant to your organizations' challenges.

Introduction (3-10 minutes):

In your introductory remarks, briefly describe the case and frame the primary subject of the session: applying and analyzing introductory negotiation concepts as they relate to the city government context, and price-based procurement, specifically. Participants with a background in city government may be tempted to turn this into a discussion of procurement reform. Remind them that the focus is on negotiation concepts applied to a city context, with procurement as the scenario for analysis.

Exploration (45-60 minutes):Key Terms (10 minutes):

- Define key terms: target point, reservation point, anchoring, alternatives, BATNA, ZOPA.
 - See slide 4 in the accompanying slide deck.

- Prompt participants to consider a non-case example in groups of two to three people.
 - Situation: At a market, a vendor is selling strawberries marked \$7/box. You want strawberries, but only have a \$5 bill with you. Moreover, you saw another vendor down the street selling what appear to be the same strawberries for \$4/box. Ideally, you really would like to pay only \$3 for the box from the \$7 vendor, though you know that is ambitious and perhaps unrealistic. What should you do?
 - Questions: *What is your target point and reservation point in negotiating a price for the strawberries? How would you anchor? What do you expect the ZOPA will be? What is your BATNA?*
 - Possible responses:
 - Target point: \$3 for the box
 - Reservation point: \$5, because you only have a \$5 bill with you
 - Anchor: You might anchor ambitiously at \$2 or \$2.50, which is beyond your target point, knowing the vendor will negotiate from there.
 - ZOPA: The space between your reservation point (\$5) and the vendor's (unknown). The ZOPA could be as large as \$1-\$5, or it could be nonexistent (\$6, \$5).
 - BATNA: You would visit the other vendor, paying \$4 for the strawberries.

Apply to Stockton Case (35-50 minutes):

- Ask the group: *What is the story in this case?* Three to four participants should summarize the case details, stakeholders, and key considerations.
- Distribute Worksheet 1. In small groups of two to three, participants will apply the negotiation concepts they just learned to the Stockton case. Groups should consider these questions from Wilson's perspective. Allow five to ten minutes for groups to discuss before reconvening. See Board Plan (Appendix 2) for potential responses.
 - *In the context of an RFP, how should we think about the vendors' anchors? Is that their target point? Reservation point?*
- Stockton's BATNA of returning to the drawing board and writing another RFP was preferred to an agreement with a higher-priced vendor. After the second RFP, even though the agreement was worse than Wilson's reservation point, he settled for the agreement. *Was this because the agreement at \$1.91M was better than any of Wilson's other alternatives?*

- *What would you have done in Wilson’s position? Were there other ways to improve Stockton’s position following the first RFP? See Board Plan (Appendix 2) for potential responses.*

Diagnosis (15-30 minutes):

In this section, participants apply negotiation concepts to gain a deeper understanding of the situation in Stockton. Suggested questions (see slides 9 and 10 in the slide deck):

- *Why did a distributive, or price-focused, model not work in this contract?*
- *What could Wilson have done to anticipate the bids he received for this contract? How?*
- *Under what circumstances does a distributive, or price-focused negotiation model in government (or other contexts) work? See Board Plan (Appendix 2) for potential responses.*
- *Often, we will think about things as a distributive negotiation even though the situation is actually more complex than that. Can you think of a time when you were forced to use a distributive model where it was not appropriate?*

Wrap-up and Takeaways (15 minutes):

Discuss insights most relevant to participants’ organizations’ challenges. Some sample, high-level takeaways to review after a productive session may include:

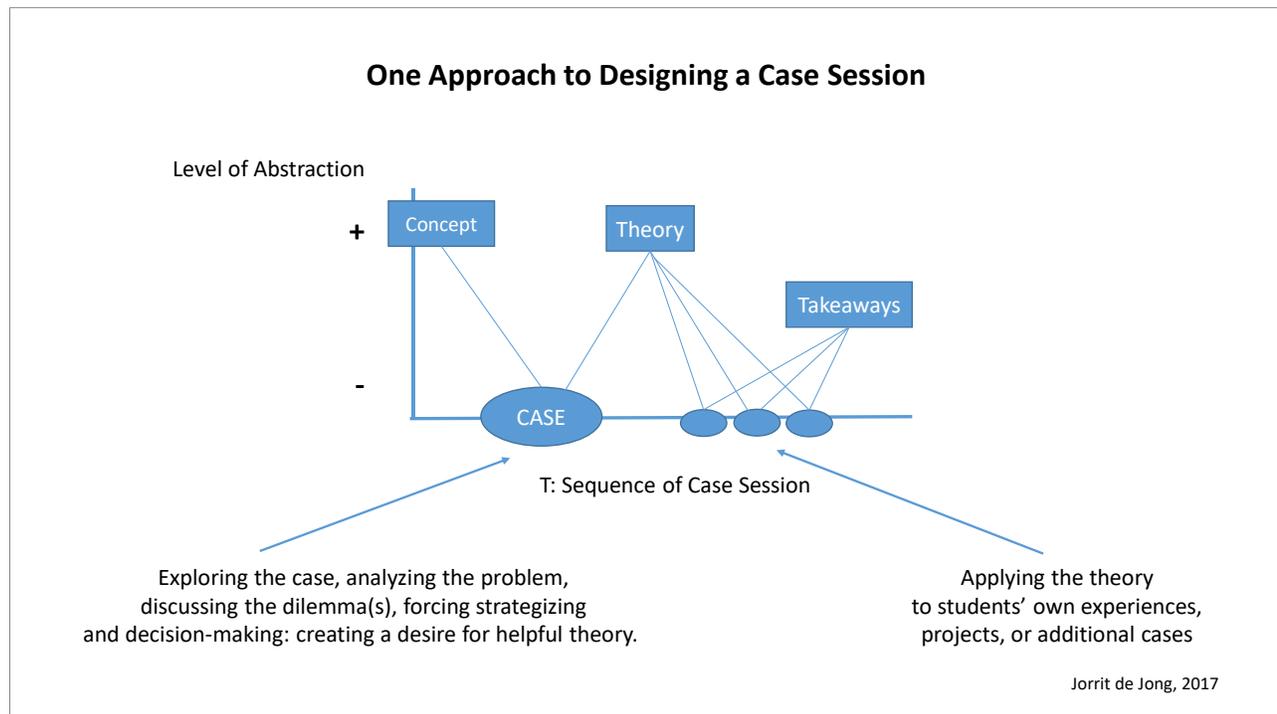
- Strong negotiators format their goals explicitly through specific “target points” or aspirational goals that represent the outcome they hope for in a negotiation. Stockton did not do this.
- Never assume that your counterpart formulates a negotiation challenge the same way you do. Just because cities expect distributive negotiations to go one way does not mean the vendors have the same expectations.
- When an agreement falls outside the ZOPA for one or multiple parties in a negotiation, it is wise to broadly examine your alternatives, which might include doing nothing or going back to the drawing board.
- Be wary of solutions that are short and technical when the scope of a problem is large and structural. Negotiations inevitably exist within a larger system and set of assumptions; creatively finding better alternatives to the status quo increases negotiating leverage.

Suggested Reading

- “Recognizing Public Value” by Mark H. Moore (see pages 244-287)
- “3-D Negotiation” by Lax and Sebenius (see pages 1-34)
- “Dealmaking” by Guhan Subramanian (see part I)
- “Negotiating Rationally” by Bazerman and Neale (see pages 23-30, 67-71)
- “Good For You, Great For Me” by Lawrence Susskind and Mark Raffa (see podcast [here](#))

Appendices

Appendix 1 Designing a Case Session



Source: Jorrit de Jong, "One Approach to Designing a Case Session," *Bloomberg Harvard City Leadership Initiative*, 2017.

Appendix 2 Board Plans

Board 1: Debriefing Worksheet 1

	City of Stockton	Vendors
Alternatives (circle BATNA)	Find volunteer grass cutters; have private businesses sponsor medians; hire city employees again; let the grass grow; use weed killer for the grass; go back to the drawing board	Cut grass for another city or another client; find other work
Reservation point	\$1.3M (maximum allowed by the L-RFP); \$1.6M (highest expected given changes in labor market)	Unclear; MacKay expected vendors would offer \$1.8M
Target point	\$1.2M (previous year’s contract)	n/a
Zone of Possible Agreement (ZOPA)	None	

Board 2: What would you have done in Wilson’s position when there was no ZOPA after the first RFP? Were there other ways to improve Stockton’s position following the first RFP?

- General negotiation strategies when there is no ZOPA
 - Exercise BATNA
 - Expand the scope: add issues, add parties
 - Weaken BATNA of other side
 - Go back to the table and attempt to strengthen your own BATNA
 - Change the process

- Specific to Stockton and Wilson
 - Pending procurement regulations, try to communicate with vendors to figure out what happened
 - Research recent mowing contracts in nearby cities
 - See if vendors can cut the scope or frequency to meet city’s reservation point
 - Propose a different contract structure (i.e. long-term)
 - Reframe for the vendors: what could you do for \$1.3M?

Board 3: Pros of Distributive Negotiation in Government

Under what circumstances does a distributive negotiation model work?
Fixed price, fixed quantity Limited variables ZOPA is big Not dependent on external factors, like labor costs

[Optional] **Appendix 3** Evaluate Core Negotiation Dynamics Using a 3-Dimensional Framework

For those with an understanding of the “3-D Framework” of Negotiation (Lax and Sebenius), this table applies fundamental negotiation concepts (BATNA, ZOPA, Target Point, Reservation Point) to Lax and Sebenius’s “3-D Framework.”

	Aspirational Negotiation Dynamics	Stockton
Preparation and Setup (“Away from the table”)	Ensure the right scope (parties, issues, and no-deal options) Sequencing Deal architecture and basic process choices	Did not creatively solicit vendors Timing of contract vis-à-vis others was haphazard Deal architecture involves constraints of LRFP, Stockton City Leaders do not manage
Design of process (“On the drawing board”)	Invent and structure value-creating agreements Values, substance, and outcomes	Pairing down scope allowed for an agreement better than city’s BATNA Outcome poor for city services, city residents, though good for long-term fiscal health
Moves to solve problems and claim value (“At the table”)	Improve communication and build trust Counter hardball tactics Culture (i.e. cross-sectoral)	New flexibility between vendors and city discovered Did not counter hardball tactics Cultural barriers remain

Source: David Lax and James Sebenius. *3-D Negotiation: Powerful Tools to change the Game in your Most Important Deals* (Cambridge: Harvard Business Review Press, 2006).

[Optional]: **Appendix 4** Anchoring in Distributive Negotiation: When & How

The following resources from the Program on Negotiation (PON) at Harvard Law School provide guidance on when and how negotiations should anchor:

1. Begin by assessing both parties' knowledge of the bargaining zone

The first step in any negotiation should be assessing negotiation fundamentals for *both you and your counterpart*: your and their target points, reservation points, and BATNA, and the overall negotiation ZOPA. According to the Harvard PON: "The decision of whether to make the first offer should be based on two factors: your own knowledge of the ZOPA and your assessment of the other side's knowledge of the ZOPA." If the other side seems to have more knowledge of the ZOPA than you do, you may have trouble anchoring effectively.

2. When to make a "range offer"

Range offers convey flexibility and accommodation, rather than rigidity. You can also make one end of the range *more ambitious* than your initial anchor. Price anchoring can convey assertiveness, and this is an effective way to offset that assertiveness.

3. When to make a precise offer

Price offers are "sticky" and memorable for counterparts and convey knowledge. Studies from the Harvard PON and the Leuphana University of Lüneberg show that offer recipients made less ambitious counteroffers in response to more precise offers, judging those who made more precise offers to be more knowledgeable about the value of the commodity, and made smaller concessions in negotiating a final deal.

4. When to anchor first, and when not to anchor first

Researchers Ashleigh Shelby Rosette of Duke University, Shirli Kopelman of the University of Michigan, and JeAnna Abbott of the University of Houston examined this question and found that if you value primarily the *economic outcome* of your deal, you should make the first offer in order to anchor the negotiation in your favor. But if you value *satisfaction with the negotiation process* more than the outcome itself, you may want to avoid the stress and anxiety of making the first offer.

5. "The Anchoring Effect"

A cognitive bias in negotiation, the "anchoring effect" is the tendency to give too much weight to the first number put on the table and then inadequately adjust from that starting point.

6. Making a Counter-Anchor / Counteroffer

If a counterpart anchors first, you need to defuse the anchor clearly and forcefully, saying something like: "I'm not trying to play games with you, but we are miles apart on price." A common mistake is to respond with a counteroffer before defusing the other side's anchor. When your counterpart has dropped an anchor, the first and perhaps most important step is to recognize the move, since you cannot defend against something that you do not see coming.

Sources:

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Endnotes

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