AGENDA

Pre-Negotiation Planning Review
Defining a Win-Win Negotiation
Strategies for Multiple Issue Negotiations
Generating a Point Schedule
Session Framework

- Introduction to Negotiations
- Single Issue Negotiations
- Multiple Issues
- Influence
Before your Negotiation...

• **BATNA**
  • Best Alternative to a Negotiated Agreement – what you would do if the negotiation doesn’t work out

• **Reservation Point**
  • Numeric equivalent of your BATNA that tells you when to walk away

• **Target**
  • Your goal in the negotiation – should be specific and as difficult as possible

• **Determine your First Offer**
  • Numeric - Around 3% better than your target with a bolstering range (e.g., target = $100, First offer = $103- $112)
What are Win-Win Negotiations?

Most people think
- Compromise
- Even split
- Feeling good
- Building a relationship

Actually, it is an integrative agreement
- All creative opportunities are exploited and no resources are left on the table.
Pyramid Model

Level 1: Mutual settlement (positive bargaining zone)

Level 2: Settlement superior to other feasible settlements

Level 3: Pareto-optimal
Signs of Win-Win Potential

Does the negotiation contain more than one issue?
Can other issues be brought in?
Can side deals be made?
Do parties have different preferences across issues?
Perspective Taking

For 5 minutes, consider the following:

“Put yourself in the other person’s shoes. Try to imagine how they think and feel about _____. Try to feel the full impact of what the other person is going through.”

(Batson et al. 1997; Galinsky & Ku, 2004; Patient & Skarlicki, 2008)
Trust

Building trust

• Deterrence
• Knowledge
• Identification
Sharing information & Questions

Share interests
- **What you want**, your goals, fears
- Then Fairness justification

Ask diagnostic questions
- What is your ideal negotiated outcome?
- Do you care more about Salary or Division?
- Which Division would be your preference?

<table>
<thead>
<tr>
<th>Issue Priority</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Bonus</td>
<td>15% (16.5 – 18%)</td>
</tr>
<tr>
<td>2) Base Pay</td>
<td>100k (103-112)</td>
</tr>
<tr>
<td>3) Equity Shares</td>
<td>2% (2.5-2.8%)</td>
</tr>
</tbody>
</table>
QUESTIONS?
Unbundling Issues

Break down large issues into their smallest parts
• E.g., Pay – base pay, signing bonus, bonus, equity shares, retirement, overtime

<table>
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<tr>
<th>My Interests</th>
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<tr>
<td>3) Equity Shares</td>
<td>3) Bonus</td>
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Logrolling or Trading-off

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I should **give (concede)** on Equity Shares to **gain** on Bonus
Contingency Contracts

Structure contingency contracts by capitalizing on differences
  • If.....then....

Differences pave the way for integrative agreements

Expectations
Risk Attitudes
Time Preferences
Capabilities
Contingency Contracts

- Do not create a conflict of interest
- Enforceable – written contract
- Clear, measurable, readily evaluated
Presettlement Settlements

Formal – binding obligations
Initial – will be replaced
Partial – not all issues addressed

Useful in high distrust
MESOs

Make package deals, not single-issue offers

Make multiple offers of equivalent value (to you) simultaneously (MESOs)

Add or unbundle issues
  • More than one issue, potential for win-win
  • Greater # of issues, greater chance of agreement
  • So think broadly in the planning process

MESO tips
  ✓ Use a scoring system to determine equivalence & avoid cherry picking.
  ✓ Don’t forget anchoring.
  ✓ Good for secretive/novice negotiators.
Which of these deals do you prefer?

<table>
<thead>
<tr>
<th>DEAL #1: 8th floor Space</th>
<th>DEAL #2: 8th floor Space</th>
<th>DEAL #3: Penthouse Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 month lease</td>
<td>36 month lease</td>
<td>60 month lease</td>
</tr>
<tr>
<td>Rent: $10K/mo</td>
<td>Rent: $15K/mo</td>
<td>Rent: $17.5 K/mo</td>
</tr>
</tbody>
</table>

**Important Notes:**
- All 3 deals yield the same value to company.
- All 3 deals anchored above target point.
Multiple Equivalent Offers

Standardized Values

-0.4
-0.2
0
0.2
0.4
0.6

One Proposal Equivalent Proposals

Flexibility
Outcome

FOSTER
School of Business
QUESTIONS?
THANK YOU
OFFICE HOURS ARE NEXT...