AGENDA

Outline for Sessions
Common Pitfalls in Negotiations
Planning for your Negotiation
COVID Considerations
Session Framework

- Introduction to Negotiations
- Distributive Bargaining
- Integrative Bargaining
- Groups
We are all negotiators

Negotiation - the process where two or more parties agree how to allocate scarce resources
The Choice to Negotiate

Among top tier MBA graduates, starting salaries of men are 7.6% higher than those of women.

% of men who negotiate? 57%

% of women who negotiate? 7%

Average salary increase that results from negotiation? 7.4%
The cost of not negotiating

In starting salary, that’s 32 years more work – I hope you like your job!!

$100K $107.6K

Cumulative difference of one time decision not to negotiate?

By age 65 = $107,972

By age 65 = $728,356

1% raise differential?

By age 65 = $190,000

If an additional .5% raise is negotiated annually?

By age 65 = $1.9M

By age 65 = $3.2M

In starting salary, that’s 32 years more work – I hope you like your job!!

$149,000

FOSTER SCHOOL OF BUSINESS
Negotiations....

Is an essential leadership skill to have
Most people are not good negotiators
  • Over 80% of top executives leave money on the table
  • Why? Lack of relevant and diagnostic feedback
Why Don’t We Negotiate?

Don’t know it’s an option
  • It’s not part of our relationship

Uncomfortable with negotiating
  • Reputational consequences
  • Fear of failure
Four Common Negotiation Traps

*Lose-lose*  
(Leaving money on the table)

*Winner’s curse*  
(Settling for too little)

*Hubris*  
(Walking away from the table when you shouldn’t)

*Agreement bias*  
(Settling for terms that are worse than your current situation)
QUESTIONS?
What was your BATNA?

**BATNA TIPS**
Never reveal—signal.
Don’t lie.
Constant improvement is key.
What are my alternatives?

**Salary Negotiation**
- My current salary
- Best offer from another company
- Retirement

**Supplier Relationships**
- Status quo deal
- Best deal from another supplier
- Change to manufacturing process
Alternatives determine Reservation Point

Salary Negotiation
- My current salary
- Best offer from another company
- Retirement

Supplier Relationships
- Status quo deal
- Best deal from another supplier
- Change to manufacturing process

Walk away if you can’t beat this.
Reservation Point

Value of BATNA, always ONE number
- Supplier (seller) has another buyer for $90
- Buyer can purchase from another seller for $100

$70  $90  $100  $120
Buyer’s Target  Seller’s RP  Buyer’s RP  Seller’s Target
What’s your target?

“As high as you can go without embarrassing yourself in front of a respected third party”
-Fisher Ury and Patton

TARGET TIPS
-Do your research and refer to it.
-Set specific goals.
-Set aggressive goals, don’t act aggressively.
-Don’t negotiate with yourself!
**Target**

Specific, Difficult

Always ONE number
Zone of Potential Agreements: ZOPA

Region between each party’s reservation prices

$70  $90  $100  $120
Buyer’s Target  Seller’s RP  Buyer’s RP  Seller’s Target

Buyer

Seller
What have we learned so far?

Need to know what a good deal is before you sit down to negotiate.

To assess the quality of a deal, you need to know (at a minimum):

- Your alternatives if the deal fails (BATNA)
- Your reservation point
- Your target point

A good deal is one that:

- Is better than your alternative (BATNA)
- Is above your reservation point
- Ideally, is close to your target point

Planning and preparation are key.
QUESTIONS?
COVID & Uncertainty

Respect & Feeling Heard
- Is now still a good time?
- Minimize distractions
- Don’t interrupt
- Ask questions
- Paraphrase
- Take notes

Assume everything is negotiable
- Changes are likely
- Creativity
- Flexibility (when possible)
## COVID & Communication Medium

<table>
<thead>
<tr>
<th>Communication Medium</th>
<th>Information Conveyed</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Zoom, Facetime,…</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>2) Phone</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>3) In Person</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>4) Email</td>
<td>Very Low</td>
<td>High</td>
</tr>
<tr>
<td>5) Texting</td>
<td>Super Low</td>
<td>High</td>
</tr>
</tbody>
</table>
QUESTIONS?
Some Useful References

1. The Mind and Heart of the Negotiator
   (2015) by Leigh Thompson
2. Getting To Yes
   (1991) by Fisher, Ury and Patton
3. Negotiating Globally
   (2007) by Jeanne Brett
4. Negotiation Genius
   (2007) by Deepak Malhotra and Max Bazerman
5. The Truth about Negotiations
   (2008) by Leigh Thompson
OFFICE HOURS ARE NEXT...
THANK YOU