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3-D NEGOTIATION

Powerful Tools to Change the Game
in Your Most Important Deals

By David A. Lax and James K. Sebenius

Harvard Business School Press; September 26, 2006

“Tactics at the table are not enough. Great negotiators know how creative moves away from the table can make all the difference.”

Through the years, the art of negotiation has been stuck in a tired debate between win-lose and win-win tactics. Now, negotiation experts David Lax and James Sebenius take negotiation to a whole new level: the third dimension.

In their new book, **3-D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals** (HBS Press; September 26, 2006), Lax and Sebenius explore why the current one dimensional techniques—face-to-face bargaining-at-the-table—are not enough. According to the authors, this tactical focus leaves money on the table and is often inadequate for tough negotiations when the other side holds all the cards. It isn't well-suited to common deal-making challenges such as multiple parties, tricky internal and external negotiations, and shifting agendas.

Filled with real examples, 3-D Negotiation maps out the missing dimensions – deal design and setup – that underpin effective tactics. Great negotiators carefully set up the most promising negotiation and envision value-creating deals even before sitting down at the table. 3-D Negotiation details how a superior setup *plus* the right tactics can yield remarkable results that would be unattainable by purely tactical means, however skillful.

The First Dimension: Tactics

Most familiar, are tactics, the persuasive moves you make and the back and forth process you choose for dealing directly with the other side at the table. Good tactics can make a deal; bad ones can break it.

The Second Dimension: Deal Design

The art and science of Deal Design includes more than the obvious, face-to-face aspects of negotiation. Deal designers know how to probe below the surface to uncover sources of economic and non-economic value. To unlock the value for the parties, they have a systematic approach to envision and structure creative agreements.

The Third Dimension: Setup

Setup extends to actions away from the table that shape and reshape the situation to the 3-D Negotiator's advantage. The setup ensures that the *right* parties have been approached, in the *right* sequence, to address the *right* interests, under the *right* expectations, at the right table or tables, and facing the right consequences of walking away if there is no deal. This new arsenal of moves away from the table often exerts the greatest impact on the negotiated outcome.

Lax and Sebenius show readers how to do a 3-D barriers audit – setup flaws? deal problems? people issues? - and tailor a 3-D strategy to overcome those barriers to the agreement they want. With precise tools for mapping the parties, interests, no-deal options, sequence, and basic process choices, **3-D Negotiation** offers a roadmap to successful negotiations: creating maximum value, claiming a full share of that value, and doing so for the long term. With extensive real-world examples that underscore the book's lessons and take-aways, Lax and Sebenius have created an invaluable resource for anyone who wants to master the art of negotiation.

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The No-Deal Deal

“When others sense your willingness to walk away, your hand is strengthened....Sometimes you are better off not getting to yes.”

-- Robert Rubin, former US Secretary of the Treasury and co-chairman of Goldman Sachs

Both the perception and reality of no-deal options play a key role in most negotiations. Using the 3-D model encourages negotiators to shape their no-deal options – as well as those of their counterparts -- as one part of the negotiation’s setup. Here are 5 prescriptions for using the power of no-deal options to drive great deals:

1. Use your best no-deal option, and those of the other negotiating parties, to determine whether, and if so, where a zone of possible agreement exists.
2. Take steps to protect and improve your best no-deal option and consider actions to worsen that of your counterpart.
3. Make sure the other side sees you as ultimately able and willing to walk away.
4. To credibly commit to a course of action in certain carefully selected circumstances, consider worsening your own no-deal option – in effect, burning the bridges behind you to block your own “escape route.”
5. When diagnosing a potential negotiation, assess each side’s no-deal options to distinguish between those situations in which negotiation can play a major role and those in which its role may be limited.

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Early Praise For 3-D NEGOTIATION

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“Lax and Sebenius capture what I’ve seen great dealmakers take years to perfect.”

—Stephen Friedman, (former) Chairman and Senior Partner, Goldman Sachs & Co.,
Chair, President’s Foreign Intelligence Advisory Board.

“. . . a first-rate piece of work. Readers facing tough deals, along with generations of Harvard MBAs and executives, will benefit greatly from this lucid book and its highly relevant case studies. I recommend it highly.”

—Peter G. Peterson, Senior Chairman and cofounder, The Blackstone Group, one of the world’s largest private equity firms.

“I have worked directly with the authors on some of the most challenging negotiations of my career. Their 3-D approach was important in helping to deliver hundreds of millions of pounds of value for shareholders.”

—Philip Yea, CEO, 3i Group plc, a FTSE 100 venture capital and private equity company that has invested more than £26 billion in more than 14,000 businesses.

“. . . the clear and innovative concept of *3-D Negotiation* has contributed invaluablely . . . to many agreements that are critical to Novartis.”

—Daniel Vasella, MD, Chairman and CEO, Novartis AG, Switzerland

“[The] 3-D approach is in use at many levels of the Estée Lauder Companies with excellent results. This down-to-earth book is packed with striking examples . . .”

—William Lauder, CEO, the Estée Lauder Companies

“At last, practical advice on how to overcome obstacles that prevent us from getting to yes.”

—Roger Fisher, coauthor of *Getting to Yes*

"Lax and Sebenius have a powerful new way of thinking about negotiating. 3-D Negotiation is having a profound impact on how we approach deal making in Shell".

—Malcolm Brinded, Executive Director Exploration & Production, Royal Dutch Shell

“*3-D Negotiation* is a brilliant and rigorous exposition of key bargaining strategy techniques from two masters of negotiation. . . . I have used their advice to great success in the complex health care environment

—Paul F. Levy, CEO, Beth Israel Deaconess Medical Center, Boston

“3-D Negotiation is simply the most sophisticated and practical guide to negotiation ever written. Its many fascinating case studies show you exactly how to apply its powerful method.”

—Mathias Doëpfner, CEO, Axel Springer, one of Europe’s top media companies

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ABOUT THE AUTHORS

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DAVID LAX specializes in assisting companies in complex negotiations. Forbes Magazine described him as a "new negotiation theorist" on the cutting edge of his field. Dr. Lax was co-founder and Director of the Negotiation Roundtable at Harvard Business School, where he served as a professor. Formerly an investment banker and hedge fund manager, and now on the boards of several private companies, Lax is a founder and Managing Principal of Lax Sebenius LLC, through which he provides assistance with negotiation and competitive bidding to companies in telecommunications, healthcare, finance, energy, consumer products and other industries.

He is the author of numerous scholarly articles on negotiation as well as co-author of *The Manager as Negotiator* (with James Sebenius), which is used as a textbook at leading graduate programs in business, law and public policy.

He received an A.B. (magna cum laude) from Princeton University and an M.A. and Ph.D. in statistics from Harvard University.

James K. Sebenius, founder and principal of Lax Sebenius LLC, holds the first Gordon Donaldson Professorship at Harvard Business School, serves as Vice-Chair of the Program on Negotiation at Harvard Law School, and was formerly on the faculty of Harvard's John F. Kennedy School of Government.

Sebenius left Harvard in the mid-1980s to work full-time for investment banker Peter G. Peterson, co-founder with Stephen Schwarzman of the New York-based Blackstone Group, now one of the world's leading merchant banking and private equity firms. For several years following Blackstone's launch, Sebenius worked closely with Peterson and Schwarzman, initially as vice president, and later as special adviser to the firm after returning to Harvard. Early in his career, he worked as assistant to U.S. Secretary of Commerce, Elliot Richardson, served on the U.S. State Department Delegation to the Law of the Sea negotiations, was elected as a term member of the Council on Foreign Relations.

Educated at Vanderbilt (summa cum laude), Stanford and Harvard, Sebenius holds a doctorate from Harvard in business economics. Sebenius co-authored *The Manager as Negotiator*, wrote *Negotiating the Law of the Sea*, co-edited *Wise Decisions*, and has authored numerous classic case studies on negotiation, papers in academic journals, and mainstream publications.