

**BLOOMBERG
HARVARD**

City
Leadership
Initiative

0021SD

YOU GET WHAT YOU PAY FOR

Reforming Procurement Systems in Naperville

NEGOTIATION CASE SERIES

AGENDA

- Case overview
- Negotiation concepts
- Case analysis
- Key takeaways



CASE OVERVIEW

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- What is the story in this case? What problem was Schmidt trying to solve for?



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- What is the story in this case? What problem was Schmidt trying to solve for?
- Who were the key stakeholders? What were the key considerations?

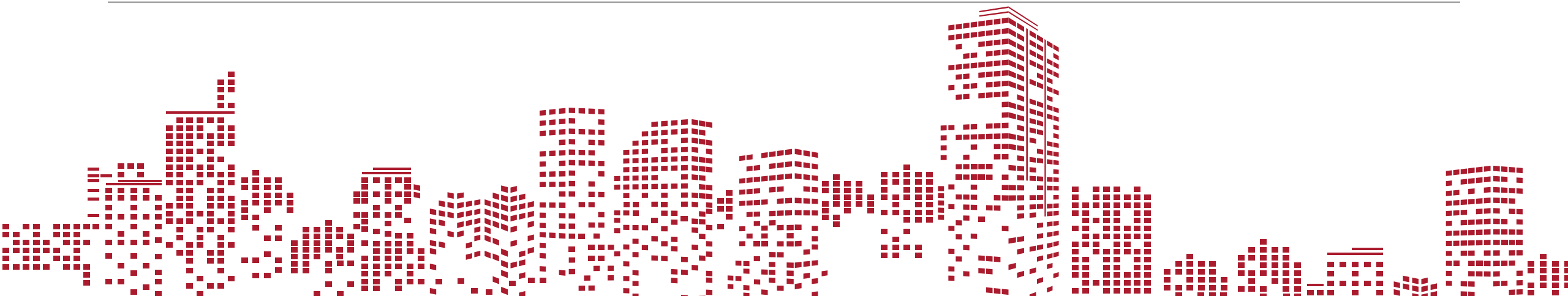


NEGOTIATION CONCEPTS

DISTRIBUTIVE AND INTEGRATIVE NEGOTIATION

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	Positional Bargaining / Distributive Negotiation	Interest-Based Bargaining / Integrative Negotiation
Key Characteristics	<ul style="list-style-type: none">- Win-Lose frame- Divide the pie- Typically open with extreme positions, then gradually meet in the middle	<ul style="list-style-type: none">- Focus on areas for mutual gain- Expand the pie- Create value before you claim value
Pros	<ul style="list-style-type: none">- Quick/efficient- Requires little prep	Explores interests, avoids arbitrary outcomes, maintains relationship, promotes joint gains
Cons	Rewards bad behavior, discourages creativity, risks relationship damage	Requires preparation, takes longer, may require more skill, requires creativity
Best used in situations when...	Simple transactions, low stakes, one-shot deals	High stakes, multi-party, when relationships matter



DISTRIBUTIVE AND INTEGRATIVE NEGOTIATION

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- Under what conditions do you recommend distributive versus integrative approaches in city government? Why?



QAC AND COST AS A COMPONENT

- What is QAC? Specifically, what is good about it, and what was holding Naperville back from reaching ideal procurement contracts?
- What is “Cost as a Component”? Specifically, what is good about it, and what was holding Naperville back from reaching ideal procurement contracts?



QAC AND COST AS A COMPONENT

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**Positional Bargaining / Distributive
Negotiation**

**Interest-Based Bargaining / Integrative
Negotiation**

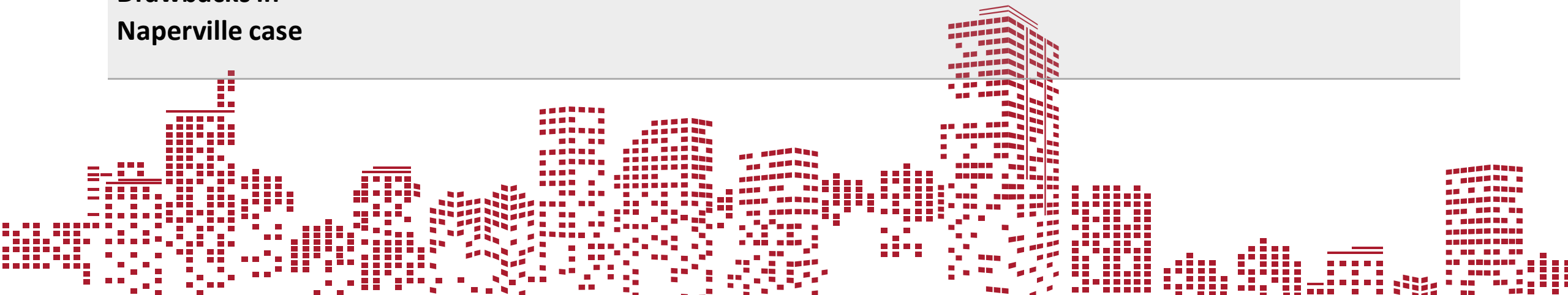
**In the
Naperville case**

QAC

“Cost as a Component”

**Benefits in
Naperville case**

**Drawbacks in
Naperville case**



CASE ANALYSIS

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- What aspects of the QAC process prevented good agreements?



CASE ANALYSIS

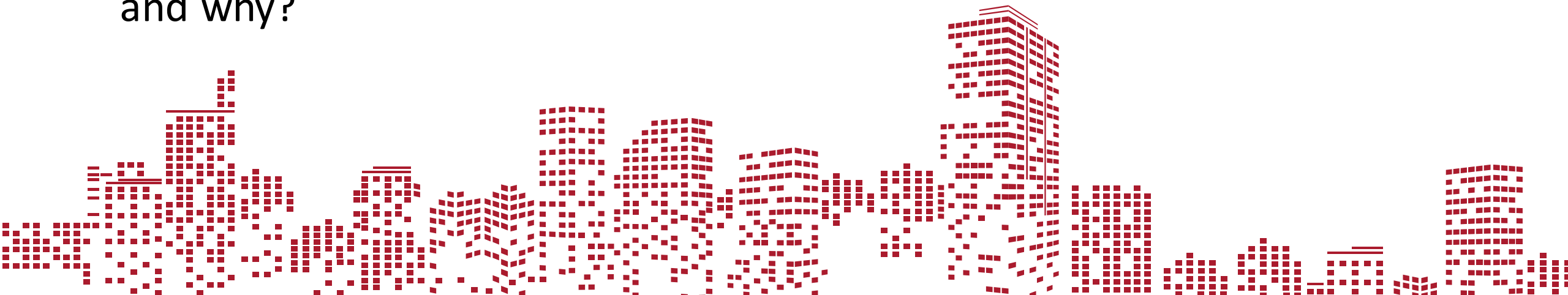
- Looking at the “Cost as a Component” approach, how did the process change how Naperville prepared for and conducted contract negotiations?



CASE ANALYSIS

- The case ends with a question about two projects (EPA certification and traffic calming) for which Kim Schmidt and her team were considering putting out RFPs. In small groups, consider one of the projects.

Which procurement process would you have advised Schmidt to use, and why?



TAKEAWAYS

Takeaways

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1. There are scenarios where a distributive negotiation is the best approach. This typically occurs when there are simple transactions, low stakes, and one-shot deals.
2. There are scenarios where a negotiation approach akin to “Cost as a Component” is more strategic. This typically occurs when there are areas for mutual gain between counterparts (opportunities to “expand the pie” or “create value”) or when negotiations are higher stakes, multi-party, and relationships matter.
3. Advance preparation and process considerations that structure a negotiation “away from the table” shape outcomes “at the table.”