

New Recruit Negotiations

People and Organizations

Fall 2005

Agenda for Today

- Review Single Text Agreement
- Negotiate New Recruit
- Debrief negotiations focusing on :
 - How to Claim Value
 - How to Create Value
- List further courses on Negotiations

Overseas Transfer

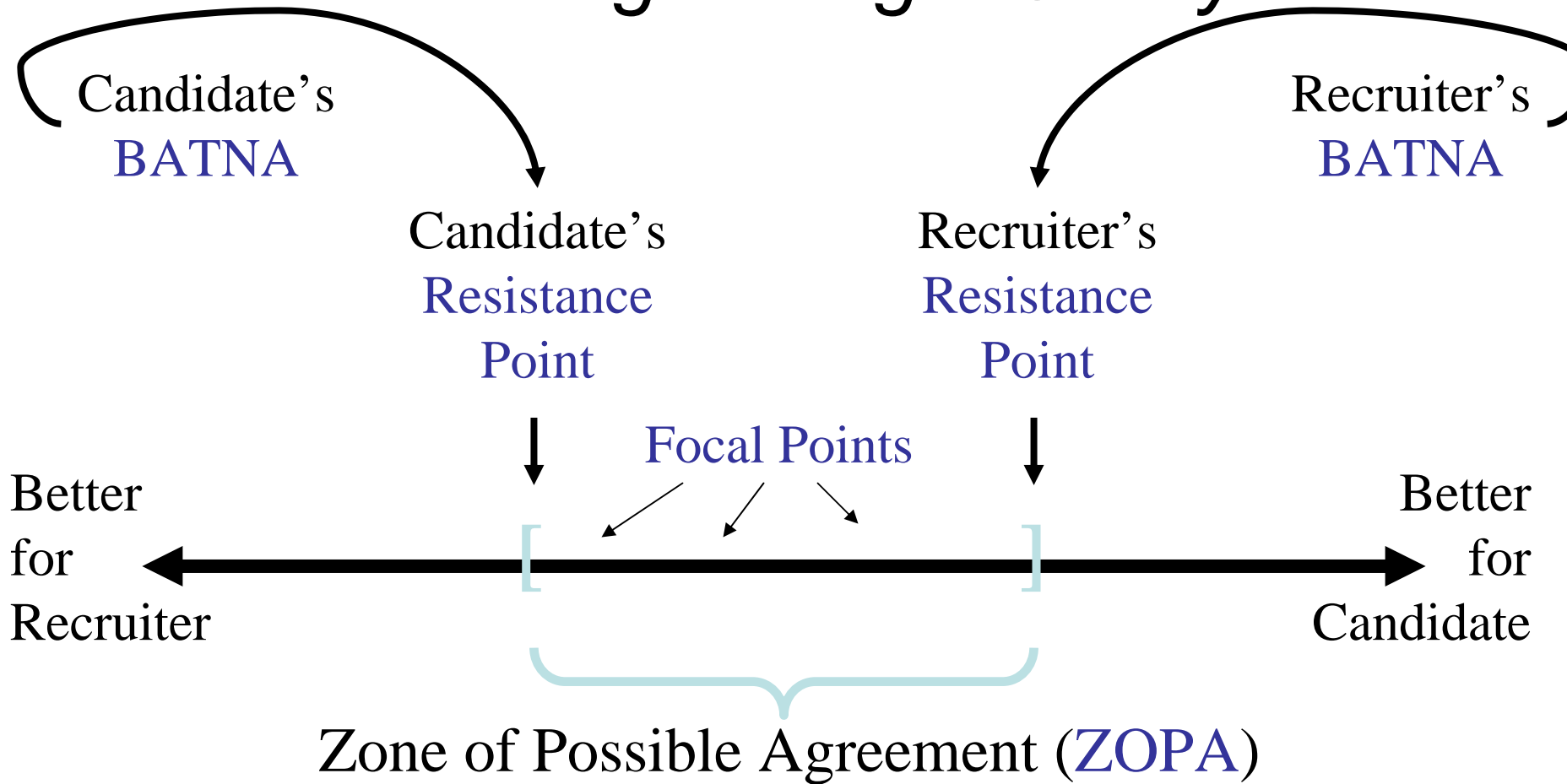
Considering the Issues

	<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

- Distributive Issues

Distributive Bargaining

Negotiating a Salary



What Influences How Value is *Distributed* in Negotiation?

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

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

Considering the 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

- Compatible-Integrative Issues

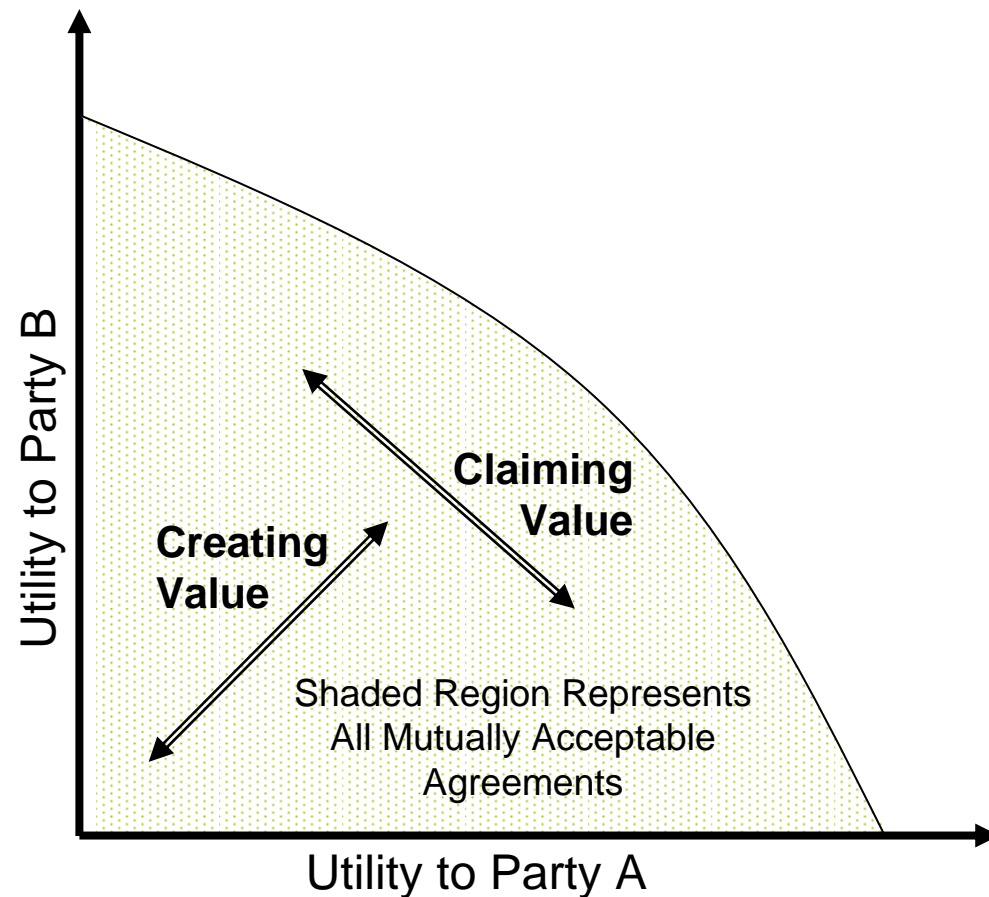
Overseas Transfer

Considering the Issues

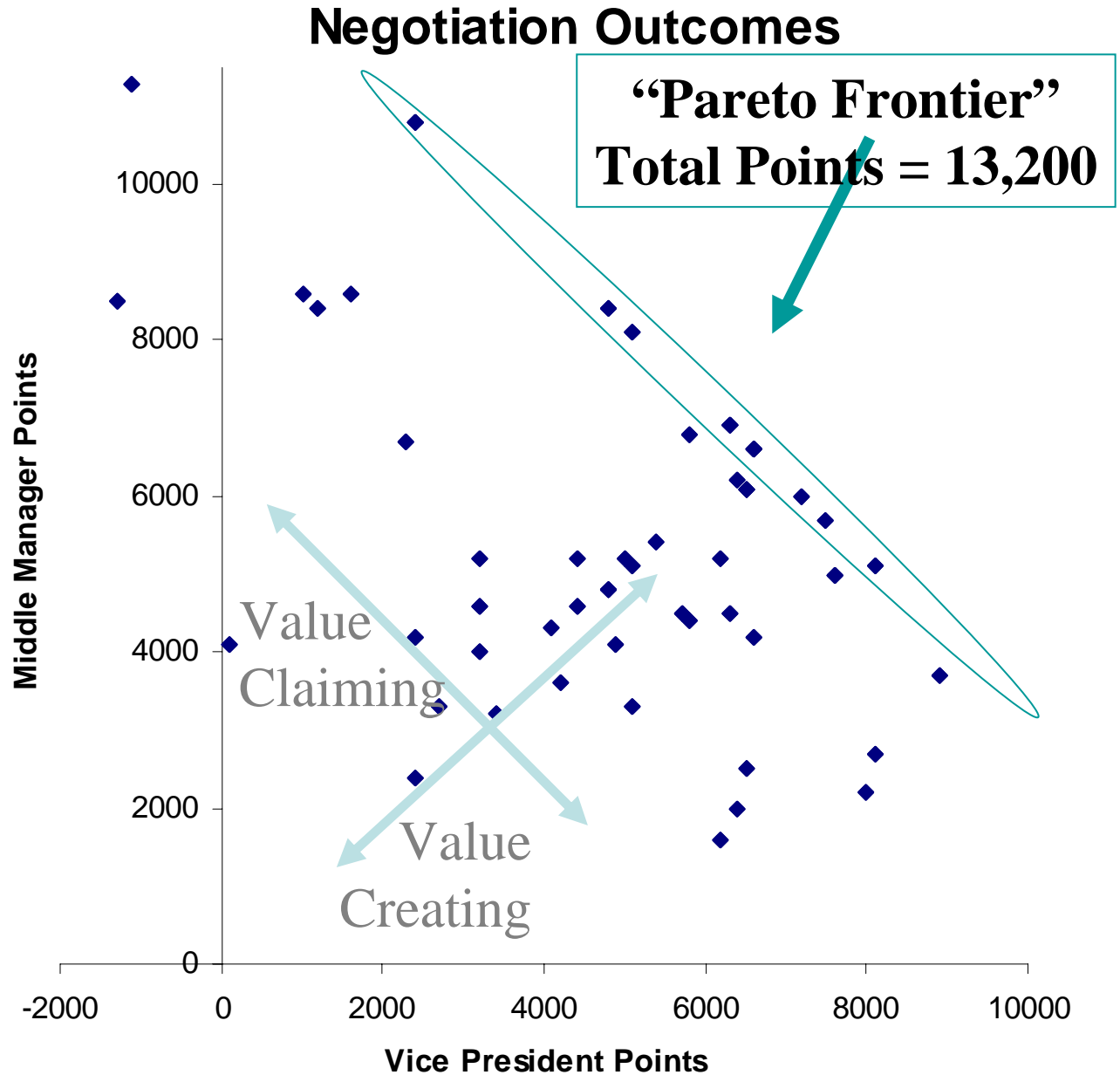
	<u>STARTING DATE</u>	<u>RECRUITER</u>	<u>CANDIDATE</u>
→	1-Jun	1,600	0
	15-Jun	1,200	1,000
	1-Jul	800	2,000
	15-Jul	400	3,000
	1-Aug	0	4,000
	<u>VACATION DAYS</u>		
	30 days	0	1,600
	25 days	1,000	1,200
	20 days	2,000	800
	15 days	3,000	400
→	10 days	4,000	0
	<u>MOVING EXPENSES</u>		
	<u>REIMBURSEMENT</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

- Integrative Issues

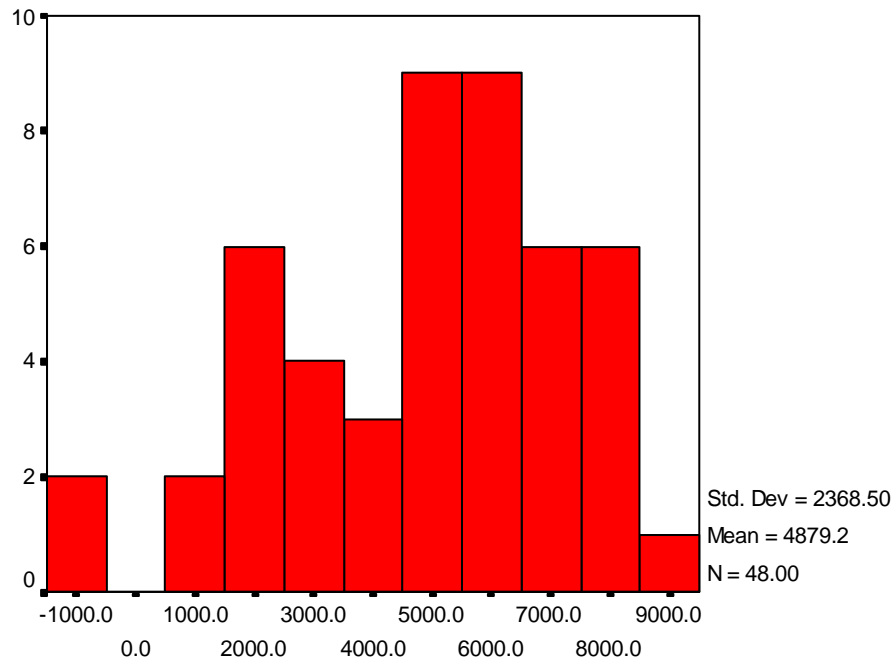
Integrative Bargaining



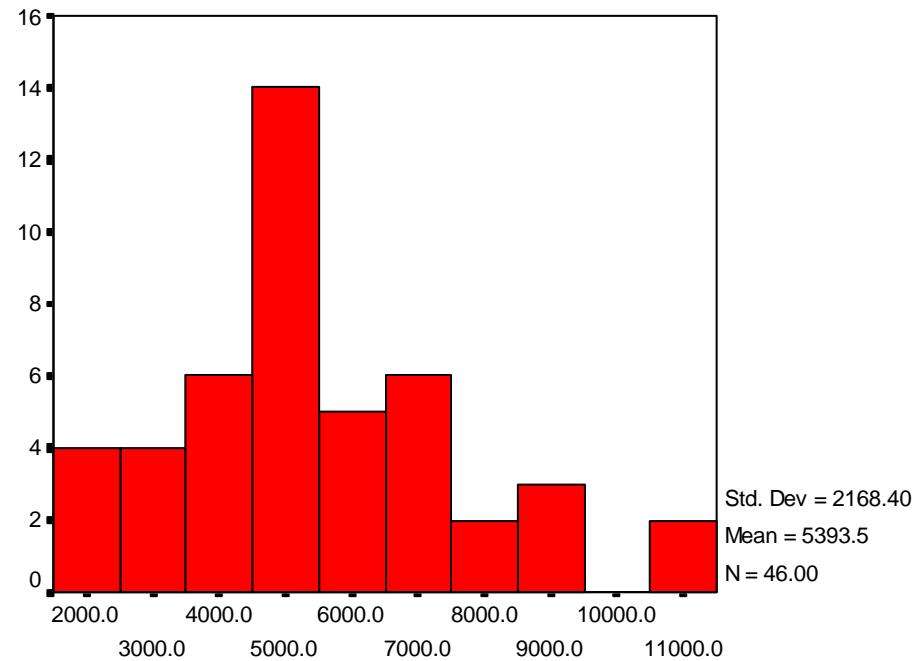
Integrative Bargaining



Individual Points Earned

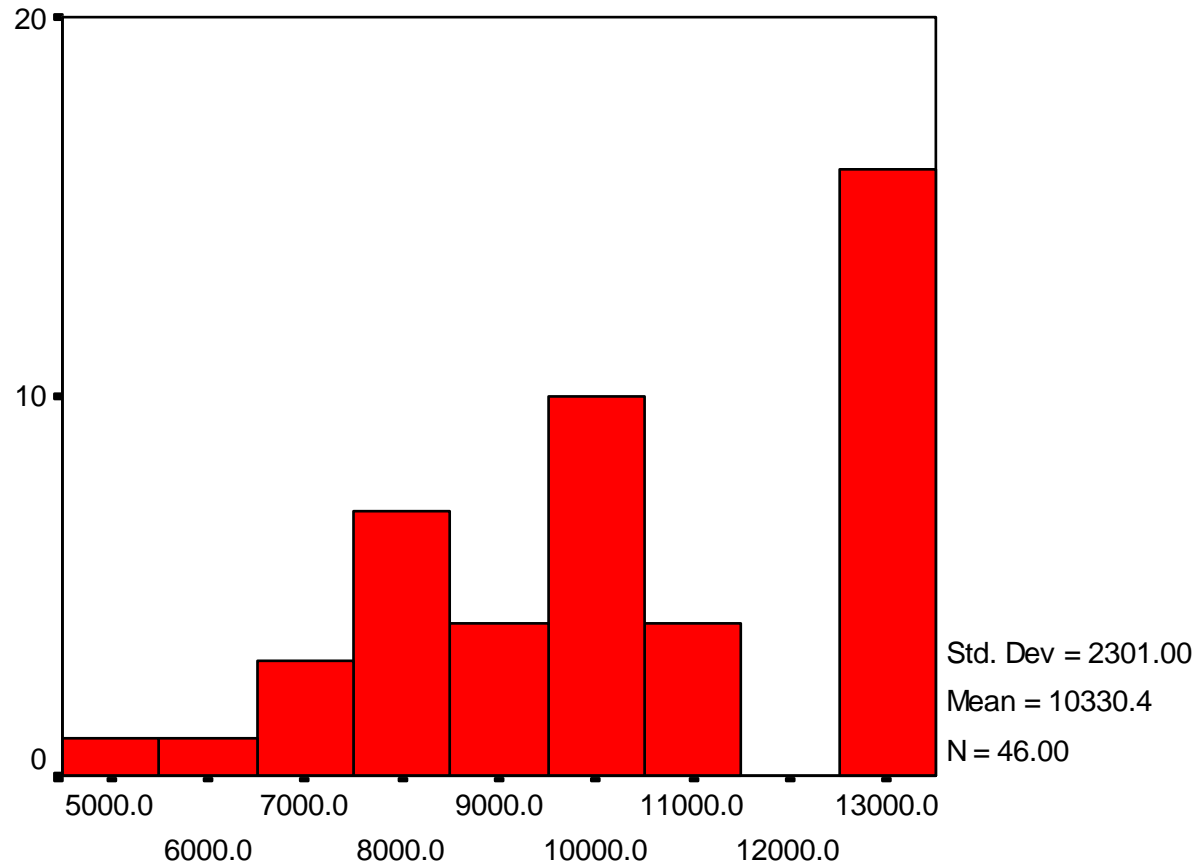


VPTOT



MMTOT

Joint Points Earned



SUMTOT

What Influences How Value is *Created* in Negotiation?

- The “Fixed Pie” Assumption
- Communication & information sharing
- Presence of Similarities
- Presence of Differences
- 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.

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.

Relationship

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

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
 - 15.667 Negotiations and Conflict Management
- Also check out courses offered by Larry Susskind in Urban Studies