



Building a 21st Century Workforce Teaching Plan

“Building a 21st Century Workforce” is a two-party, quantified transactional negotiation with integrative potential in the context of an ongoing relationship. Senator Lucy Haskins (D-OH), would like to gain the support of a powerful association, the Small Business Association of Ohio (SBAO), with which she has had a good relationship over the years. The President of the SBAO, Victor Chang, would like to continue to support Senator Haskins and the legislation she introduces. Senator Haskins needs the support of SBAO both to increase the chances of this legislation passing successfully and to make sure she maintains a good relationship with the association going into a challenging reelection campaign. The SBAO wants to support the legislation because they have enjoyed working with Senator Haskins and having such an influential ally in the Senate.

Logistics

- There is Confidential Information for each of the two parties. Each set of Confidential Information totals 2 pages.
- A Results Form is attached to the back of Senator Haskins’ Confidential Information. Instructors should make it clear that the person assigned to play Senator Haskins is responsible for completing this Result Form and turning it in to the instructor at the end of the negotiation. A results form should be completed *even if no deal is reached*.
- This exercise can be prepared very quickly (approximately 15-30 minutes).
- The Instructor may choose to distribute a simple preparation worksheet to students along with the Confidential Information.
 - The Instructor should use the provided prep sheet if this exercise follows an introduction to interest-based negotiation.
 - The Instructor may choose to modify and simplify the preparation worksheet if this exercise does not follow an introduction to interest-based negotiation.

This teaching plan was written by Brian Mandell, Mohamed Kamal Senior Lecturer in Negotiation and Public Policy, and Monica Giannone, Program Director of the Harvard Kennedy School Negotiation Project, at the John F. Kennedy School of Government, Harvard University (HKS) as part of the Harvard Kennedy School’s “Teaching Legislative Negotiation Project.” Funding for this simulation was provided by The William and Flora Hewlett Foundation. HKS simulations are developed solely as the basis for class discussion. They are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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- The instructor may choose to allow students to prepare together with others who share their role.
- Instructors should tell students that they should not make up facts that are not in their confidential role instructions. However, they should use the information they have creatively.
- This exercise can be negotiated quickly (up to 30 minutes). If students do not have a deal within 30 minutes, they should stop.
- Instructors should review the Results Forms to find deals that stand out – either for their creativity, or for dipping below the reservation points of either party. The instructor may choose to engage with specific groups during the debrief in order to highlight specific teaching points and concepts.

Negotiation Mechanics

Senator Haskins has been able to secure \$15 million in community training grants for her home-state of Ohio. She is looking forward to presenting this community training legislation to Victor Chang and secure his support, which she needs not only for this legislation but, more broadly, is essential for re-election. Unknowingly to Senator Haskins, Victor Chang's team has determined that anything less than \$20 million for community training grants will be insufficient. Victor Chang has been trying to get money to small business owners as they have seen short term costs increase as a result of the Affordable Care Act. Senator Haskins is hopeful to keep the conversation away from healthcare as she knows her vote in favor of the legislation has driven a wedge between her and this important interest group. If, however, the two negotiators begin to share their interests, they will be able to expand the zone of possible agreement (ZOPA) to make a deal that includes not only the 21st Century Workforce bill but another piece of legislation that Senator Haskins is planning to introduce that can include small business tax credits.

Concepts

The most striking learning point of the case is the fact there is no overlapping bargaining range unless the two parties use their information creatively and create one. Thus, this is an excellent case to demonstrate why negotiators should be concerned about integrating or creating value. Unless they do, there is no deal without one of the parties dipping below their reservation point.

This is a very good first negotiation simulation for negotiators. Negotiators will learn the most from 21st Century Workforce if the Instructor pairs it with an introduction to interest-based negotiation and concepts including the best alternative to a negotiated agreement (BATNA) and zone of possible agreement (ZOPA). If the exercise follows an introduction to interest-based negotiation, the Instructor can provide negotiators with a simple preparation sheet to reinforce the concepts. Instructors can discuss the preparation process as part of the debrief, if they wish. The Instructor may also choose to have students participate in this exercise before an introduction to interest-based negotiation. In this

case, the Instructor should include an introduction to interest-based negotiation information as part of the debriefing.

The following short articles are helpful for instructors to become familiar with interest-based negotiation.

BATNA:

- <https://www.pon.harvard.edu/category/daily/batna/page/2/>

ZOPA:

- <https://www.pon.harvard.edu/daily/business-negotiations/how-to-find-the-zopa-in-business-negotiations/>

Interest-Based Negotiation:

- <https://www.pon.harvard.edu/daily/negotiation-skills-daily/find-more-value-at-the-bargaining-table/>
- <https://www.pon.harvard.edu/daily/negotiation-skills-daily/value-claiming-in-negotiation/>

Debrief

1. There are likely to be some impasses. Ask what happened, how did the group start, where did negotiations break down and why. Use the discussion to introduce the concept of the zone of possible agreement (ZOPA), reservation point, and best alternative to a negotiated agreement (BATNA).
 - a. Put the opening offers on a bargaining zone chart.
 - b. Put the points where the parties that reached impasse walked away on the chart
 - c. Ask the class what a BATNA is and ask those who impasse what they are going to do. What is the BATNA and why? The point being that BATNA is subjective here.
 - d. Ask the class what the difference is between BATNA and bottom line.
2. Ask groups that got deals how they went about it.
3. Ask groups that got deals what information they revealed to each other and when.
4. Ask if revealing made them feel vulnerable. The point of this line of questioning is to help students discover the kind of information and motivations that provides a basis for creating value (i.e., not information about the bottom line, but about interests and priorities).
5. The question about feeling vulnerable raises the issue of trust. Ask whether trust was established, and how. Generally, trust results from the process of reciprocal information sharing, and proposals that are responsive to information shared.
6. Which agreements are better than others? Usually do not point out particular agreements but speak generally about the likelihood of sustainability.

Likely Outcomes

- *No deal*: it is likely that up to 50% of groups will not be able to reach an agreement
- *A deal that reaches beyond one of the parties' reservation points*: it is likely groups will come to agreements that are outside the scope of what either party can accept; for example: Senator Haskins pledges more than \$15 million to the community grants training program or Victor Chang accepts less than \$20 million for the community grants training. This “compromise solution” is outside of the ZOPA, and students should understand that it is sub-optimal compared to a creative solution that meets the interests of the parties rather than their positions.
- *Creative solutions that expand the ZOPA*: there are various creative solutions groups might reach that meet the mutual interest both parties have in getting money into the pockets of small business owners quickly, one such option is outlined below:

Senator Haskins cannot offer more than \$15 million for community training grants. Victor Chang cannot accept less than \$20 million for community training grants. However, when negotiator's move from *positional* to *interest-based* negotiation they can realize the \$5 million difference is due to Chang's desire to obtain money for small business owners. If it is discovered or revealed that Senator Haskins is also working on tax credit legislation, it is possible for negotiators to realize that she can meet his interests through another piece of legislation. This is one example of a creative solution that is available to negotiators. Students may get into the details of how the tax credit could be structured, or keep it more general. If specifics are presented, it is possible that they structure it to meet the same incentive scheme that Victor Chang originally wanted.

Building a 21st Century Workforce: Senator Lucy Haskins (D-OH)

You are the senior Senator from Ohio and a proud small business owner. You made a name for yourself by shepherding bipartisan tax credit legislation years ago through the Senate and House which helped you to secure the Chair of the Finance Committee. You have become a financial expert and have been one of the few Democrats to maintain solid small business support in the Midwest. In fact, the Small Business Association of Ohio (SBAO) has given you an “A” rating for the past 10 years. The rating is seen as an indicator of support, and you know your solid relationship with SBAO’s President has made a long-term partnership with the SBAO possible and fruitful for both sides. While to some members these ratings matter less than they once did, for you, this rating is key. Not only does it indicate an important relationship, but you’re one of only a handful of Democrats to receive an “A” from the SBAO. Their members reliably turn out for elections and have a very far reach due to their popular magazine. You’re excited for the upcoming year because you plan to stick to what you know in a tough election cycle: getting money back into the pockets of those who deserve it.

Now that your party is in the Majority, you’ve been working to champion major pieces of legislation. You have been working on a three-year tax credit bill and have secured your Caucus’s support for most of the provisions and lined up tentative support across the aisle. While you’re actively shaping this piece of legislation as well, and definitely hope to introduce it soon, you are first introducing yet another key piece of bipartisan legislation that seems far more pressing to help support local businesses and retrain displaced workers in Rust Belt States: Building a 21st Century Workforce. Your state, Ohio, has been hit particularly hard by the exodus of American manufacturing jobs. You fashioned an alliance with Senators from three other Rust Belt States, two Republicans and one Democrat, and with their support you are thrilled that you have been able to secure \$60 million dollars in community training grants, \$15 million of which would go to your home state of Ohio to retrain displaced workers. You and other Rust Belt allies wanted more to go to Rust Belt States but you encountered strong opposition from Republicans who opposed big government expenditures.

You want to make sure you have various key stakeholders fully on board before moving forward. Your Caucus is supportive of this bill but also wants to make sure local small business supports this legislation. While some of your colleagues delegate the discussion of specific legislative provisions to their staff, you value your relationship with Victor Chang, the President of the Small Business Association

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of Ohio, and want to deal with him directly. As you move into your meeting with Victor, you are a bit more anxious than normal because your relationship with small businesses has been tense as the impacts of a new national healthcare policy have come into effect. Despite your expectations that the average small business owner would not see rising costs, small businesses in your state have been hurting. Even though the costs don't add up to much, approximately \$3,000 per small business, they have hurt those who were already struggling.

You are nervous Victor will request that you take a more activist stance against the national healthcare policy to maintain their support, especially since you voted for the healthcare legislation and still strongly support it. A potential Republican challenger to your re-election has been actively campaigning on this message. He says that while you used to be the champion of small business, you aren't anymore, and it's time for Ohio to "Lose Lucy." It is essential that you get the SBAO's support on this piece of legislation today. However, it is also essential that you do not commit to making any statements about healthcare that you do not agree with. You voted for the former President's healthcare legislation and believe that the benefits continue to outweigh the costs, but you would rather not say this quite so directly to the SBAO. You'll have to tread lightly. If the SBAO were to downgrade your rating from "A", you know that it would seriously jeopardize your reelection and give your assumed challenger a big boost ahead of the campaign. The SBAO is important to you, and both this legislation and your career would be in serious danger if anything changes in this relationship.

You have a great package to present to SBAO, however. The \$15 million in community training grants will go a long way back home. You have heard the SBAO's concern that many of the displaced workers are unskilled, and more advanced training is required. This package provides for training to workers who have lost their jobs and need training for additional work. Your team has been working tirelessly to put this package together, and they assure you \$15 million is enough to adequately train workers to be ready for new industry jobs. It will cover setting up the program, operating costs, a modest stipend for workers, and other costs associated with administering the grant. You tried to secure more than \$15 million in funding but unfortunately weren't able to. While you wish you could have gotten even more for workers back home, you are comfortable that this is enough to manage the training well. You hope this meeting will be quick and easy, and you can keep it away from healthcare-related issues.

You need to come out of the meeting today securing the SBAO's support on this piece of legislation. You need to also make sure you do not push away their support, you'll need it in the upcoming race.

Building a 21st Century Workforce Results Form

Group Member Names and Roles:

_____ Senator Lucy Haskins

_____ Victor Chang

Did you reach an agreement?

YES

NO

What was the agreement?

Building a 21st Century Workforce: Victor Chang, Small Business Association of Ohio (SBAO), President

Senator Haskins has been “your guy” for decades. She’s always advocated for small business, even when others in her party haven’t. You’ve enjoyed supporting her legislation, have been happy to recommend to the SBAO Board an “A” rating (which she has received for the past ten years), and have enjoyed working together to make sure small business owners have a voice, and she has the support of your small business owners. The partnership has worked well.

However, you’ve been really feeling the squeeze recently. The former President’s healthcare policy has unfortunately increased costs to a lot of folks in your Association. A lot of good, hardworking, mom and pop-type shop owners have considered closing down under the crippling costs. Members of your Association have started putting pressure on you about Senator Haskins’ support for national healthcare. At the end of the day, they’re seeing their bottom lines decrease. But you know that these folks are hurting now and a national fight on healthcare could take years. You’re hesitant to put the pressure on Senator Haskins since she has been such a consistent ally throughout the years, but if, at the time of the next election cycle, you can’t point to some tangible wins for small businesses who have been hurting, you know you won’t be able to recommend another “A” rating.

Despite this, you’re looking forward to meeting with Senator Haskins today on what you hope will be another piece of exciting legislation to help your Association. You know she has been working on legislation that will support local businesses and retrain displaced workers in Rust Belt States: Building a 21st Century Workforce. Ohio has been hit particularly hard by the exodus of American manufacturing jobs. It has been hard for these workers to find new work and, from the perspective of members of your association, nearly impossible to hire them because they lack the skills needed. They need training, and you’re glad Congress is finally tackling this.

You know that Senator Haskins has been trying to secure specific funds for community training grants in Ohio. You know she’ll want your support on the piece of legislation, and you know your support is very important to her. You’ve been working to determine the right number, and have found that the minimum amount for the grant to be effective would be used as follows:

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\$3 million – Hiring staff and workers to run the trainings

To cover the territory of Ohio, and to make sure that these statewide trainings are done properly and effectively, this is the minimum that can be given to this piece of the training. While your staff says you don't need more than the \$3 million, additional funds here would be useful.

\$2 million – Building partnerships, identifying workers, and establishing the program

Your team has identified that often the most overlooked piece of training programs is in the building partnerships and establishing the program phase. Further, you have found that often grant proposals underestimate how expensive this will be. \$2 million is the bare minimum needed for this piece.

\$10 million – Operational costs of running the program

Running this program will be expensive. The two most essential costs here are the facilities and the cost of a modest stipend while workers are undergoing training.

\$5 million – Incentives

It's essential to incentivize small businesses to hire these workers and, because retention has been a real problem in the past, continue to employ these workers. A \$2,500 incentive could be given to small businesses after two employees reach their 12-month mark, and then another \$2,500 after two employees reach 24 months of employment. \$5 million would cover 2,000 workers for two years – roughly the number you expect to be continually employed through these programs. Not only does this incentivize small businesses to hire workers, it helps you to find a way to make up for the rising healthcare costs. You know that replacing the current healthcare system will take a long time, so you are looking to get money in the pockets of small business owners quickly.

In sum, you must receive at least \$20 million for the community training grant in Ohio but you are hopeful that Senator Haskins' team has come up with a package of at least \$25 million. Your staff has presented you with the minimum amount required but more funding would, of course, be helpful in establishing a very successful program.

You have so far kept all details of this meeting confidential, and you hope to announce a big win afterwards. It would be great if you could use the momentum of this to recommend another "A" rating. If she gives you any hassle about the amounts that you think are necessary, just remind her of the extra \$3,000 in costs that small businesses are incurring yearly thanks to the national healthcare bill that she voted for. Giving them this extra \$2,500 will both help the training program be effective and make up for that hidden cost she imposed on small businesses. If she's not willing to do that, you can always press her to support the repeal of the healthcare policy.

At the end of the day, you need Senator Haskins to really take a stand for small business here, otherwise not only will you not be able to support this piece of legislation, but the SBAO won't be able to support her in the future.



Negotiator's Preparation Template

| | |
|---|--|
| PARTIES (who's at the table?) | |
| Your Role: | Counterpart's Role: |
| ISSUES (what are you negotiating about?) | |
| INTERESTS (individual and organizational interests, needs, concerns) | |
| Yours: | Your Counterpart's: |
| TARGET POINT (your ideal outcome) | RESERVATION POINT (walk away outcome) |
| BATNA (what is your alternative if you do not get a deal here?) | |
| Yours: | Your Counterpart's (estimation): |
| OPTIONS (possible satisfying outcomes): | CRITERIA (objective standards that would support your arguments): |
| VALUE CLAIMING AND CREATING STRATEGY How do you intend to shape the structure and manage the overall negotiation process to your advantage? Write down your opening move! Do relationships matter here? If so, how? | |

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