

**Negotiation**

# New Recruit Negotiations

People and Organizations

Session 15

Fall 2010

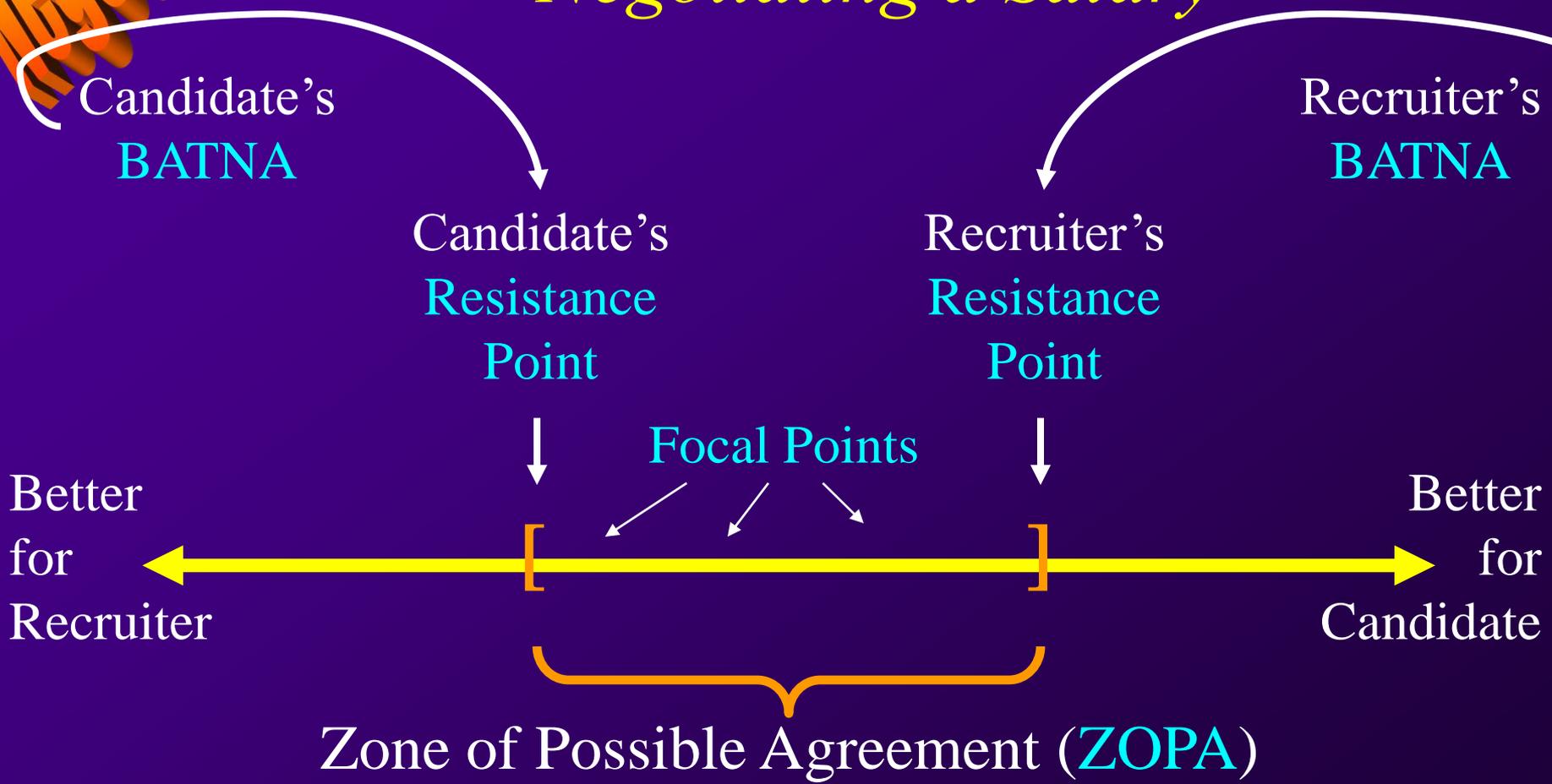
# Negotiation

## Agenda for Today

- Negotiate New Recruit
- Debrief negotiations focusing on :
  - How to Claim Value
  - How to Create Value

# Negotiation

## Distributive Bargaining *Negotiating a Salary*





# Overseas Transfer Distributive Issues

	<u>SIGNING BONUS</u>	<u>RECRUITER</u>	<u>CANDIDATE</u>
	10%	0	4,000
	8%	1,000	3,000
→	6%	2,000	2,000
	4%	3,000	1000
	2%	4,000	0
	<u>SALARY</u>		
	\$60,000	-6,000	0
	\$58,000	-4,500	-1,500
→	\$56,000	-3,000	-3,000
	\$54,000	-1,500	-4,500
	\$52,000	0	-6,000

# Negotiation

## What Influences How Value is *Distributed* in Negotiation?

- BATNA
- Aspiration (Target/Resistance Points)
- Anchoring and Counteroffers
- Focal Points and Fairness
- Relative Bargaining Power

## How to “Claim” Value (Distributive Bargaining)

- Know your BATNA and improve it.
- Consider the other side’s BATNA (as well as their *perception* of their BATNA) and how it might be influenced.
- Use standards of legitimacy
- Draw on your sources of power
  - But be careful not to force too hard/far!
  - DON’T state a BATNA you are not prepared to use if necessary



# Overseas Transfer Compatible-Integrative Issues

	<u>JOB ASSIGNMENT</u>	<u>RECRUITER</u>	<u>CANDIDATE</u>
→	Division A	0	0
	Division B	-600	- 600
	Division C	-1,200	-1,200
	Division D	-1,800	-1,800
	Division E	-2,400	-2,400
	<u>COMPANY CAR</u>		
→	LUX EX2	1200	1200
	MOD 250	900	900
	RAND XTR	600	600
	DE PAS 450	300	300
	PALO LSR	0	0



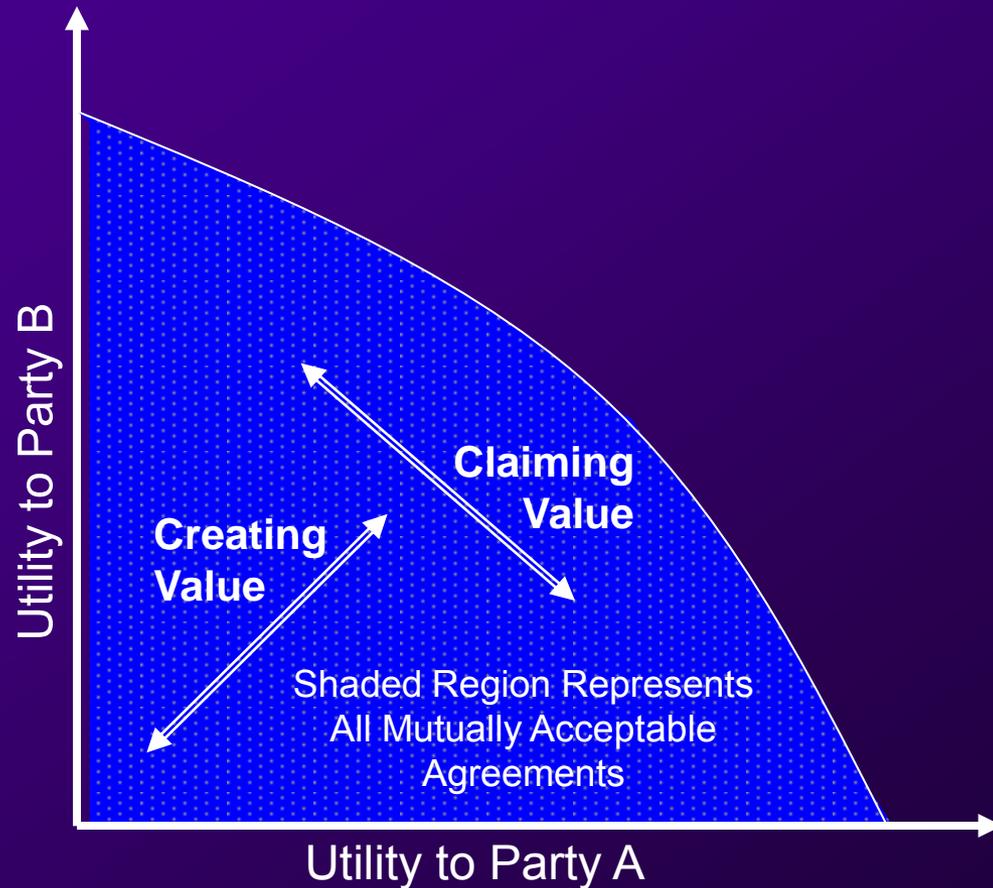
# Overseas Transfer

## Integrative Issues: Differing Priorities

	<u>STARTING DATE</u>	<u>RECRUITER</u>	<u>CANDIDATE</u>
→	1-Jun	1,600	0
	15-Jun	1,200	1,000
	1-Jul	800	2,000
	15-Jul	400	3,000
	1-Aug	0	4,000
	<u>VACATION DAYS</u>		
	30 days	0	1,600
	25 days	1,000	1,200
	20 days	2,000	800
	15 days	3,000	400
→	10 days	4,000	0
	<u>MOVING EXPENSES</u>		
	<u>REIMBURSEMENT</u>		
→	100%	0	3,200
→	90%	200	2,400
	80%	400	1,600
	70%	600	800
	60%	800	0
	<u>INSURANCE COVERAGE</u>		
	Allen Insurance	0	800
	ABC Insurance	800	600
	Good Health Insurance	1,600	400
	Best Insurance Co.	2,400	200
→	Insure Alba	3,200	0

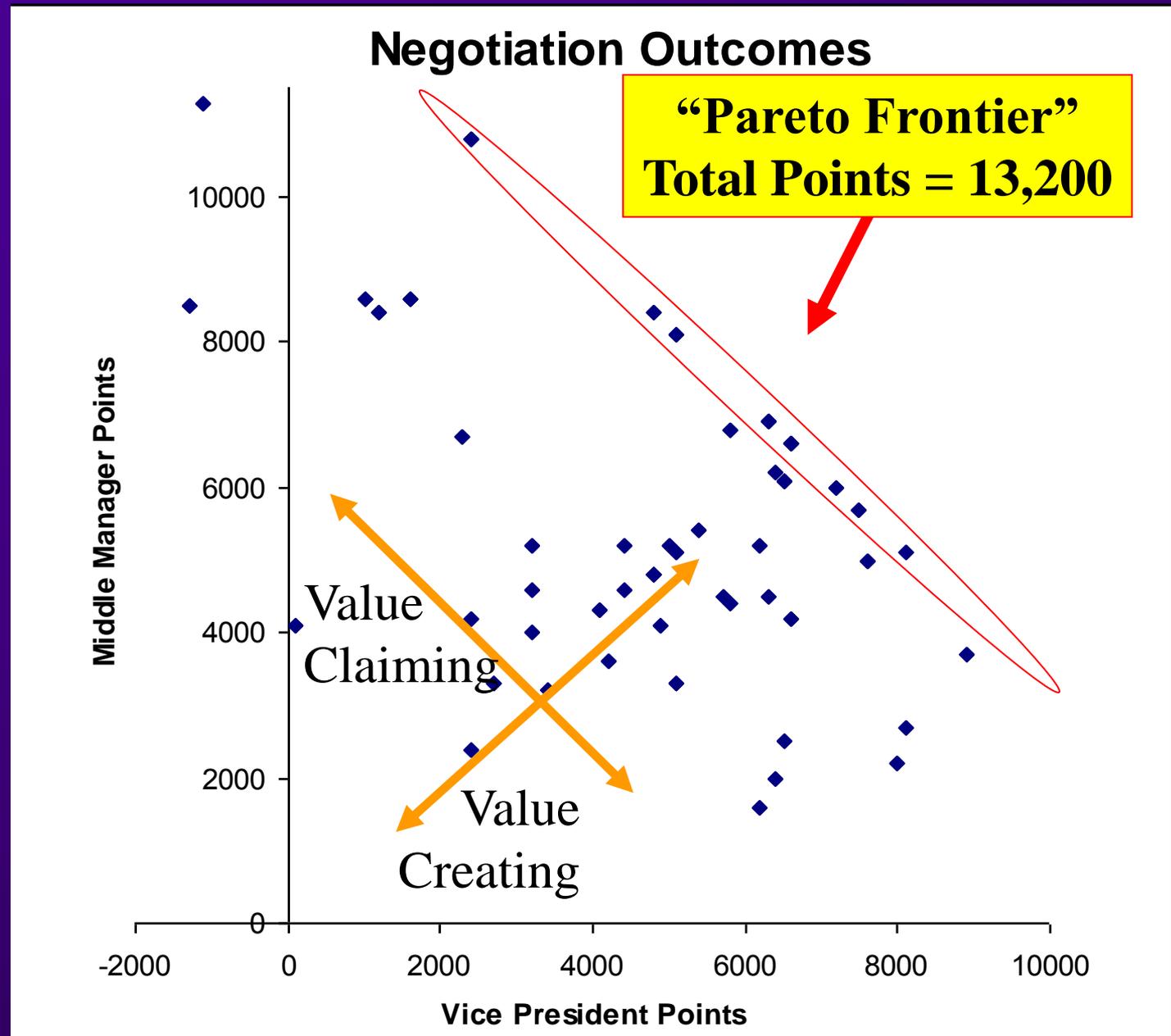
# Negotiation

## Integrative Bargaining



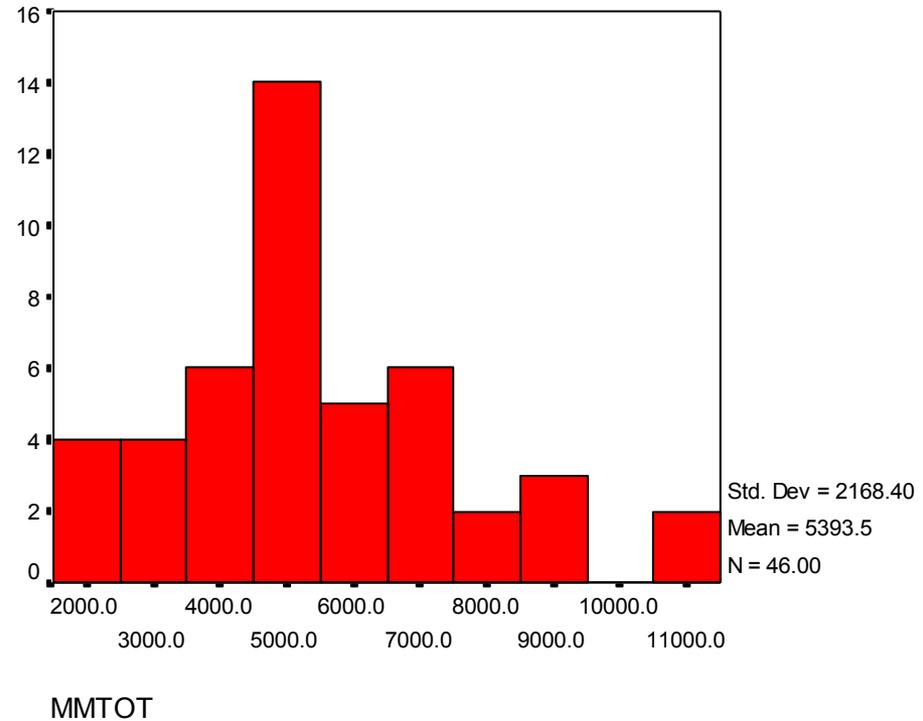
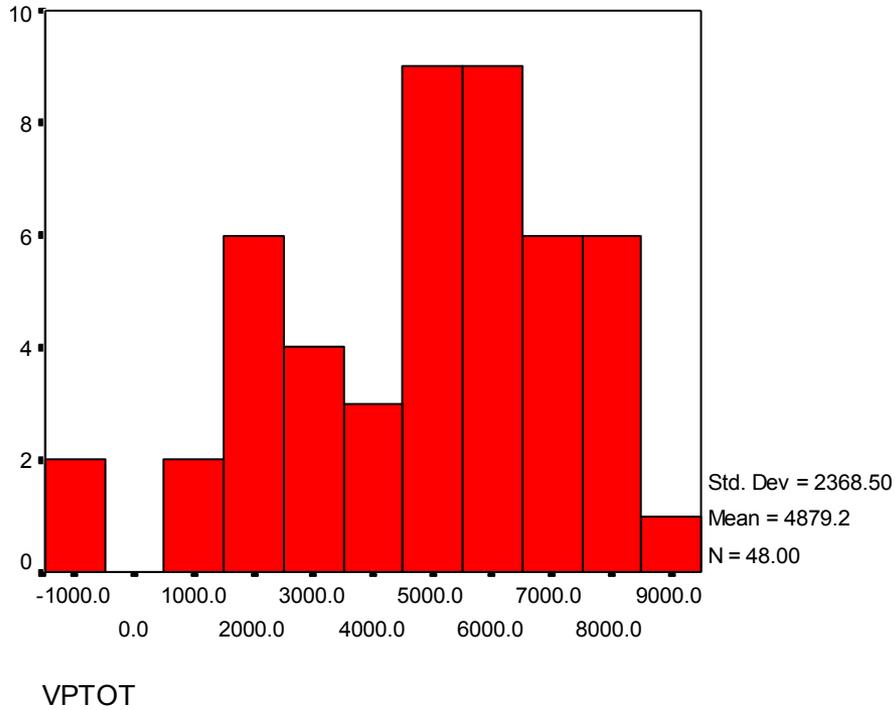
# Negotiation

## Integrative Bargaining



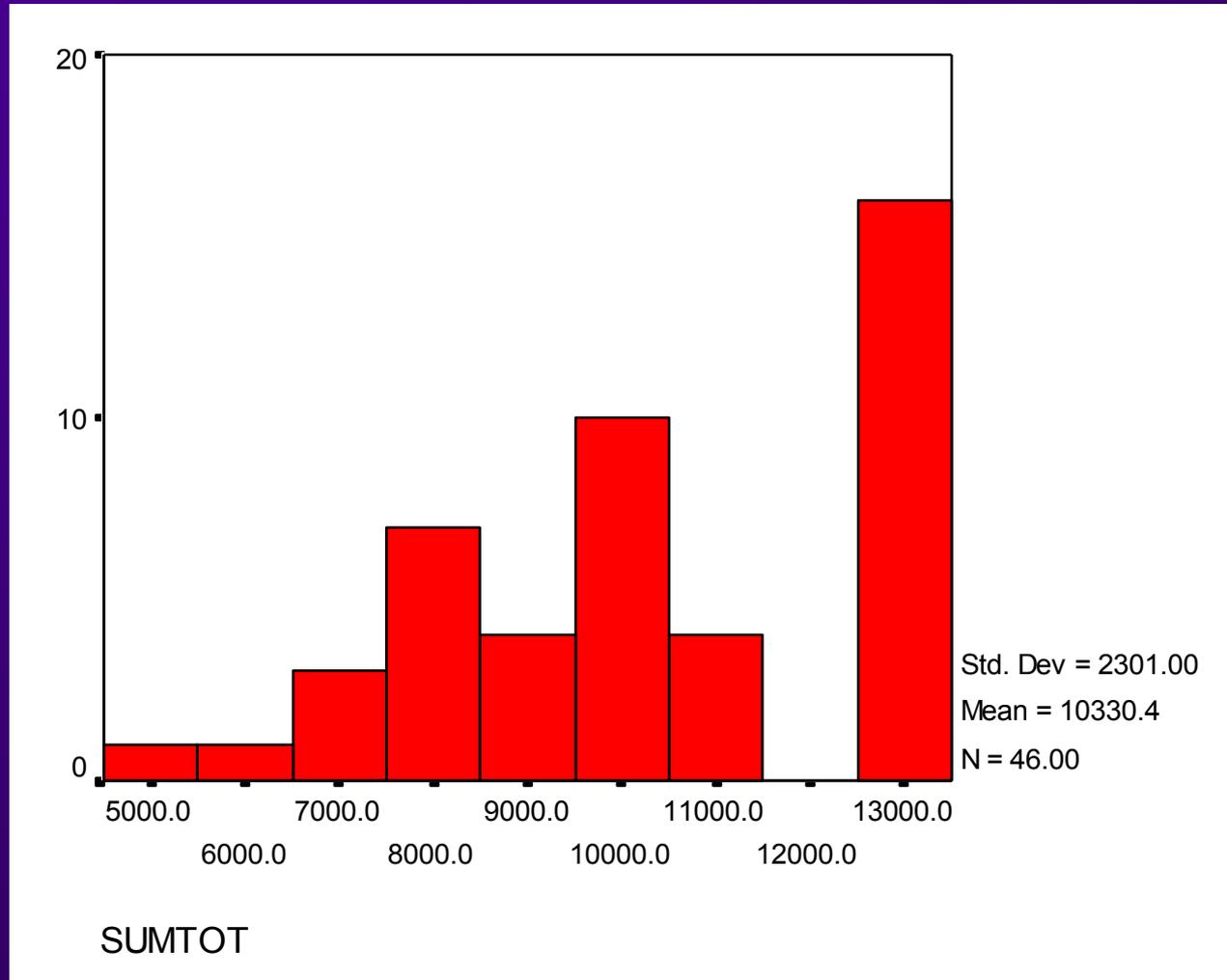
# Negotiation

## Individual Points Earned



# Negotiation

## Joint Points Earned



# Negotiation

## What Influences How Value is *Created* in Negotiation?

- Testing the “Fixed Pie” Assumption
- Understanding your & other’s Interests
- Communication & Information Sharing
- Brainstorming/Generating Options
- Concern for Current/Future Relationship

## How to “Create” Value

- Beware the “Fixed Pie” Assumption
- Create an atmosphere where you can brainstorm or develop options together while refraining from judgment.
- Look beyond positions and capitalize on shared interests.
- Exploit differences in forecasts, risk aversion, time preference, capabilities, perceptions, judgments, or decreasing marginal utility.
- Be soft on the people but hard on the problem.



# Tips on **PREPARING** for a Negotiation Over Compensation

## **Alternatives**

What will you do if you do not close this deal? Can this be improved upon? What is *their* BATNA?...

## **Legitimacy**

Do your homework. What is the “going rate” for this job in this region? At this firm? Pay criteria?

## **Interests**

Identify as many potential issues as you can. Try to predict in advance which ones will be distributive, compatible, and integrative.

# Negotiation

## Tips on **EXECUTING** a Negotiation Over Compensation

### **Communication**

**LISTEN** hard! Make sure you understand the *purpose* of the meeting. Try not to have a discussion about compensation until after you have been offered the position.

### **Legitimacy**

Use standards of legitimacy as a shield and as a sword.

### **Interests**

To maximize joint gain, discuss issues as a package rather than each one sequentially.

You may have to work with these people. Separate the people from the problem.

### **Relationship**

## Summing Up

- Prepare, Prepare, Prepare
  - Know your interests
  - Put yourself in others' shoes—what are their interests? Emotions? Sources of Power?
  - What are your sources of power? Remember *Five Smooth Stones!*
  - Generate Options
  - Reframe the issue(s) when bogged down
  - Know your BATNA—use it very carefully!
- Create Value, Claim fair share
- Build Relationships and be Ethical



# Negotiation Courses

- Sloan School
  - 15.665 Power and Negotiations
  - 15.067 Competitive Decision Making and Negotiations
- Also check out courses offered by Larry Susskind in Urban Studies

MIT OpenCourseWare  
<http://ocw.mit.edu>

## 15.668 People and Organizations

Fall 2010

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.