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BATNA & WATNA

How To Find Your Alternatives

BATNA and WATNA are two seminal ideas in negotiation, but I found out that some mediators don't know how to use them for their job. Here I will show a tool to help the negotiators finding the BATNAs and WATNAs while they are caucusing with each party.

Before I begin, let's remember that BATNA stands for **Best Alternative To a Negotiated Agreement** and that WATNA stands for **Worst Alternative To a Negotiated Agreement**. Thus meaning that BATNAs point people

away from an agreement, whereas WATNAs point people toward an agreement, pushing them out of their matters of principle. People who mediate a very good agreement should take a payoff better than their BATNA:

$$A > BATNA > WATNA.$$

Nevertheless a mediator, as a first instance, should help people to understand how to minimize their loss: how to avoid their WATNAs. To find out them, while *caucusing*, draw a **decisional tree** on your blackboard. You can do that asking your speaker (e.g. Sarah) to:

1. list every possible **action** that she can take inside or outside of the negotiation process;
2. list, beside each of her action, **every reaction** that the other party could take (e.g. Mike);
3. list, beside each reaction (of Mike), **every new reaction** (of Sarah);
4. define the **payoffs** that she will gain at the end of each branch;
5. **grade each payoff** with a number, from 0 to 10;
6. for each main strategy (those listed at the step no. 1) **sign the lowest payoffs** (the *minima* focus the WATNAs);
7. choose the highest WATNA (the *maximum* of the *minima* focuses the **saddle point**¹);
8. **follow the backwards induction** up to the main strategy which leads to the branch linked to the saddle point: this option minimizes the loss;
9. if you can't find a saddle point because all the WATNAs are equal:
 - i. sum up the grades (that Sarah gave at the step no. 5) leading to a single main strategy;
 - ii. divide each sum by the number of grades you summed up (e.g., $1+4+2 = 7 \rightarrow 7:3 = 2,3$);
 - iii. select the highest value (we call it a **best response**).

Sarah, in the example, knows that, if she waits for Mike to take the first step (*a*), she risks to be sued and to resist in a trial ($k = 0$) or to refund Mike the tenant ($l = 0$); fixing the roof (*b*), she might have to sue Mike ($r = 1$); Evicting Mike (*c*) she's risky as for her first option ($s, t = a = 0$). The best of her WATNAs is $r = 1$, which leads to her strategy *b*, thus Sarah can rationally

1 In Game Theory we call this strategy **maxmin**, from lat. *maximum minimorum*.

choose to fix the roof for Mike. Computing all the grades leading to a , b and c we find out that $b > a > c$. This way Sarah can rationally propose to Mike to fix the roof (b) in order to save their contract (I), so that Mike will keep paying the rent (d).

SARAH	MIKE	SARAH	Grades	Average
(a) To wait	(d) To sue Sarah	(k) To resist	0	7:6 = 1,2
		(l) To refund	0	
	(e) Not to pay	(m) To sue Mike	1	
		(n) To fix the roof	2	
		(o) To sue Mike	1	
		(p) New tenant	2	
(b*) To fix the roof	(g) To pay the rent	(q) To keep the tenant	3	4:2 = 2*
	(h) Not to pay	(r) To sue Mike	1*	
(c) To evict Mike	(i) To sue Sarah	(s) To resist	0	4:4 = 1
		(t) To refund	0	
	(j) To leave the house	(u) New tenant	2	
		(v) To sue Mike	1	

Example of a decisional tree.