

Massachusetts Institute of Technology  
Sloan School of Management

**15.665 A & B**  
**Power and Negotiation**  
**Fall 2011**

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**Class Times:**

Thursday	Section A 2:30pm-5:30pm	E51-345
	Section B 6:00pm-9:00pm	E51-345

**Instructor:**

Ofer Sharone	osharone@mit.edu	E62-340
Office hours	By Appointment	

**Teaching Assistants:**

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Section B:	Shikha Chetal	schetal@mit.edu

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**Course Overview**

One of the most important skills you can learn at Sloan is how to effectively negotiate. Negotiations occur both in our professional and personal lives, from complex contracts to daily interactions. The flattening of organizations means we are all increasingly finding ourselves negotiating with peers, managers, subordinates, collaborators, clients, and partners. Although we negotiate all the time, most of us have not systematically learned and practiced effective negotiation strategies.

Negotiating is a skill that can be learned and improved. But, like playing tennis or chess, it requires know-how and *practice*. Learning to become an effective negotiator is not predominantly a matter of listening to lectures, but of actively participating in negotiation simulations that give you a chance to experience and experiment with different negotiation strategies and tools. This course provides multiple opportunities to practice your negotiating skills, to correct many mistakes that naïve negotiators tend to commit, reflect upon your experiences, and increase your effectiveness. The essence of this course can be distilled to: Practice, Reflect, Analyze, and Practice again.

## Goals and Learning Objectives

After taking this course you will be able to:

- Garner your fair share of what is negotiated
- Recognize opportunities to create value that others might overlook
- Strategically analyze negotiation situations and avoid common mistakes
- Build lasting working relationships with negotiation counterparts
- Handle difficult conversations in business and life
- Reflect and learn from your experiences

## Course Content

### **Class 1 - Introduction to Negotiations September 8, 2011**

<b><i>Simulation:</i></b>	The Oil Pricing Game
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### **Class 2 - Slicing the Pie: How to Win September 15, 2011**

<b><i>Simulation:</i></b>	Used Car Pakistani Prunes
<b><i>Readings:</i></b>	<ul style="list-style-type: none"><li>• <b>Strategy and Tactics of Distributive Bargaining</b>, Ch. 3, Roy J. Lewicki, et al, <i>Essentials of Negotiation</i>, 3rd Edition, 2007, pp 59-94.</li><li>• <b>Finding and Using Negotiation Power</b>, Ch. 7, Roy J. Lewicki, et al, <i>Essentials of Negotiation</i>, 4<sup>th</sup> edition, 2007, pp. 149-165.</li></ul>

### **Class 3 – Expanding the Pie: How Both Parties Can Win September 22, 2011**

<b><i>Simulation:</i></b>	Sally Soprano
<b><i>Readings:</i></b>	<ul style="list-style-type: none"><li>• <b><i>Getting to Yes: Negotiating Agreements Without Giving In.</i></b> Roger Fisher and William Ury. Chapters 1-5.</li></ul>



**Class 4 – The Negotiator’s Dilemma and Discovering your Style**  
**September 29, 2011**

<b>Simulation:</b>	The New Recruit
<b>Exercise:</b>	<i>Thomas-Kilmann Self-Assement</i>
<b>Readings:</b>	<ul style="list-style-type: none"> <li>• <i>Getting to Yes: Negotiating Agreements Without Giving In.</i> 2<sup>nd</sup> Edition. Roger Fisher and William Ury. Chapters 6-8.</li> </ul>
<b>Optional Readings:</b>	<ul style="list-style-type: none"> <li>• <b>Negotiating a Job Offer.</b> Appendix 4, Leigh L. Thompson, <i>The Mind and Heart of the Negotiator</i>, 4<sup>th</sup> edition, 2008, pp. 375-382.</li> </ul>

**Class 5 – Difficult Tactics and Overcoming Obstacles to Win-Win**  
**October 6, 2011**

<b>Simulation:</b>	Myti Pet
<b>Readings:</b>	<ul style="list-style-type: none"> <li>• <i>Beyond Reason: Using Emotions as you Negotiate</i>, Fisher and Shapiro, pp 3-51, 72-93.</li> </ul>

**\*\*OCTOBER 13: DUE DATE FOR PROPOSING PAPER TEAM AND TOPIC\*\***

**Class 6 – The Centrality of Relationships**  
**October 13, 2011**

<b>Simulation:</b>	Aerospace Investment
<b>Readings:</b>	<ul style="list-style-type: none"> <li>• <i>Beyond Reason: Using Emotions as you Negotiate</i>, Fisher and Shapiro, pp 52-71, 94-114.</li> </ul>

**\*\*OCTOBER 20: DUE DATE FOR REAL LIFE MEMO (DUE BEFORE CLASS)\*\***

**Class 7 – Cross-Cultural Negotiations**  
**October 20, 2011**

<b>Simulation:</b>	International Lodging Merger
<b>Readings:</b>	<ul style="list-style-type: none"><li>• <b>Ten Ways that Culture Affects Negotiating Style: Some Survey Results,</b> Jeswald W. Salacuse, <i>Negotiation Journal</i></li></ul>

October 27, 2011     SIP WEEK

NO CLASS

**Class 8 – Difficult Conversations and Cognitive Biases**  
**November 3, 2011**

<b>Simulation:</b>	Luna Pen
<b>Readings:</b>	<ul style="list-style-type: none"><li>• <b>Difficult Conversations.</b> Douglas Stone, Bruce Patton, Sheila Heen, 1999, pp. 3-20</li><li>• <b>Disarm Them: Step to their Side.</b> Chapter 2, <i>Getting Past No.</i> William Ury. 1991. Pp35-57</li></ul>

**Class 9 – Multiparty Negotiations and Coalitions**  
**November 10, 2011**

<b>Simulation:</b>	Coalition Game Negotiating Budget Cuts at Newtowne Hospital
<b>Readings:</b>	<ul style="list-style-type: none"><li>• <b>Multiple Parties, Coalitions, and Teams,</b> Ch. 9, Leigh L. Thompson, <i>The Mind and Heart of the Negotiator</i>, 4<sup>th</sup> edition, 2008, pp. 218-230.</li></ul>

**\*\*NOVEMBER 17: DUE DATE FOR GROUP PAPER\*\***

**Class 10 –The Power of Fairness and Ethics in Negotiations  
November 17, 2011**

<b>Simulation:</b>	A Newport Girl Doll Company
<b>Readings:</b>	<ul style="list-style-type: none"><li>• <b>Ethics in Negotiation</b>, Ch. 8, Roy J. Lewicki, et al, <i>Essentials of Negotiation</i>, 4<sup>th</sup> edition, 2007, pp. 167-185.</li><li>• <b>Ethics in Negotiation: Oil and Water or Good Lubrication?</b>, H. Joseph Reitz, et al, <i>Business Horizons</i>.</li></ul>

November 24, 2011 THANKSGIVING HOLIDAY

NO CLASS

**Class 11 – Student-Led Simulations and Presentations  
December 1, 2011**

**Class 12: Wrapping It All Up  
December 8, 2011**

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**Course Materials**

Books: 1) *Getting to Yes*. Roger Fisher and William Ury, with Bruce Patton. New York: Penguin Books. 1991.

2) *Beyond Reason: Using Emotions as You Negotiate* by Roger Fisher and Daniel Shapiro. New York: Penguin Books. 2005.

These books can be purchased at the COOP and are on reserve at the library.

Course Reader  
and Simulations:

All other articles and book chapters can be found in the “materials” section of the Stellar website.

Simulation handouts will be distributed in class. The simulations are copyrighted and **require separate payment**. We will provide



instructions in class on how to pay for the simulations. No grades can be issued in this class without **prior** payment for the simulations.

### Requirements

Weekly readings: Please read the articles or chapters assigned to each week ahead of class.

The list and sequence of weekly readings may change during the course of the semester depending on the way the course unfolds. In case of additional readings, these will be distributed to you in class at least one week in advance.

Weekly Simulations: In this course learning mostly occurs not by reading and talking but by doing and experiencing. Because of the importance of practice to negotiations, class sessions will involve at least one negotiation simulation.

For some simulations you will be asked to prepare your role in advance of class. It is extremely important for you to prepare carefully. Many of the simulations require close reading of background information and confidential instructions for each role. To avoid wasting your and your bargaining counterparts' time, please come fully prepared to class.

To make the simulations meaningful learning experiences DO NOT share or discuss your confidential instructions with the counterparty.

Reflective Memos: Reflecting critically on one's own choices and actions is crucial for strengthening one's negotiation skills. You are required to write 5 one-page single spaced memos (300-500 words) over the semester.

**(A) Simulation Memos:** For three of these memos, you should select a particular negotiation simulation performed in class in which you participated. By applying the relevant concepts dealt with in class and in the readings, try to address the following questions: What did you do well? What did you not do well? What will you do differently next time and why?

**DUE:** Each of the three simulation memos is due in class the week after the simulation upon which you reflected. Please turn in a hardcopy of your memo to your TA.

You may choose to reflect on any 3 simulations. **Please note that for the last two classes in the course there are no simulations for you to reflect upon.**

**(B) Real Life Memo:** To fully internalize the negotiations skills learned in the classroom it is important to experiment using these skills outside the classroom. For one of your five memos you should analyze a “real life” negotiation that you experience outside the classroom. If you happen to be already engaged in a negotiation during the semester, whether in your professional life or personal life, you may reflect upon that. Another alternative is to create a negotiation situation. One fun way to do this is to negotiate a typically “non-negotiable” item like a candy bar at a grocery store. You could also try to negotiate free food or other “freebies” for the entire class (see the “Freebie Challenge” described below). This memo should describe your preparation, strategy, the outcome, and what you learned from the experience.

**DUE: October 20 before class.**

**(C) Grand Finale Memo:** For the final (5<sup>th</sup>) memo reflect back on what you’ve learned in the course of the semester, how your negotiation style has changed, and what you still want to work on going forward. As part of this memo please think back to some very significant negotiation that occurred earlier in your life, and reflect on how you might have approached this negotiation differently in light of the concepts learned in this class.

**DUE: December 8 before class.**

All five memos will be graded with a check (typical grade for a memo), check-plus (exceptionally good memo which exhibits insights from integrating experience with concepts learned in class and the readings), or check-minus (below average memo).

The purpose of the memos is not to get it “right” but to become self-aware by digging deep and clearly reflecting about your own learning as a negotiator. The memos are a way to encourage you to integrate your experiences inside and outside the classroom for greater insight and skill in negotiating.

Group paper and  
proposed  
presentation:

After forming a team with colleagues (I will provide guidance about team sizes in class), please collectively research and write a 7-10 page paper (double-spaced, maximum 3000 words) investigating a real-world conflict



situation of your own choosing. You may gather data on the conflict situation through secondary sources (media accounts, books, scholarly research) or primary sources (e.g., interviews of the parties involved). Apply the concepts analyzed in the class and readings to explain the negotiation situation, and provide suggestions as to how the parties may be brought to an agreement, or alternatively how the bargaining strategies adopted by one or more of the parties could be improved. All members of the team will be evaluated equally, so it is up to you to negotiate an equitable distribution of efforts and contributions within your team.

Together with the paper, each team will create a simulation or exercise that illustrates the key lesson learned from your paper. Please **submit a PowerPoint presentation and a simulation/exercise that can be used in class to teach your fellow students this core lesson**. The goal of the presentation and simulation is NOT to explain the nuances of your paper or demonstrate your brilliance (save that for the paper!), but to distill the essential lesson and unleash your creative spirits to think of how you might bring this lesson to life for your classmates. Be creative in your proposals: create a dramatization, invent a short game, exercise, or simulation - whatever you think would work to teach the core lesson.

The groups with the most promising presentation proposals will have an opportunity to takeover part of Class 11 (December 1) and run the proposed exercise. I will generally refrain from intervening during presentations to give you autonomy to present the lesson as you see fit. If your group is picked to present in class this will be positively reflected in your paper grade and in your class participation grade.

Class Participation: Active participation is a key ingredient to learning in this class. Even if you do not typically speak in class, I urge you to use this class as a safe space to experiment with sharing your thoughts. We will be grading your class participation. We particularly encourage you to make comments that have one or more of the following attributes: (1) offer an original and relevant perspective on the issue, (2) move the analysis forward by building on previous contributions, (3) apply concepts to concrete situations. (Note: once you have spoken in a given class session please pause before raising your hand again so that other students have a chance to participate. If after your pause no new hands are raised, feel free to raise yours.)

Attendance: Students taking this course are expected to regularly attend every class, to arrive (and leave) on time, and to be well prepared for all simulations and in-class exercises. Your own learning and that of your classmates depends on your attendance and timely arrival. Because simulations partners are sometimes assigned in advance, absences can have a significant negative impact on your assigned negotiation partner. Likewise, since we often



conduct simulations at the beginning of class, a late arrival causes significant disruption to the class. Therefore, the attendance policy in 15.665 is strict: no absences are allowed. If you believe you have a *truly* exceptional circumstance that requires your absence, you must notify your TA *at least* 48 hours prior to class. If you have an exceptional circumstance and provide 48 hours advanced notice to your TA you will not be penalized for the first absence. However, any further absences, will have a negative impact on your participation and attendance grade, and such negative impact will be greater if you not provide 48 hours advance notification to your TA.

### **Optional Forms of Participation:**

Peer Presentations: Some of you have had substantial and interesting negotiations experiences prior to this class, and your classmates would benefit from hearing these. If you have had such an experience I would like to invite you to propose a 5 minute “mini” presentation describing your experience. These presentations will be made in the second half of the semester. If you would like propose a mini presentation please send me an email by **September 30<sup>th</sup>** with: 1) one paragraph description of the experience you want to share, and 2) whether you are in Section A or B, 3) whether there is any particular class session you **cannot** present in. Due to the number of students in the course I will likely only be able to accept a subset of the proposed presentations. In selecting presentations I will make an effort to maximize *variation* in the range of experiences presented.

Freebie Challenge: In the spirit of experimentation and fun, I challenge those of you who want to push your negotiation skills to try to negotiate free food, drinks or other “freebies” for the entire class. Approach restaurant owners or other vendors, and negotiate on behalf of the class. (In the past some students have convinced local restaurants to provide free food as a marketing strategy). Any food or other freebies will be shared in the last session. While this exercise is purely voluntary, booty that comes with a good negotiation story will enhance your class “participation” grade.

### List of Written Assignments and Due Dates:

- 1) 3 *simulation memos* due in class the week after the simulation
- 2) Paper team and topic: **October 13**
- 3) *Real life memo* due before class on **October 20**
- 4) *Group paper and presentation proposal* due before class on **November 17**
- 5) *Grand finale memo* due before class on **December 8**

### Grading Breakdown:

- |   |                    |
|---|--------------------|
| 1) 5 Reflective Memos (8% each)           | 40% of final grade |
| 2) Group paper and presentation proposal: | 30% of final grade |
| 3) Class attendance and Participation:    | 30% of final grade |

### CONFIDENTIALITY

**Privacy:** A sense of openness and trust among participants will increase our ability to share with and learn from one another. We want the class to be a safe place to try out new styles of negotiating and new ways of thinking. Therefore, we ask that you exercise higher than normal discretion in talking about the experiences, behavior, or comments of others. This is particularly important when you are speaking to those outside of our course. We will do the same.

**Integrity of the negotiation simulations:** In many of the exercises this semester, you will be given confidential instructions. Please do **not** share these instructions with participants who have different roles in the exercise. We will often provide opportunity after the completion of an exercise to share these instructions with those on the other side and to reflect on the experience together. Additionally, please refrain from talking about the details or structure of the negotiation exercises with people outside of the course. To invent and refine a case is a laborious task, sometimes taking several years. If either the structure of a case (i.e., its basic challenge) or the substantive facts of one or both sides become widely known, the case would be of little use to future participants.

The following message is from Sloan's administration:



### Classroom Values@MITSloan

#### The MIT Sloan Mission

<http://mitsloan.mit.edu/about/mission.php>

The mission of the MIT Sloan School of Management is to develop principled, innovative leaders who improve the world and to generate ideas that advance management practice.

#### Values@MIT Sloan

<https://sloanpoint.mit.edu/administration/values/Pages/default.aspx>

The MIT Sloan Mission statement (above) provides the context for core values that express who we are at our best. These core values include *integrity, respect, collaboration, innovation, and positive impact*. We invite all members of our community – students, staff, faculty, alumni – to practice these values in all the ways we work together, both inside and outside of the classroom.



### MIT Sloan Policy on Classroom Behavior

In order to create a productive learning environment and to ensure mutual respect it is essential that the norms and rules of classroom etiquette and behavior reflect the highest standards. It is also important that these norms be consistently enforced by the faculty across all classes. Although in the final analysis each faculty member is responsible for his or her own classroom, there are significant negative consequences for other faculty and for the School if rules are not consistent and are not enforced. Therefore it is the policy of the MIT Sloan School that

- Students are expected to arrive promptly on time and to stay for the entire class.
- Faculty are expected to begin and end class on time.
- Laptops and e-readers not be open in the classroom except with explicit permission of the faculty (e.g., when used to deliver an e-course pack or otherwise used as part of the instructional program or when required by students because of physical or other challenges)
- Cellphones and PDAs are not to be used or permitted to ring in the classroom.
- Students are expected to attend all classes.

It is expected that faculty will articulate how these rules apply in their class as well as how the rules will be enforced.

### MIT Sloan Career Development Office Recruiting Policy

Students are required to schedule campus interviews outside of scheduled class times and to make every attempt to schedule second round interviews and site visits outside of class times. Classes missed for such activities are *not* excused absences and may count against your participation grade.

### **ACADEMIC HONESTY – INTEGRITY IN PRACTICE**

As a member of the MIT Sloan academic community, you are expected to uphold the highest standards of academic integrity. Violations of academic integrity include, but are not limited to, cheating, plagiarism, unauthorized collaboration, and facilitating academic dishonesty. Please see the document Academic Integrity at the Massachusetts Institute of Technology: A Handbook for Students for further discussion of this topic. These standards are also discussed below, specifically regarding plagiarism, individual work, and team work.

***It is your responsibility to make yourself aware of MIT's rules of academic integrity and to adhere to them.*** When students are found to have violated academic standards, disciplinary action will result. Possible consequences include grade reduction, an F grade, a transcript notation, delay of graduation, or expulsion from MIT.

This discussion of academic integrity below is not exhaustive, and there may be areas that remain unclear to you. *If you are unsure whether some particular course of action is proper, it is your responsibility to consult with your professor and/or teaching assistant for clarification.*

### Plagiarism

Plagiarism occurs when you use another's intellectual property (words or ideas) and do not acknowledge that you have done so. Plagiarism is a very serious offense. If it is found that you have plagiarized -- deliberately or inadvertently -- you will face serious consequences, as indicated above.

The best way to avoid plagiarism is to cite your sources - both within the body of your assignment and in a bibliography of sources you used at the end of your document.

Materials gathered through research via the Internet must be cited in the same manner as more traditionally published material. Lack of such citation constitutes plagiarism.

To review rules of citation: <http://libguides.mit.edu/content.php?pid=80743&sid=598642>

### Individual Assignments

Many assignments in MIT Sloan courses are expected to be done individually. The information below outlines what is meant by "individual" work. These rules should be observed unless otherwise defined by the instructor.

When you are asked to do *individual* work, you are expected to adhere to the following standards:

- Do not copy all or part of another student's work (with or without "permission").
- Do not allow another student to copy your work.
- Do not ask another person to write all or part of an assignment for you.
- Do not work together with another student in order to answer a question, or solve a problem, or write a computer program jointly.
- Do not consult or submit work (in whole or in part) that has been completed by other students in this or previous years for the same or substantially the same assignment.
- Do not use print or internet materials directly related to a case/problem set unless explicitly authorized by the instructor.
- Do not use print or internet materials without explicit quotation and/or citation.
- Do not submit the same, or similar, piece of work for two or more subjects without the explicit approval of the two or more instructors involved.

Please note that many classes will require a combination of team work and individual work. *Be sure that you follow all the guidelines for individual work when a faculty member identifies an assignment as an individual one.*

### Team Assignments

When you are asked to *work in teams*, there is a broad spectrum of faculty expectations. Three general types of appropriate collaboration on team assignments are described below. The instructor will indicate in the syllabus what his/her expectations are. If there is any uncertainty, it is the student's responsibility to clarify with the professor or TA the type of team work that is expected.

Type 1 collaboration:



The professor states that collaboration is allowed, but the final product must be individual. An example of this might be a problem set.

- You are allowed to discuss the assignment with other team members and work through the problems together.
- What you turn in, however, must be your own product, written in your own handwriting, or in a computer file of which you are the sole author.
- Copying another's work or electronic file is not acceptable.

Type 2 collaboration:

The professor states that collaboration is encouraged but that each person's contribution to a given deliverable does not have to be substantial (allowing groups to take a "divide and conquer" approach). An example of this might be a brief progress report that is part of a more extensive collaboration (as a whole, the more extensive collaboration may be Type 3).

- Each team member is encouraged to contribute substantially to the team assignment, however, the team may choose to assign one or more team members to prepare and submit the deliverable on behalf of the team.
- Regardless of how work is shared or responsibilities are divided among individual team members, each member of the team will be held accountable for the academic integrity of the entire assignment. If, for example, one member of the team submits plagiarized work on behalf of the team, the entire team will be subject to sanctions as appropriate.
- The team may not collaborate with other students outside of the team unless the professor explicitly permits such collaboration.

Type 3 collaboration:

The professor states that collaboration is expected and that each team member must contribute substantially to the deliverable. An example of this might be the 15.311 OP project.

- Each team member must make a substantial contribution to the assignment. It is not, for example, acceptable to divide the assignments amongst the team members (e.g., part of the team completes the OP Project while the rest of the team prepares a team case for DMD), though the team may divide the work of any one assignment to complete it as they deem appropriate.
- The team may not collaborate with other students outside of the team unless the professor explicitly permits such collaboration.

***If you are unsure whether some particular form of interaction is proper in individual or team work, it is your responsibility to consult the instructor and/or teaching assistant for clarification and guidance.***



Offer Sharone

"fun"

- Throwing into new roles
- try something different

Be aware of what you bring to the table

Each person has a personal style

- does not always work
- be strategic
- do what's best for that situation

Looks at job searching

- social media

Take risks in this class

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Negotiations are everywhere

- Yes the formal sit down negotiation

(2)

- job offer
- but also if someone asks you to do some work  
'get this to me by Tue'
- Or what restaurant you want to go to

Negotiation more or less common  
more options more complex  
but also posted prices - buy online  
- trans. costs

Cultures vary, management styles  
↳ new issues arise  
People question/collaborate w/ boss

Increasing specialization  
↑ (mostly what I said)

Outcomes are not optimally resolved

Research

1. Simulation
2. ~~Ant~~ Watch Actual Negotiations

③

Lots of values on table

- settle too early
- initial offer immediately accepted
- walk away even if better than all

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2 parts

1. Basic framework

2. Overcoming obstacles  
emotions, biases, etc

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How

- Doing
- experimenting
- taking risks
- reflecting
- practice

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Not

- psychoanalytical
- game theory



④

What type of negotiator do I think I am

- careful ~~decision~~

- Conservative

- Persadable

- like option too easily, want to close ~~not~~ fast

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Good reflections combine w/ concepts

- Show personal growth

Come to class b/c have sim partners

Participate

- share your experiences

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Alba Batia Sim

- no communicating w/ other groups

- my strategy: keep price

(fun class - mostly socialized w/ other students  
- who are all diff statuses)

5) After

Moral of game: mutual gains best

- boring

- not every game has that structure

- (didn't learn much)

~~One group stayed low~~

Chance to build relationship

- poisoned

- tried to recover

We had best outcome

One team got more than full cooperation value

- screwed them on quadruple round

Worry about assuming last round

Pass clothing as collateral

Bring tickets + fill them out

Supposedly we were supposed to do a memo???

Or only some weeks?

Paper not till mid Oct

- group 3-5, ideal 4

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Today: distributive + integrative part negotiation

↑ how slice pie

↑ how to integrate diff needs +  
wants to something that creates value

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Sims

- can't change facts, but can extrapolate
  - take risks + experiment
  - instructions are private
- 

Ended no deal

\$18,000

or was it \$17,000

I offered \$13,000



②

Debreit

only 2 people sold

for \$16,000

- higher than buyer's \$!!

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Acynoms

RP = reservation pt

buyer won't go higher  
seller lower

walk away

Seller's RP \$15,500

Buyer \$15,800 ) no deal

ZOPA = Zone of potential agreement

The area b/w the RPs

If ⊕ deal is better than alternatives

⊖, walk away

③

Agreement bias - people will do agreement even if suboptimal

People often have hazy view over their RP  
- here spelled out clear

Or you get absorbed into game

BATNA - best alternative to negotiated agreement

~~Deal < BATNA~~ Deal < BATNA - Walk away

Deal > BATNA - Do deal

like RP - but to ~~current~~ current data

- be rational - not aspirations
- constantly changing
- act to improve
- beware of "love" - non economic factors
  - depends how much you value non economic factor
  - same w/ other options
  - it's just that you found what you like

9

How to think about alternative:

Can go to other costs

Or offer reduced service at that price

Competitor will try to reduce your BATNA

Convert BATNA to RP

1. quantify subjective elements

2. Assess probabilities

Given all attributes of my BATNA what outcome  
and in this negotiation would be better than  
my BATNA.

Having clear RP

- so you don't accept deal worse than BATNA

- do your hw

- don't think about sunk costs



⑤

Whole set of studies happiness vs rationality

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Sim 2 Seller

Sold \$1,000

Pretty easy

It must have been worth far more

My RP was \$350

Buyers' RP \$2,500

So in middle of multiples

Very different ZOPA

Opening Offer High

3,000 - seller (claims made mistake)

\$9,000 - seller

5,500 - ~~seller~~ buyer

6

Opening	Offer	Low
400	<del>Buyer</del> Seller	
400	Seller	

So when deal in ZOPA ~~but~~<sup>deal</sup> for ~~either~~<sup>both</sup> parties  
- but still want largest ~~sell~~ slice of pie

Max amt is other side's RP

Should you ever reveal your BATNA?

No - but perhaps right before walkout  
esp if  $\ominus$  ZOPA

Or if you want to split ZOPA evenly

Or if you have great BATNA but would  
prefer this deal if BATNA could be matched or  
exceeded

Or <sup>-but</sup> need to be sure (do hw) - ~~be sure~~  
mutual gain - b/c you won't get more

⑦

How to show your BATNA is negotiable?

- Show letters
- tie hands
- Repubs signalled they were not going to raise taxes

~~Risks of bluffing~~

Hint at BATNA

like at start flash competitor slide deck

- Opps wrong deck

Bluffing

Is it effective?

- Oldest trick in book
- it want to do repeat biz
- both parties are doing it
- worked for 1 guy
- if you don't do it, reveal too much



8 Is it different just naming a low #?

or exaggerating "I'm old + poor"

- unclear how much \$ you have

Bluffing ~~will~~ can cause you to lose a deal you would have otherwise bought

(so fake -up + down playing quality)

Or make up a urgent need for \$

Esp problem if have to deal w/ them in the future

What if other side is bluffing?

- ignore it

- don't force them to defend it

Lots of ways to get of bluff:

- break

- bring a friend in w/ fake value

- new info

⑨

Pretend to be in love w/ your boat - perfect condition

## AP Aspiration Point

- shoot for price
- ambitious yet realistic
- don't assume ya know market conditions
  - know what is worth
- other side BATNA
- ~~Under~~ under aspiring - winners curse - can't go back up
- over aspiring - Chilling Effect - you seem unrealistic, don't seem reasonable
- Grass is Greener - want what they don't want to give  
devalue what they give
- what they are holding out on - 'is it valuable?'
  - but it really matters if it is valuable to you?
  - it might be really easy for them to give you

⑩

- People who underaspire tend to feel happy
- since they got what they want
- But aim high are more effective
- but less satisfied
  - be happy with how you did! 😊
- 

## First offers

Depends on other party

But generally your Max supportable price

~~Other~~

Who? Other person

- in Car 2 generally opener lost

Other hand can anchor around a price

---

Depends on your knowledge of ZOPA

- if you know, go 1st
- don't don't go
  - big risks
- don't assume - do HW



⑪

(That way of thinking about it actually pretty good)

## Anchoring Effect

- initial offer more powerful than justifiable by facts
- even to knowledgeable real estate ~~rate~~ agent
- are pulled by seller's anchor
- So come w/ 1st offer
- if other side rebates you - re-anchor
- do not force them to justify offer

Don't be anchored by your BATNA

Teddy's Bill Moose picture

BATNA \$3 mill loss

But asked how much would you pay for your photo to be printed?

(12)

## How Tom Rose: Great Deal on a Car

- buys cars for family
- not having info is bad
- buying car's strongest negotiating position ever
  - new - buying commodity
  - last day of qtr/month
  - see prices online
  - you know their BATNA = their price + dol fee - incentives
  - CR Wholesale price
- don't waste their time
- don't lie
  - don't get emotional
- go over the phone

say

- paying cash
- what options you want
- ~~ask~~ sev other dealers to call
- let them know ~~you~~ the wholesale price
  - read it at
- call me back w/ best price "out the door"
- don't inc tax, title, tags - I do my own

(3)

BATNA : Other offers you get

So get lots of offers

Do phone / email

Read them other's dealers offer minus some \$  
if they offer more

Always talk their res price

Do in 24 hrs

Seller BATNA is wholesale price

Usually ~ 200 - 300 within BATNA



15.665

9/22

## Magic Cell Phone

- How much to charge
- ~~Do~~ Do you want to work for me?
- You pay me
- All I fear of unknown value
  - don't know price
  - So don't start
- try to probe ~~what~~ how much they value
- think about your RP
- seller's RP
  - how do their concessions change
  - large + small
  - but no basis for it
- cognitive bias
- can signal it w/ strategy
- bluff w/o bluffing

②

Do not make >1 concession at a time

- pause
- silence is ok

- I ~~just~~ made a concession. How about you

Norm of reciprocity

Label what you do as concession

- tough
- trying to meet

Or ask - I will do X if you do Y

- in general not right approach
- some times ok
- but undermines trust / report.

Can exaggerate value of concession

---

Sometimes best to cooperate

Other person may be nervous

- high stakes
- go into unconscious script

③

Weaker party may not prevail

But smaller party can slow you down

Need to signal going cooperatively

Stronger party easier time to signal by pulling their hand down

For weaker party harder - they might think they have way

---

Prunes

Pits + Meat Split

Different people want different parts

---

Avoid Fixed Pie Bias

- Not a 0 sum game

Are integrative solutions better?

Compatible interests

Want a relationship



④

But people have differences

- valuations

- diff expectations

Can trade off issues.

Give each the other what they want

Ask why

Differences b/w 'interest + position

↑ what you say you want

what you actually want

why you want the position

Sequence of how you deal w/ this is important

- going concession, counterconcession means can't talk about interests

- so talk about interests 1st

---

Other side might not be interested in why

But you want as much detail as possible

⑤

In purely distributive you don't want to share info  
- so they can't guess your RP

But you need to expose the right amount of info  
And it gets other party to listen better

---

Make it easy to understand your interests

- vivid & specific details

- don't hide emotions: they can speak for you

---

Think creatively

Slow down! Efficiency  $\neq$  Speed

What solutions can expand the pie? Brainstorm together!  
(should be this w/ job offer)

---

Do memos

---

Soprano

There must be other thing she wants over \$

My case is about money

Have her propose a price

- but I know how much should be paid

(6)

Ask her for other things

- billing?
- video sales / cd sales split
- rev share / profit sharing
- dressing room
- free tx for family
- would show still viable in her career
- offering another contract in lesser role
- despite to ~~contact~~ perform
- still want spotlight
- producer / mentor

BATNA 28,000

RP 45,000

Start 23-2400

---

For VW one could be scheming + bid \$2 mill + \$1

- assuming no repeat
- and could screw it

(people thinking how to screw)



⑦

big bio in program

tribute to her ~~picture~~ bio/ life in magazine

make up fake award

low salary + ~~percent~~ bonus when attendance  $> 85$

- or whole season

what are we interested

- recession

- lost big donors

- becoming riskier



## Negotiation

- big comeback
    - still in game
  - no role in 2 years
  - performance
    - must be ok
    - want at least 80-85%
  - 85% - each performance ke possible  
\$1,000
  - \$25,000 base
  - N performance  
\$1,250
- 

## Post-Settlement

- participants let guard down
- new BATNA is existing deals

9

## Lobby Display

~~\$4,2~~

\$25,000      \$1,000 per  
85%+  
~~\$1,248~~

- TV  
- lobby  
- radio

~~\$24,000      \$1,000~~

After 1/3 class did better than post

Lyric

Sally's interests

Career regimide

prove that can redg

max attendance

Sally is despite for anything

Wants TV show any price

lead role (I gave it away)

Sally on Lyric Interest

- need someone, rumor mill  
> 85%



(10)

RP

Lyric on Sally

\$20,000

or 0 - has no other role

Actual: willing to do it for free

? Lyric may not be willing to let her do it for free

Adgent might have diff interests

Adgent is also trying to get into Opera  
- did not know that

Sally on Lyric

he thought I was \$30,000 :-

20PA \$0 - \$45,000

Some risk on opening moves

Thinking more creatively

- contingency - we did
- multi Opera deals

⑪

Reception for her - win-win

Agree on \$30,000 #

↳ Sally would only keep \$10,000

Rest would go towards ad

Stake in president

---

Post-Settlement

Marder when revealed RP

↳ Common outcome

Think about revising

esp if other party was up tight

2 weeks later I was very happy w/ our deal  
but lets talk about shared ads

---

At start resist jumping into distribution

Power of prep: thinking about it good

~ has shown to be valuable

(18)

I did well

kept price down - he thought <sup>my</sup> RP was \$30,000

Incentivized her to perform

- but not ~~to~~ as low as others

Came up w/ ~~brilliant~~ new ideas

Not well no takeoff for half of fare

Counterparty did well

Had new to offer

- but then no innovative sol

kept price up - no clue of \$

Fought well on price at end

---

His Thoughts of Me

First price - very low, but very credible

knew facts of industry

Creative ideas



⑬ Me do better  
I could played despite better  
No takeoff for HOF  
Gra Rin # on my offer

Him better

∴ be more open<sup>to</sup> exploration  
- like non financial things

Him to me

Ask more about his interests

Him on him

More exploration  
more creative - other contracts

understand better

Michael Plasmeier

## Sally Soprano Memo

I enjoyed the Sally Soprano case we did in class on 9/22. To me it felt like our first "real" negotiation. I say that because it was the first one which felt like it had many dimensions that we could negotiate. Previous scenarios were either very restrictive (Oil Pricing, Used Car) or had a simple solution (split the <sup>Pakistan</sup> Afghan prunes). With the Sally Soprano case, we had a wide open area of interests to negotiate over. For example, my instructions as Lyric were all about money. However, the agent's instructions were, from what I could gather, more about the passion for Sally to sing again. In addition, the possible outcomes were not pre-specified, so we could be very creative in what we could offer.

I think coming up with unique solutions is one of my strengths. Unique solutions throw each party off of their prescribed positions, allowing them to rethink what their goals are. However, in this negotiation I think we descended into arguing over money (distributive) too fast. In addition, I was unable to break out of it. For example, when I offered the tribute to Sally in the lobby, I was unable to get a concession in response for it. Prof. Sharone did say that we should not explicitly trade concessions because it seems like it undermines trust. Upon reviewing my notes, I did realize that he said that labeling what we gave up as a concession is a good strategy. I think I should try that next time. I could have said "this tribute will cost us \$2,000 to put together." On the other hand, I don't think that is the right thing to ask for, because Sally does not care about money. However, the agent I was with spent a lot of time haggling over the amount of the money, so it could have been a good strategy for this agent.

So I will conclude with a reminder to stay aware of the agent problem. Prof. Sharone used the real estate example in class, which was also in the Freaknomics movie.<sup>1</sup> I remember reading that it is often best to deal with the principal directly. Often if negotiations are not going well, get rid of the

Check

<sup>1</sup> [http://www.youtube.com/watch?v=17jO\\_w6f8Ck](http://www.youtube.com/watch?v=17jO_w6f8Ck)

I really liked it, but it needed a little more on what you did not do well & what to improve next time.

intermediaries and start the negotiations again directly with your principal. Only the principal knows what all of interests are. An agent is likely only getting paid on some of those interests (money) or is trying to close the deal quickly because he or she makes money in volume.

Check

I really liked it, but it needed a little more or what you said to improve it. I liked it well.



15.665

9/28

Ashley Evan

- has to check w/ people in his program

~~Hear from other group members about their negotiations~~

Guest Speaker: Zahir Ladhani

Kenexa Compensation, President

Salary.com

- helps people + orgs
- info asymmetry has been reduced
- people care about salary
- your incrementals start on your peg
- reflection of value to places in you
- <sup>large</sup> Companies don't want to 'jip'
  - set what percentile they pay at  
50th, 75th quartile
- small cos may try to 'jip'
- need to get to higher end of range
- Or get to next point up

②

"Salary gives dignity"

- feel differently based on how much we make

If feel underpaid downward spiral

Salary makes a big different to how you feel ~~working~~ walking in

38% people negotiate

48% Apprehensive

32% fear losing offer

22% not skilled

76% regret it

---

#1 rule ~~don't~~ talk about salary till they make you an offer

~~then~~ you want them to fall in love with you

~~- and then they can't a~~

- but something they can't afford

Try to deflect question

3

Recruiter it depends on your position

- talk about what position you want - & not important

Before salary negotiation → need range in head

↓  
↑ walk  
away

↓  
↑ Dream

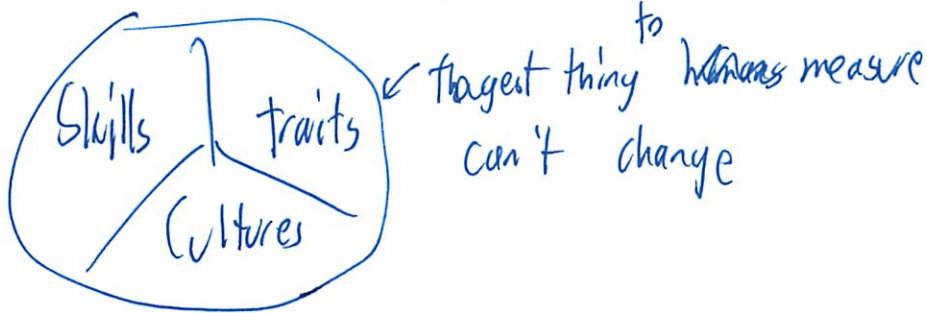
First want to see 'is this where I want to work

"Let's hold off until see if right pos for me"

"how I can help you"

"making them win"

Want them to want you



"I'm sure you pay a fair rate"

~~the look~~ Manager looks bad if people turn down offer



④

When offer comes they want you  
- they are on the line too

Get them off budget

How you will help them make \$

(Add in bonuses or targets - for Google)

Always drag slowly thinking about \$  
- makes it seem low

Can you jot it down for me  
- signal you like job

Have a relationship to build?

When can you let me know?

~~Don't~~ — ~~When they call w/ offer~~  
When can I come and see you?

Or ~~can't~~ make appointment

Then go through it - I want to talk this over

"Pretend to think it through"

⑤ If told you not negotiable

1st answer 'is we don't negotiate

Then think it through

Or show data

Ask How do you determine ~~start~~ salary?

---

Don't want to talk about other cos

- They get defensive
- Are trying to play them

- If do I really like this co,  
but not

---

Not worth doing a job you are not good at  
or will not enjoy

- more important than short term \$
- 

Get in discussion before get letter  
- after they call

---

Don't negotiate if won't do job

---

Salary.com gets HR departments

- ⑥ HR depts have strategy issue  
- buy data to see relative to medians  
And internal fairness issues
- 

### Employer

Screen them out

Judge if will pay more or past

---

### Promotions

Your managers manager sees you 3-4 a year  
Based on your interactions

Intelligent comments at meeting

Contributing everywhere

Say at performance review

Will you agree

~~Don't~~ They don't give same amt to everyone

---

Depends on industry if limited

- need to at least test it

---

offer

## ⑦ Scenario: New Recruit

8 issues

(I'm realizing where class has helped me)

### Debate

Distributive - zero sum

Integrative - expand pie

Compatible - same interests

Salary + Start date distributive

- points are symmetrical

Integrative - can make larger pie

- gain for 1 party is loss for other

- since by different proportions

- is maybe 95% of things

Different people value different things

- matter different amts to diff parties

So swap, trade



⑧

Swapping bonus for salary - not a good swap

- common pairing

- <sup>people</sup> group issues into themes

- but <sup>may</sup> not be right issue to trade

Create mental buckets issues they don't seem to  
(are about but are not important to me

- not there

~~All~~ Stubbornness hurts

- missed on mutual gain

Don't formally lock down

- Can do tentative agreement

\* Laid out top 3-4 issues for each side

- may be risky

- comes out in dialog

Pressure on what already talked about

- Miss out to make trades

A + B difference was BATNA

- can anchor expectations for low

9

Keep in mind - building relationship  
- not used car

If very high  
- miss out on trade

Use making seem important to lever that big concession

Don't do it unilaterally

Lowballing a candidate:

- disgruntled + leave

- or won't call you back

Reaching optimal trades

1) Expand # of issues

2) Prioritize issues - prep - in life no score sheet

3) Understand each other's priorities

4) Trade

Usually negotiations don't start w/ long list

In interest to create longer list

Don't be biased by how much other side values things  
It's how much you value things.

(10)

Real life: so much back & forth is rude

~~Not~~ Quality Acceptance "It seems \$84 is  
best you can do now and I really love  
to work for you, so I'll do it"

Ways you can ask about things

-overly focused on money

(I started less in on \$ - but ended on money)

For negotiation jobs - if you don't do it people  
look down on you

Money biased - overly focused on \$ amt

-ask people a few years into job

---

Be careful about what info to share

RP - No with 1 or 2 exceptions

Showing relative priorities less risk than preferred  
position in specific alternatives

Say all issues important

- but some are less

-even though not so



11

## Compatible Issues

- Job Assignment + Location

- Or people use San Fran as card

- maybe we can do it take less vacation days

- but then if say no, lose face

- or lose - lose

- think of risks

Like here are risks: we can do SF if do less vacation

people don't think about risks

But relationship matters

Even if small risk might be huge damage

Bob did well in not saying anything when she said ST

Then later: we'll do SF if ---

less likely to get exposed

- so seems like solution

Integrative Sol	6600	6600	- Pareto Optimal
Split	3200	3200	

BA



(12)  
BATNA Recruiter  
A 4500  
B 2200

Candidates  
2200  
4500

So avg scores

5613

5188

5354

6188

Strong BATNA more diff for recruiter in this case

Why?

- psychology
- higher anchor
- stronger bargaining

Remember target should not be related to BATNA

- high BATNA lower risk

- confidence

- how negotiate

13

## Negotiator's Dilemma

Competitive strategies may undermine 'integrative win-win

W Apple + 10 Oranges

- Oranges make me sick

- Can say let's trade

- but counter party can say ok 1 apple for 10 oranges

- kinda like oil pricing

- if we both cooperate incentive to cooperate

- but if you screw me, I get really screwed

- Or screw each other

- Golden Balls video

- often multiple rounds

2 poor approaches

1) Assume all issues are win-lose  
- ignore potential mutual gains

2.) Assume all issues are win-win  
- other parties may exploit

(16)

Could use Tit-for-Tat to get best Prisoner Dilemma Score

- Conditionally cooperative
- Opening move: cooperate
- Next do what counter party did last
  - provokable - you will retaliate
  - forgiving - will reciprocate

Weser won single match (at best tie)  
but won more points overall in long run

Train the other party

- try to elicit other party

Try to build relationships + trust

- you can coordinate
- signal interested in cooperating
- other party may not believe

---

Start w/ interests not positions

If other side does not want to negotiate

- lay out 2-3 simultaneous packages
- tell which one you like

(15)

"Well they all look bad<sup>th</sup> but A is best

- can anchor high
- and know their relative prefs
- and what they want to change about it



15.665

10/6

Team + Topics due Oct 13

Real life negotiation

Something interesting

Analyze what happened

- Parties could have done differently

- Things we can learn from

On Google Doc

Similar to memos we wrote already

- but outside co

---

So far in class learned basics

~~Today~~ Rest of semester  
complexities

- memo

Job negotiations success

44% Signing bonus

33% Salary

21% Relocation

13% Start date

②

10% Performance bonus

8% stock options

8% vacation time

5% benefits

If you negotiated ~~an offer~~ job offer, where did you get concessions?

- Summer internship

- negotiate salary expenses

No negotiations on salary at Sloan

- But on other things it can make a case

Consulting firms fixed salary

- wiggle room on other stuff

- like bonus

Speak slowly and wait

- repeat what they gave

Issue of relationship

- they understand that's part of the deal

③

They need to be predisposed to it

Don't negotiate if not taking pos

- talk about your skills

- want fair

May not agree - but ~~will~~ unlikely to dislike you

Oreo effect 1. Say something nice

2. Ask

3. Say something nice

Saying have debt - may not per persuasive  
personal relationship reasons

↳ good reason to turn down job

Will want some external market, based

Sometimes showing into good  
- match old salary

or

Say this is what I am deciding between

1. would rather work for you

But. 2. Need to think about my debt

9

Hiring

- depends how badly you want person
  - and your alternatives
- 

Myti-Pot vs Ren mat

(I think a big thing here + personally w/ job search is to remember all these things)

This case more challenging since deception

How to be angry?

Demand more?

How to say I will do better?

If sign up for order will open new plant where we will sort out

Do penalties



⑤

## Negotiations

Water content 10%

- close

Fat - within band  $\pm 2\%$

Want to do more biz

W  
ASAP

10,000 add meat

80,000 add wheat

this  
ASAP

2,000

16,000

year after

after

4,000

32,000

1 more

2 deliveries

Give all biz

Standard

6

2 days \$200,000

Weekly avg 8 → ~~12~~ 12%

- Cost a lot of \$

\$357

\$135

---

Post

Re People are too nice now

Real world people not like that

Need to get people into good spirit

Q Is it a good idea to be angry

If a customer

It can be good for immediate concessions

Lots of risks

- Other party escalates

$\frac{2}{3}$  reached a deal

⑦

Deal was actually pretty close  
- except for anger

Tactical angry vs actual angry?

Have to deescalate for a deal

- switch to opportunities in future
- focus on data
- narrow your band

---

How to respond to anger?

Bad

- reciprocating
- making concessions
- lower your asking price
- abandon integrative strategy

If mutual gains possible → don't be reactive

Proactively shift tone to cooperation

(8)

There a bit on who is in the right under the contract

Most times here both parties are both right + wrong.

Tactical vs Real ~~Anger~~ Anger?

- Your assessment of them

Short tempered or anger

the If actually angry - want to diffuse  
" tactically " will look like weakness

Tactical angry

trying to get concessions

~~indicate~~ ~~you~~

don't want to escalate or cave

respond by matching power - capacity to be ~~by~~ <sup>even</sup> ~~than~~ angry

but I'm not going to. Where will that lead us?

lets try something else

\*Must try to diagnose their angry

- bad if wrong - mutually exclusive



④

Anger tactical at start

- real anger builds up

Try a bit of empathy

if real should ↓

Real anger ↑ w/ power matching

Research counterparty's reputation

Are they a lawyer?

Do they negotiate these deals frequently?

Lawyers try to impress clients - when client there

- even if might not be in clients' interest

More difficult

- intimidation / anger

- extreme opening pos

- take it or leave it

- goal / ~~bad~~ bad cop

- nibble - contract almost done - 1 more small thing

- chicken

Not good strategies - risky

⑩

How do we respond? (in order)

1. Reframe by focusing on

- interests - ask q about their interests

- options - one of many

- standards - ask if their position ~~seem~~ is legitimate

Be assertive for cooperation

If they say "take it or leave it" ignore that part

2. Call their game. I can also give ya a "take it or leave it" and then we'll fight about it for a month.

"Ah good cop/bad cop. I saw this in a movie once

3. Change structure

- who is at the table - get a mediator

- mediator - move to face by face

4. Play their game, but as deliberate choice

5. Walk away

① (Nodding off - did bad in mini scenario)

---

## Real emotions

- hard
- can you or other party can get derailed by emotions
- don't say "lets not get emotional"
- ~~but we~~
- can't avoid feelings
  - try to ignore
- but it comes out anyway
- very hard to express

## Shapiro framework

- too complex to deal w/ directly
- focus on core concerns
- relate to how see self in relation
- core concerns are most common triggers
  - 4 basic triggers

(2)

- appreciation
- autonomy
- status
- affiliation

## Appreciation

- understand other's concerns and where they are coming from

- hard to listen

- want to understand their interests

- then hard to see merit in their reasoning

- can't relate to it

- ~~want~~ want to avoid acknowledging other side

- seems like concession

- "I understand where you are coming from"

- agree on goals, but differ on strategy

- "how can we help you"

- hard to communicate appreciation

- build up sense that you are listening



Sample

### Simulation Memo #1: Used Car Negotiation

The Used Car Simulation was an effective way to demonstrate how certain strategies work under different scenarios. We were able to explore three key concepts of negotiation: (i) *Reservation Price* (RP), (ii) *Zone of Potential Agreement* (ZOPA), and (iii) the *Best Alternative to a Negotiated Agreement* (BATNA). We also learned how certain biases, such as *Anchoring*, can impact our ability to negotiate. What I would like to focus within this memo is how the ZOPA impacts negotiations. I found it interesting that the outcomes of Car Scenario #1 and Car Scenario #2 were so different due to the differences in ZOPA, specifically, the range between each party's RP.

In Scenario #1 (small ZOPA) I was the buyer and I was stubborn, as usual, sticking to the range of \$13k-\$15k. Unfortunately the seller would not go below his Reservation Price of 15.5k. My initial approach was to explain my cash-strapped situation in endeavor to establish a friendly rapport before we discussed price. I then suggested that I would be willing to pay \$13k, which represented the low end of my range. I tried to have the seller sympathize with me, mentioning that I would need to install a new stereo system and that I was strapped with bills, student debt, etc. However, he was equally stubborn in terms of not violating his RP and said that the best he could do for me was \$15.5k. My final offer was 15k, which he did not accept and so we could not make a deal. Reflecting on the exercise, it may have been wise for me to find the seller's RP and then offer prices accordingly. As we learned in class, it is imperative to obtain as much information about the other party in order to reach a negotiation that you are pleased with. If I knew his RP, I would have been able to gauge the ZOPA – "*In this area the actual bargaining takes place, for anything outside these points will summarily be rejected by one of the two negotiators*<sup>1</sup>." I also figured out that it can be greatly beneficial to let the other party offer a price first, so you can determine their range.

In Scenario #2 (Large ZOPA), I was the buyer again, yet this time I employed a different strategy. I started the conversation by telling the seller, a little bit about myself and asked her questions about why she was selling the car. Once she mentioned that her teenage daughter drove the car – I used this as leverage, stating that she probably drove recklessly, like most teenagers do. I waited for her to quote a price and once she mentioned \$450 I was surprised, but did my best not to show it. I offered \$350, which was well below my RP of \$2,500. Ultimately, we agreed upon \$375 and that she would repair the steering wheel. In this exercise the ZOPA was \$2,150 compared to \$500 in Scenario #1, therefore it made the negotiation far easier. I also believe that I was able to get a great deal (the lowest price in the class) because I waited for her to quote a price and obtained as much information as I could. Further, I utilized one of the five major sources of power – informational power – as defined in the Lewicki reading<sup>2</sup>. I emphasized that I was a car collector with years of experience restoring different kinds of classic cars. As Lewicki mentions, "the accumulation and presentation of data can change the other person's point of view or position on an issue. I would be interested in asking the seller if this power tactic had any influence on her offering to accept the lower end of her range.

Relating the simulation to my personal life there are few links that I was able to draw. I was reminded of a few weeks ago when I sold a text book to a first year. I used Amazon.com to see what the going rate was for a used econ book (informational power), which helped me establish my range. However, I made the same mistake from Scenario #1 - quoting the price first. I sold the book for \$40 which was the low end of my range; in retrospect I probably could have sold it for more if I had known more about the buyers RP!

1. Lewicki, Saunders, Barry, Minton. *Essentials of Negotiation*, 3<sup>rd</sup> edition.

2. Lewicki. *Finding and Using Negotiation Power*.

15.665

## Group Project

10/11

- Real Life negotiation
- 7-10 pgs describing
  - 3000 word
- concepts
- PPT - find at time/ # slides
- simulation
  - few pgs

## Negotiations

Client change

- Copenhagen

- pick one aspect

Genetically modified food

- negotiation in Congress

- US

Debt ceiling negotiation

Occupy Wall St

- residential - no drums post 10 PM

②

Public or we can talk to

NFL shutdown

Court case

- settle incentives

- in general

- cases from biz law classes

~~negotiated~~ Negotiated something from personal life

- Or make something up that is funny

Yahoo w/ Microsoft

Porsche + Volkswagen

Environmental

✓ Wind Turbans off Cape Cod

Gov loan to Solar co

Purchase a car

Negotiate Salary

North + South Korea Peace talk



(3)

Free trade

✓ Treaty

- ACTA copyright

Nuclear disarmament

- Iran

Palestine trying to get into UN

¶ Unions

- Spirit ~~and~~ union

- WI unions

can Pan Am failure + break up

- can do a failure book on it 90s

New Health Reform

- talk to gruber

✓ Linewire

- his brother

- tried to negotiate

GM unions

- lots of data

Writes Guide Strike



④ Pack 1

Linewire

NFL - not info

Pan-Am breakup

✓✓ GM 2008 or 2009

[ Hostage negotiations?

So Linewire 1st

2nd GM or Pan-Am Breakup  
→ 2008  
3rd

---

Get done early

One person does 1 side - one person does other side

Paper 1st - all work then finish

1. Pan Am

2. Labor

3. ~~What~~ what happened / what left on table

5

Find what we have so far

- post to google doc

Don't know what to research

~~Skype~~ meeting

- Friday.

- 4PM - 5PM

HW 1 hr prelim topic

- Stata Catteria

- Meeting goal: bill schedule

---

Linewire

- willing to do into  
give

- send 2 contacts w/ journalists w/ connections  
to record cos

- deal for \$150 mill cash payment + go legal

- Universal pulled out last min

- settled for \$100 mill

⑥ Aspects of competition internally on record co  
set up telco

---

positions - record companies  
what happened afterwards  
apple positions

15.6.65

10/13

Team proposals due

---

Each of us has a default style

What is it?

Self evaluation

---

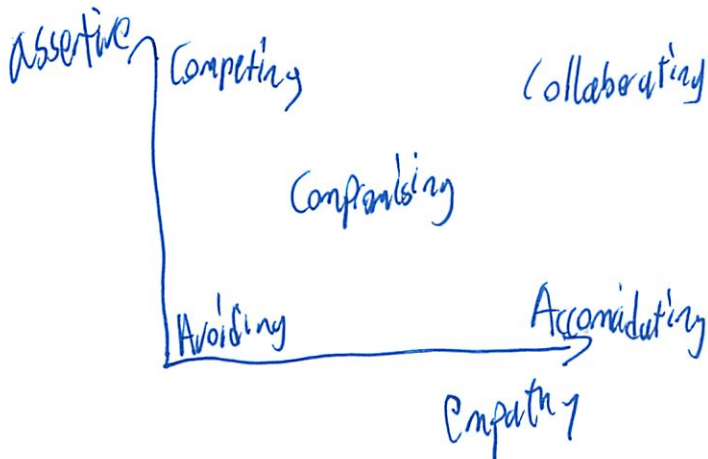
Self eval

3, 4, 5 are sub optimal

Winning is highest of 3 for me

Most people said 3 and 4

5 conflict handling modes





2

## Avoiding

gives you time  
used strategically  
don't want to see  
accommodating signal  
low stress  
better for relationship  
Some issues go away

Some issues get worse  
party ignores you  
or does not take you seriously

Useful when

- issue trivial
- Conflict resolves self
- no chance to satisfy other person
- damage from conflict

if low

do you get too hostile

Can't prioritize

### ③ Accommodating

good if married  
all relationships suboptimal  
relationship w/ self

get stepped on / steam rolled

trouble building goodwill

regard others unreasonable

admitting when wrong

Useful when

- issue is important to other
- build social credit for later
- harmony + trust

trouble

if low

(4)

Winning

Strong reputation

Know what you want

Easier to come down

I get good deal

could big p/c

Don't cooperate

not building relationship

might not get a deal

- even if @ ZOPA

fine line assertive + aggressive

Start of negotiations very important

- Set the frame

- start w/ compete brings compete back

Have view "this is how game is played"

Does not know what other side thinks about them,

Useful

protection from exploitation

when quick decisive action is vital

Unpopular choices like cost cutting

5

If high

- are you listening?
- expanding the pie?
- focus on beating instead of best for you?

If low

- can't be assertive

Typical

C vs C - no listening

C vs A - A withdraws

C vs A: exploitation

A vs A mis mutual gains lose-lose

A vs A risk of both avoiding

A vs A lets avoid this one!

Collab

- if can get other party to do - usually best
- but not good on every negotiation

Compromising

if time short

or = power and mutually exclusive wants



⑥

There is no 1 right approach

We use all of these at 1 point or other

So let situation determine your strategy

- not your habits

- practice the others

---

Break

---

Aerospace Investment

40 min

Strategy : stakes important  
relationship is important

Strategy look for mutual gains - are there any?  
do investment 1st  
then watch points  
go for highest pt stuff  
combine stuff

## ⑦ Negotiating

at least 5 years

strategy + networking

exit strategy

- would not say

- equity %

- leadership

- vesting

- 5 years

- - want first

~~the~~ want 7 years

- 150 mill

---

## Post

Double teamed!

Stem but fair

Just eaked at a bargain

Gave up too much at end again!

- but over BATNA

②

They thought I was way ahead on BATNA  
would eval differently

So surprised I misled on first refusal

Looked at incremental differentiation

I traded off a lot

Was trustworthy

- but bargaining had 0 not 1-2%

She was trying to be less competitive - based on today  
wanted relationship

She thought competitiveness might hamper

I really thought competitive in negotiation is not otherwise  
Would have built trust

Don't be fooled here

~~xx~~ I think I did wrong low substantive + process pts

~~xx~~ - Emphasized <sup>on</sup> wrong ~~on~~ ~~the~~ stuff  
- Done more <sup>on</sup> %

They also spent a long time arguing over 2 pts

⑨ was not very trading = ly  
Group Report - did not communicate relative value  
- left \$ on table

Substantive high - did very strong start

Other needed to compete

Ask for concessions

|| (Time goes fast in this class during sims)

Substantive low - traded a lot  
exchange into on issues

this is important for me  
↳ relative valuation

High both - collab

how important are relative issues

QVC substantive high - worked in aerospace

learn founder's backstory

gained trust + info

did substantive lot

ask to rank on priority

↑ interesting - should try on job as



## ⑩ People's strategy

reputation matters long term

- not short term

- can patch things up

Other disagrees; should get good personal relationship

Use a proxy

- what would be good to your partners

term sheet is not a deal

- can still be broken

Some VCs might want to see passion

---

Oh point changes actually different

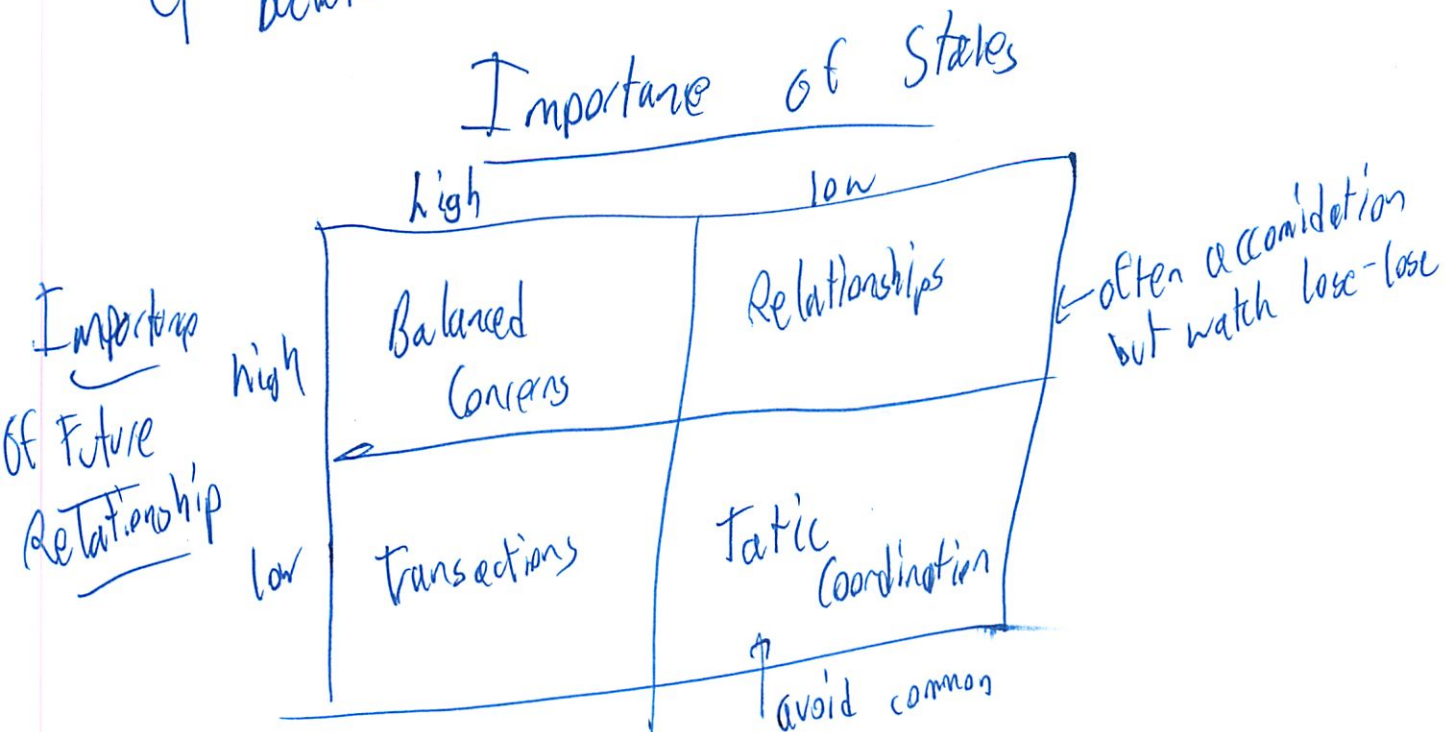
- did not realize

- but kinda did w/ the ~~year~~ dividend

(They negotiated too hard - reflecting my competitiveness)

11

4 buckets



Anyone surprised?

Compete strategy - think every one wants to play game  
Other party does ~~not~~ want to play game

Is negotiation a separate realm?

Culture next week

### Standards of Legitimacy

- preserve relationship AND get most
- objective
  - does not come from you

(2)

- Market value
- Ask how did you come up w/ market value?
- People will counter by saying standard is not valid
- present other one
- Then battle over what standard applies
  - is actually more collaborative

Why use them?

- persuasive
- fair while not yielding
- preserving relationship
  - preserves reputation
  - saves time

(I should use it more)

Should you not use them?

If you have more power?

13

Think about what is  $\Delta$  b/w legitimate standard and asking price

is  $\Delta$  worth

1. relationship
2. reputation
3. conscience

---

## Affiliation

people don't want to feel excluded

create positive emotional dynamics

when people trust + feel insured

people honor agreements, etc

key: homophily we like people who are like us

there are 1,000,000 diff ways

Create connections schmooze

- start w/ safe topics (weather)

- move to affiliation - building topic

- then make yourself a bit vulnerable

- ~~more~~ - builds trust

importance of chemistry

- liking



## Negotiations Team MTG

10/14/19

So negotiations after injunction → 6 weeks

\$20 mill per revenue

& these paid users could be converted to legal

Most users could not

missing Linewire's argument

- we do have it written above

Copyright filter

- default was off

RIAA ; Groksters

2006 Anti Trust ~~Commit~~ Litigation

He offered \$100 mill + legit

Settled \$105 ~~or~~ and no legal

Case angry

- Moe like a don't f w/ us  
bit torrent + naper have legal deal  
- were able same

②

~~BitTorrent~~ paid

Torrent spy paid \$110 mill

BitTorrent walked out on own

Torrent Fresh

---

Paper or Sequential?

Cassandra - Paper

Brian - Presentation

Platz - Sim

---

i Group RIAA - 4 cos

12 ~~and~~ trade groups in addition?

RIAA lower crash del

---

1st draft Friday

Meeting 2nd next Fri

Weekend of 30th

15.665

10/20

## Real Life

Got ~~MIT~~ cent reduction and new appliance

- asked for  $\uparrow$

- and said fixes I made myself to common area

Got MIT 10% discount in exchange for ads

---

## Relationships + Negotiators' Dilemma

- want to get win-win
- but both must be willing to play
- try to get other party to value relationship with you
- if dealing w/ new party
  - get some other pre-negotiation getting to know you
  - find commonalities
  - build rapport
  - raise potential for repeat biz
  - i shared people i find w/ Linked In
    - people in common
    - just like job search
    - birds of a feather flock together
    - ~~rep~~ referral / reputational effects - possibility of



②

- just gets you an initial collaborative tone

---

## Lambert / AAA hotel

First team negotiation

### Strategy

asking for us to lead w/ aggressive offer  
avoid 1st offer

Should lead w/ finding info?

Reading: Brazilians don't care about time

- so other side prob does not want

We wanted to rank

Kyle - don't ~~kill~~ play games

- don't focus on questions - not many pts

We're all equals - all 3 of us

Merger of =s

Don't lead w/ insane offer

For brand - say protecting your brand



3

## Negotiation

Cassandra head honcho

Mochi

10 years experience

July birthday

(very slow - building relationship)

- don't know if doing scenario or not

(Sharing interests)

(Kyle starting slowly + explaining)

~~How much~~ corp

them: seats on exec board

stock ownership

(sharing interests in order)

(small now - then do it more)

(they found we used to do it)

(do stock split last)

keep base and add performance

Ⓜ (coming up w/ non score sheet issue)

(4)

(Cassandra trying to trade off stuff)  
Even trade off 1 to other

For them its trade off  
straight

Cassandra just trying to 1 off trade

(they said want to do merger at equals)

We are trying it now

They think 48-45%

Cassandra keep saying time - trying to go for pts

Grand bargain failing  
- too hard

Cassandra wants us to write - Pretend to be excited

Locked 4 members for nothing

Match on everything but stock

↳ Gave us everything by equity

(Its like we don't want a deal)

Agreed for deal at end

5) Post

They thought we pretended some issues more important

They had timing pts

Their BATNA was 100

No deal on 50-50

Both think did pretty well

Kyle very only talk to manager

Designed to ~~be~~ generate conflict

1st offer way too bad

Both got ~200 above BATNA

Saw panic in them

↳ stalled to  $\uparrow$  deal - got 28 pts

---

Debrief

some familiar interests

Some new twists

- teams

6

## Teams

- slower

- say stuff you wouldn't

Should you use one?

- teams better when integrative possible

- takes longer

- more responses + questions

- brings more relationships

No one made the crazy opening

- Or 1 or 2 did

- laughed it off w/ humor

## Questions

- someone was from Brazil

- said qvs felt natural

- other 4 did deal on side while Exec talked relationship

Brazil-co 2 hrs to learn about their by  
each

Affiliation depends on country



①

Japan - asks your blood type

Different sense of urgency

- people saw it at work
- Devs less urgency than PM

## Culture

- Can create value w/ cultural differences
  - can trade
- obstacles → understanding other party
  - emotions very different
- showing affiliation, appreciation, respect
- traditional shared beliefs, values, norms
  - more of a toolkit
  - range of behaviors
    - society has range of responses

Whole industry of books

- can be valuable
- but treat w/ caution
- individualism vs collectivism
- egalitarian vs hierarchical

## ⑧ Danger to jump on stereotypes

### Beware

1. Complex - had to learn even w/ PhD  
- don't think you've got it
2. Internal variation  
- occupation  
- etc
3. Adjustment to Counter Party  
- they adjust for you!

### Instead

1. Focus on individual counter party
2. Only possibly attribute behavior to culture
3. Remember can use differences to expand pie.

### Things to look at

1. Direct vs indirect culture
2. Importance of status varies
3. Different ways of showing respect / appreciation
4. Perception of time
5. Centrality of contract vs relationship

9

Like revealing something vulnerable about yourself might not work  
Depends on how urgent things are in general

Israelis think US is very indirect.

The reading: self reporting bias is not big

Don't say lets talk about culture

- deal with it when it comes up, individually

---

Also a problem w/ negotiating w/ people similar to you

Hardest negotiations are internal ones

Quintoff

- Pace faster
- Workforce more diverse
- less ruling by fiat

---

Rosewell: reading info system

- referees & consultants
- we'll take your old system
- assuming this is ~~your~~ the system



(10)

Can we do it?

Agree to trial

People don't agree for need

- hurts their dept

map

Just take their program

Diff divisions have diff needs

Debreit

- not convincing on benefits

Don't ask what are your interests

- starts very positional

No firm commitments

- No buy in

No clear of org's dynamic

- talk to them individually

Are all supposed to be on same pg

- hard to surface their interests in mtg

- in external co you can know their interests

- but internally hard



①

## Video

Has not focused on others' interests

Needs to be in their interest

See from other POV's

Wants to be able to charge them back

Other division just cares about market share

Don't let other divisions see

he's stretching at his amortization

Does not want to show other people his #'s

Figure out a way or I'll find someone who can

Trade in stuff for buy in

Gain leverage over others

Let other member bring it up

- see win-win

Find their key issues

Hard press their issues

⑫ Debrief  
Analyze interests + alternatives

Sequence matters

- Once something happens, BATNAs change
- Changes as coalitions form

Seperate talking

- key strategic view

Company A invests since B interested  
          B                                  A

- Don't lie
- Be vague

---

No class next week

Read instructions

## Grp Meeting

10/29

Pakorn will add info to paper

He added very little so far - 10% change

~~A week more than~~

In 1 week i add this info to paper - Pakorn

Then paper pretty much down

I will scan ~~the~~ notes + send to group

## Simulation

emotional setup ~~for~~  
in description

- both sides

Can have several groups

~~the~~ Can 2 tables

- they can't be in room at same time

- can't talk to each other

Points

summary

NPV of profit

- diff for each side

②

Does not say how long presentation

- Emailed

PPT

Start sim next week

- Me

- ~~W~~ w/ Harrison

Sim

Slightly diff terms

- Consultants came up w/ diff ~~it~~

Play againsts each other somewhat

- Subtle

- Mostly similar, slightly different

1 Lable doesn't want to deal at all

Or 3 ~~player~~ <sup>lables</sup>  $\leftarrow$  better

3rd one doesn't ~~really~~ really want to do deal  
but can be persuaded

40, 30, ~~10~~ 10 % market share

~~- diff rev ~~it~~~~



③

diff er #s too  
- profit, loss

Congrats on ~~the~~ Real Life memo

$$ZOPA = | \text{Your RP} - \text{Your Opponent's RP} |$$

↳ can be neg if



normally



Pushing button

Autonomy = ability to make own decisions  
not being told what to do

Negative emotional reaction

↳ puts on wrong track

~~people~~

movie = infringing on autonomy

- new info system

People feel being imposed upon

Approaches to use

1. Just do it w/o asking + telling
2. decide then inform
3. consult before deciding

②

4. negotiate

Often people think its most fine effective just to decide  
but if you have a meeting - a lot of time to fix

If you don't pick most popular one, might be trouble

Fake consultation

- lose creditability
- token attempt, not sincere

Consider

time

importance of quality  
stability

rebellion

---

Luna Pen

Sequential exercise

like (

D too consiliators

A you should go to him

(3)

Is the center fit product is good

Cor A

Dor A

We should go to him

B is bad

I like A the best, B least

Others

10 A

Request mtg Taipei

4 B

Threaten/insult

14 C

Contact others

30 D

Suggest partnerships

~~Others B is best opening more~~

Can always see latter

not being decisive

Can always ramp down

Partnership is whiskey wash

D- don't give away all the strengths up front  
get him in the room

Your product is out of market - why C+D?

Make A distributing his products



4

C - motivation to come to table

Why do they need to talk

Why partner

D - why would he pay for rights

ABC - already making a decision  
get them to offer 1st

ABD - no BATNA

C is only ~~credible~~ credible threat

as a counterfitter he ~~knows~~ knows how to handle these things  
more economic threat

A - firm

is a partnership, but doesn't say 1st  
whip then the candy

D - you are disarming them

less threatening

focus on their BATNA - will counterfit other stuff

---

keep reading

4 more options w/ sit 2

5

I only really like D

Everyone said

B - said he rules w/ iron fist

Most ~80-90% did B

5 A Lawsuit

36 B Another execs

5 C Send agreement

12 D Wait

A - They are not taking you seriously

- reading into response too much

- no alternatives to meet listed

They want you to show your cards

Is it an admin assistant?

Her English is very good

D - don't switch strategies midway

---

Chinese culture: she is breaking hierarchy

- women

- feel offended

## 6) switching colors

B4 - you can't talk to CEO on lot mtg  
- need to work way up

D - no huge rush

Care said he makes all decisions

---

### Situation 2

he sent letter to higher up

Sued

he now wants to work out a fee

I would get higher up to write message and attend meeting

C best option

I like ghost writing best though

Perhaps I like B better

3 = A wait

13 B letter w/ BATNA

37 C amicable pos

5 D counter offer

8

D - She wants big offer or nothing

B - <sup>want to</sup> hear their proposition 1st

C - don't want to undermine economics  
- scare them off

(options splitting - some people like C over B since  
~~phone~~ <sup>real</sup> in person not phone)

### Situation 3

Situation turned bad

But offers are better

I like C best

- but really its a mix of several

No D is best

- ghost writing

- meet him in Taipei

1 A Accept

3 B Tough Counter

7 C Reject

47 D Counter from Prez



⑥

A - Your boss is P'd w/ situation

B - Go big - get it done

C - Is it a rejection?

D - They calling your bluff on legal issue  
Could be cheaper for them to litigate

(I still think could distribute in US)

Did Erica over step her boundary  
Should have gotten by in earlier

---

Self eval

Prof said don't read too much into it

I was mostly integrating

I agree

The tactics of meet in person, etc messes this up

④ <sup>step</sup> <sup>overall</sup>  
Tactics / Strategy

- if high stakes - need to think ahead
  - like a chess player
- how might your move be read by other party
  - through cultural filter
- how might move be countered
- open " " " open or foreclose on options
- Tactics should serve as strategy
  - don't act incrementally

Q: What would prof do?

Depends on your strategy

What are costs?

Likelihood?

(10)

## Email vs Face to Face

This was all via fax - like email

Email - Can fully think through before sending

- less emotional
- Can take time to respond
- avoid intimidation
- paper trail
- get things done cheaply
- better w/ timezone
- create consensus on your side
- good for negotiations w/ hostile people

Face to Face - miss a lot of body lang (non verbal cues)  
if you are strong on the spot

↳ they are weaker

Or stalling

lacks formality

relationship building

can get stuff done quickly

(11)

- Informal time / breaks

- You less likely to inflame in person  
- much stronger tone - not constructive

Depends on what kind of negotiation you want

- if integrative win-win possible - do in person

Find something you have in common

• Mirror other person's speaking patterns

→ Most open times in break, lunch, bathroom, etc  
~~break~~

Depends on industry if formal or not

Study at Media Lab

Plan is carried highly if person confident + excited

Using game to get people to save fuel

Give constructive criticism in person

- tone

- gag reaction

- elaborate if needed



12

## Q: Video Conferencing

- closer to phone than in person in study
- lag is awful
- just sights + sounds
  - smell - important in romantic
  - business
- don't know who is off screen - is it recording
- can be a mess
- depends how its presented
  - feeling of surveillance

---

What would you prefer?

A)	You make 90k, neighbor makes 100k	Class
B)	110k 200k	25%
		75%

No inflation or something diff  
50% said rest of world will do diff

MBA students say B  
Real world say A

⑬ People perceive \$ in relative terms  
↳ cognitive bias

MBB students think they'll make \$ 200k one day

Status people want to be = or higher

people care a lot about status

How do people try to status boost

- name drop
- material possessions
- titles
- education
- traveling
- vocab words
- make people wait for you

In a negotiation what happens when someone feels lower status?

- Over compensate: defensive  
less flexible

(14)

Elevated

- Open
- Confident
- Cooperative

Want to make status disappear as issue

Not 0 sum gain

Highlight their unique expertise

---

Do we have a "default" status?

- how we feel no matter our actual status

Michael Plasmeier

## New Recruit Memo

The New Recruit negotiation was an interesting negotiation for me, because, as I found out after the scenario was over, my partner, who played the HR manager, did not follow the score sheet. This led to several interesting outcomes.

My strategy was to first casually talk about the nonmonetary issues to see if we could find agreement on them (which I found out afterwards were called *compatible* interests). I started off telling my partner that I really liked the people in Division A and I asked if the division were located in San Francisco. My opponent started giving me pushback on Division A. He wanted me in Division C. In addition, later on, he was trying to give me a lower salary by trying to get me to move to a lower priced city. He also tried to give me a salary below the lowest one listed on the sheet, offered to cover my moving expenses by dollar amount (not percentage) and tried to give me 12 days off. I later found out that he had the same incentive to put me in Division A and San Francisco. This made me upset – we had compatible interests, but didn't reach an optimal outcome! After the negotiation my partner claimed that he though division meant something else and he wasn't really looking at the score sheet.

While there is no prewritten score sheet in real life, this experience showed me that even if interests are compatible, people might not choose them. They might try to negotiate away from one of their interests. While they are harming themselves by doing that, they are also harming you by decreasing the size of the pie. I need to guard against this and be more assertive if I think the issue is in their interest.

We closed our deal in the final seconds of the negotiations. However, after totaling up my points, I was actually below my BATNA! I should not have done a deal! This also provides a cautionary story to always total up the points you have assigned to things before agreeing to a deal. (While in real

Check



life, you probably won't be given points; it is a good idea to assign points to each dimension before negotiating, so your emotions don't take over.) In addition, things get dangerous when time is running short. You may be pressured into a deal that is bad for you because of time pressure and the pressure to do a deal.

I have had situations negotiating for an internship where I felt that a particular provision would be mutually beneficial, however the employer was not willing to consider the provision because it was outside their standard protocol and it would be too much trouble to get an exception. Looking back, I was probably not negotiating with the right people. I need to become better at identifying the right person to negotiate with.

Michael Plasmeier

## Real Life Memo

✓

I run the Baker Desk system for Baker House at MIT. It was built by a student 4 years ago, who has since graduated. I got involved in maintaining it two years ago. When I got that job, I just accepted the rate that was given to me, \$10/hour. Recently, the person who runs Baker House, told me about another MIT department, the Tours office, which also had a system built by the same person and needed help. I decided to pay them a visit on September 30<sup>th</sup>.

We reviewed the system and everything was going well. Then the person in charge of the Tours office asked me how much I was being paid by Baker House for the same work. I was not very prepared for the question, since I did not think that we would move along in the process so fast. However, I had just attended the 15.665 salary talk by Zahir Ladhani on September 29<sup>th</sup>. So instead of answering, I stammered that this was not relevant. I said that for this kind of work, people generally pay between \$15 and \$20 at MIT, so we could go \$17. He immediately agreed to \$17/hour.

On one hand, I was making 70% more for the same exact work as I was at Baker. On the other hand, he agreed to the number immediately which brought feelings of Winner's Curse. I probably should have quoted a higher number when he asked what other people pay. I was thinking of the salaries at MIT, which generally start at \$9.75 an hour for UROP. TA-ing generally pays \$15/hour. My other tech job fixing computers at MIT starts at \$14.50 an hour. However, I've seen some university student hourly jobs that pay far higher. My friend, who now goes to Wharton, can pay \$50/hour for programmers. If I tried, I could probably get a job like that. However, while at MIT, I want to concentrate on school work – which is why I don't want too demanding of a job. I actually have not worked any hours for this job yet! (It's been 2 weeks)

Check +

Looking back, I could probably have gotten more. He had no BATNA, he needed someone to fix up the system to make his life producing reports easier. He probably had not done any research on what the going rate is. I probably could have said \$30, or perhaps even \$50. That is why he let me go first – you don't want to go first if you don't know the ZOPA.

So what have I learned from this? I should go in with a strategy. Since then I have been thinking about how I will negotiate for an internship or full time job. I think the salary for the full time job is most important. If I intern where I will eventually work, it is far more important to get a few thousand extra on my full time salary than on my internship salary. I should also be prepared for when an offer is given to be able to respond better. I've found I always mess things up on the first time, but then I think about it, and am much better the second time around.

Check +

# Simulation Planning

11/6

- emotional setup
- copy Cassandra's BG
- but add about music industry
  - 'say Napster tried to work out deal'
  - best not to
  - would bias negotiations
  - 'why not start w/ napster?' in writing
  - Cassandra will call back

---

fixed

Now building up the multiple document

---

'how can players meet?'

'professor is FTC?'





②

Med RIAA meetings

- constantly,
- or at specific times?
- start
- once in middle?

Instructions for anti-trust enforcers

- when/how much to ~~at~~ fine

---

Hmm actually doing timing is tricky

Need info on past deals

∴ 4th RIAA leader who negotiates settlement

Can negotiate settlement together

So need to decide how much each gets

Another dimension

---

Need table of competing services and deal

include Spotify

- I think shouldn't

③

Also ignoring existing ~~store~~ stores

Points system:

Need to put it in somehow

- the different aspects

- try to sell them on streaming

Universal - need to leave open possibility of deal

(Have others do same deal)

---

Does this require too much insider knowledge?

Need #s!

Saw lawsuit from RIAA



# AN FTC GUIDE TO DEALINGS WITH COMPETITORS

## SPOTLIGHT ON TRADE ASSOCIATIONS

MOST TRADE ASSOCIATION ACTIVITIES are procompetitive or competitively neutral. For example, a trade association may help establish industry standards that protect the public or allow components from different manufacturers to operate together. The association also may represent its members before legislatures or government agencies, providing valuable information to inform government decisions. When these activities are done with adequate safeguards, they need not pose an antitrust risk.

BUT FORMING A TRADE association does not shield joint activities from antitrust scrutiny: Dealings among competitors that violate the law would still violate the law even if they were done through a trade association. For instance, it is illegal to use a trade association to control or suggest prices of members. It is illegal to use information-sharing programs, or standardized contracts, operating hours, accounting, safety codes, or transportation methods, as a disguised means of fixing prices.

One area for concern is exchanging price or other sensitive business data among competitors, whether within a trade or professional association or other industry group. Any data exchange or statistical reporting that includes current prices, or information that identifies data from individual competitors, can raise antitrust concerns if it encourages more uniform prices than otherwise would exist. In general, information reporting cost or data other than price, and historical data rather than current or future data, is less likely to raise antitrust concerns. Dissemination of aggregated data managed by an independent third party also raises fewer concerns.

The FTC and DOJ have developed guidelines, known as the *Statements of Antitrust Enforcement Policy in Health Care*, for health care providers sharing price and cost data, and the principles in these guidelines are broadly applicable to other industries as well. The DOJ has also issued numerous business review letters relating to proposed information exchanges by various trade associations.

DEALINGS AMONG COMPETITORS THAT VIOLATE THE LAW WOULD  
STILL VIOLATE THE LAW EVEN IF THEY WERE DONE THROUGH  
A TRADE ASSOCIATION.





**Q:** IT IS MY JOB TO COLLECT INFORMATION ON COMPETITORS FROM PUBLIC SOURCES, SUCH AS TRADE JOURNALS, SECURITIES FILINGS, AND PRESS RELEASES. I CIRCULATE MY REPORT THROUGHOUT THE COMPANY. IS THIS A PROBLEM?

**A:** No. Your company may collect price or other competitive information from public sources.

**Q:** I AM A REGIONAL SALES MANAGER AND I REGULARLY GET CALLS FROM AN INDUSTRY CONSULTANT. IF I SHARE WITH HIM OUR COMPANY'S PLAN TO RAISE PRODUCT PRICES, DOES THIS CREATE A PROBLEM FOR MY COMPANY?

**A:** Information about future plans should be closely guarded; disclosing future plans outside the company could alter competitors' decisions and raise antitrust concerns. In addition, employees should be careful when sharing information they could not otherwise share with competitors through intermediaries such as a financial analyst or even a supplier. If the consultant were to share that specific information with the company's competitors, resulting in a change in their pricing strategy, such indirect communications could be seen as facilitating an agreement if other evidence points to a coordinated strategy.

**Q:** THE BYLAWS OF OUR TRADE ASSOCIATION REQUIRE MY COMPANY TO PROVIDE SALES DATA. WHAT SHOULD I DO?

**A:** Many trade associations maintain industry statistics and share the aggregated data with members. Collection of historical data by an independent third party, such as a trade association, that is then shared or reported on an aggregated basis is unlikely to raise competitive issues. Other factors can also reduce the antitrust risk. For instance, the *Statements of Antitrust Enforcement Policy in Health Care* set out a "safety zone" for data exchanges: (1) that are gathered and managed by a third party (like a trade association); (2) involve data more than three months old; and (3) involve at least five participants, when no individual participant accounts for more than 25% on a weighted basis of the statistic reported, and the data is aggregated such that it would not be possible to identify the data of any particular participant.





15.6.65

11/10

Group paper due next week

Presentation - take a step further

how would you teach it to someone?

enough of a sense so prof knows how you would teach it

Clear enough what structure would be

Sim can be skeletal

- how would lead people

Sim is part of presentation

Don't necessarily need to present paper

Can take learning from negotiation for other thing

teach what you learned writing the paper

discussion of sim takeaways

---

At subconscious level equate surgeon w/ man

Gender

talked about somewhat in Lina paper

L Cross cultural

2

All people carry ~~different~~ preconceptions  
If asked people what are men like?  
women?

Empathy vs assertiveness  
Women Men ← stereotypes

It's hard to act in an unexpected way  
Male: assertive, competitive  
Females: How to be likable and assertive  
↳ "double bind"

Be aware

Or frame it on others - women assert on behalf  
of team - can be nice & assertive  
Even in salary negotiation - talk about salary

---

### Coalition Game - Multiparty

Very simple

What coalition is formed

How will payoff be divided?

③

All agreements are tentative

Otherwise null + void

---

A+B have good deal

I can get new 'ntos

Ask for \$600k +

(hard to strategize!)

Start w/ B

Then add people in - splitting

(Not really thinking through)

\$500 is best then can give - can't give

Play B+C off each other

---

neg Can do multiple agreements:

tried to do ~~not~~ offering 600k

Then evenly agreed to as many ~~as~~ even splits

④

Can do 5 agreements

Only can have 1 agreement

Then time expired

And I can't make agreement

---

B+C turned up - since talked before

It work

---

Rule arbitrage!

each do 2 deals and then evenly split amts

We'll do it

We should not have asked

2,520,000 total

840,000 each

---

After

Prof said not possible

laughed



5

Case where C did not do well

A+B teamed

C could not beat

Lots where C did do =/p well

(Prof not focusing on our cheat much)

(did cheat me out of interesting discussion)

B & C met as team

Wanted to split

- Affiliation

Can be very powerful in coalition

- that other party does not defect

(could erode B's deal)

- Sabotage

B has power

- A will play againsts each other

- stick the As

- don't want A to do well

- fairness

②

C has blocking power

#s set up so ~~govt~~ coalition. unstable

Partnerships more than just A

Will you take O over something since unfair?

All except 2 did 3-party deals

B/C coalitions

- had deal early on

- A bargaining too hard - does not want to deal

---

Power

- blocking power

- fairness

- relationships / affiliation

- leverage

But powerful party can think it does not need to negotiate  
Weak party may underestimate its power

⑦

Wide range of results shows that power in the (re)comes  
Coming in does not matter

( should not under estimate own power

Coalition - 2 or more parties cooperating  
most useful for weak parties  
but can be used by strong parties

- often form 1 member at a time
- often dependent on persuasion and trust
- usually not inside formal rules of group
- contingent for situation
- but people can easily defect

Are they good or bad?

Can hurt if no longer fit  
locked in

People very open

Parties can feel excluded / defensive

Or eventually everyone is in ~~every~~ coalition

8

Circular log rolling



---

Break

Ashed prot - score sheet or not  
- up in air

---

Newton Hospital

Need to cut \$3.5 million

6 memars

Not limited to cuts listed on sheet

I am ① Demars

50 min

---

Call mtg to order

Guy's not taking seriously

Carter's Proposal cut 3.5 mill from housekeeping



9

600,000 t/h  
1.8 @ mill prioritize maintenance  
L<sub>wo</sub>

1 mill dietary + ~~the~~ pharmacy

---

Diana: wants laws cut in t/h  
- nurses have to do it

---

Vickie: Why don't borrow it

✓ - no capital structures to carry debt

Fel: Don't need open heart

---

Diana: this coming  
its t/h

Vickie: its in paper to suggest loan

CFO: Can take on 1 million - if pressed

① Done

---

House keeping med staff fee

kyle: abs not  
medical staff

(11)

hyle: medium Hk  
diana: low Hk

(people too fast to concede)

Diana: nurses getting paid more at nurse

Lwl med staff

(general back and forth)

(FO: 1 million debt)

Nurse Union: Personal opinion only

Will go on strike

(FO: aggressive

(? cut evenly)

All support

Personality conflict w/ Vickie

- people aggressive againsts her

- quality of nursing staff + retention

(discussion not centered)

①

Dianna wants to cut here  
(kinda coalition)

like rearing of sheet (if pressed)

Split evenly  $\frac{2.5 \text{ mil}}{3}$

Dianna can do low cuts, but not if flh

1.5 nursing - w/ cola back 2-3 years  
- but Vickie does not agree

1.5 Med staff  
- restored in 3 years

1.5 Housekeeping

1 million

---

3.5

Dianna disagree - unlikely to disagree

Wyle; Need consensus?

Dianna + Vickie disagree - other side

(12)

Dianna  
~~Vickie~~ will be restored  
3% raise not 5%

CFO: Inflation is so low

Dianna: ~~All~~ As long as not cutting ed or staff  
Others: Oh

Dianna: Oh

All 6 agree

3 min left

---

Post

Half got a deal

Union Rep does not have power themselves

If not making deal - try and fill them w/ PR

Incentive to negotiate

Can't do better?

CFO had diff. Batna

could undermine deal they don't like



13

could have party that doesn't want deal

---

Q: how is dynamics different?

- trying to find partner w/ diff style  
(collition)

- COO trying to find grps w/ similar interests  
set Nurse Head + Univ Head together  
created coalition

AA came up w/ suggestion

- frame others as enemy  
- doctors rich

- very complex w/ 5 parties

Common goal: cut staff, not people

Creative idea: name unit after doctor w/ donation

Give interns incentives to work w/ VanHagen

- if I can't immediately do it

- much harder when have 6 people

Some places where everyone comfortable

(14)

Can use ~~the~~ other party as tool

## Complexity of Multiparty

- more points, interests, etc
- ~~can~~ not deal or no deal
  - but can be deal that does not include you
- could make grid/spreadsheet
- tendency to start w/ options
  - then stuck in there
  - tunnel vision
  - few people left options here

Paper

- most important
- example was posted
- Pakorn likes story
  - but needs help

Pakorn heard from lawyer

- waited too long
- big ego on Line Wise

Cassandra made timeline on 6 Dec

~~Pakorn - put in fire~~

- then analysis at end

Win-Wins

EMI, Sony, Warner - on board

Universal - ex lawyer

Could mark use other 3 agents Universal

- but need consensus
- try to convince them

②

Linewire open source

or gave software to music industry

Sell equity - has not been explored

Or just say Universal should do paper period.

- raise

Do about ego

- shut down before hand

Bad option

Bribe - personal - bad

Rename project

Personally punish Mark

New CEO

---

## Simulation

Revenue projections

Universal has to say no

Profit projections or no \$

↑ be creative



③

Range on profit sheet

We expect trend

- error bars

Analyst

Royalties 20%

Box - you have to put together your profit projection

- fill out contract

Sales projection

- you told % convert

- agree on \$

- fill at profit

put it over \$ - get it

(4)

4/12

After grp left - talked more w/ Harrison

Perhaps set fixed prices

.70 download

.05 streaming

.03 radio

↑ Then Linewire can make biz

But of course can be negotiated

Different estimate of cost that can be converted to  
new system

Uni 5%

Sony 10%

EMI 15%

Diff estimates of cash system

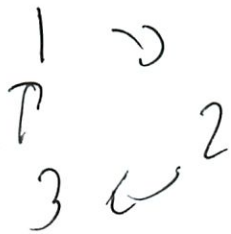
↳ how much it will convert

Newton Hospital  
Sim Memo

11/12

Need a story

- circular log rolling - I cut this, ya that



- offer an one item while receiving another

Also open coalitions

Convincing Vickip - advocate

P including more class concepts

Harrison updated points

(not saving on HDD - but in email)

Integrate his work

So put generic prices in competitive

Put competitive service Spotify back in

20 mil users

$$7\% \quad 1.4 \text{ mil} \quad \times 10 = 14 \text{ mil dollars}$$

- Close to rev now

Each industry multiple of LW's #s

No - have table w/ ZOPAs

Tell can't combine

Now estimate it actually double

$$20 \text{ mil} \quad 5\% = 1 \text{ mil}$$

$$\begin{array}{l} 5 \text{ dls} \times 20 \\ 100 \text{ st} \times .05 = \\ 0 \text{ add} \end{array}$$



②

Need to write LineWire's list.

(Why did Harrison re-write my thing and make it worse!

It's all about who knows what

Oh market share

$$10 \cdot .4 + 100 \cdot .4 \cdot .3 = 1 \text{ mill}$$

17

Only give Sony explicit analyst's

Can see on other sheet

— ~~Sony~~ monkey wrench

---

Ok LineWire

— hard to write

well need to convert how that have wholesale rates

no chart

— more free form

(3)

No real explicit ~~the~~ whole sale rates ~~for~~ for LW

Require them to put together a biz plan?

Don't give them explicit ~~the~~ to forecast

- must see in industry info.

Need info on ad rates

Put ~~plan~~ for Mark afterwards  
biz model

- need some way to score??

- too strict?

Require to turn in a business plan

- Prof will say if good

- Give general rubers

Still need to work at timing

Settlement meeting

I guess - still not happy

# Integrating LW paper

1/13

New info to integrate

- keeping the best of each structure

A lot of direct copying off internet sources!

↳ Plagiarism

Many inaccuracies

---

hmm iMesh is legal P2P

- before Grokster

Was Grokster about DMCA?

Or Betamax defense

---

This is more about case than negotiations

Rewrite to include Napster

---

\* Introductions + transitions

Lots of repetitive content here

- I think I cited too much

②

Cassandra

Crazy that plagiarized

Negatively influenced paper

Don't start from his draft

(much more reactive than I thought)

~~That~~ <sup>Pakorn</sup> never touching paper again

Polish up + send over

Focused too much on intro

---

Sent at harsh email



GM vs.  
UAW:

# Labor's Love Lost?

15. 665A Group Project Report / Spring 2010

Soji Awe  
Tyeliah Duncan  
David Hwang  
Steve Smith

## GM vs. UAW: Labor's Love Lost?

*"To do good to one's enemies is love's labours lost." Theognis, 6<sup>th</sup> Century B.C.*

*"We have met the enemy and he is us." Pogo, 1970's*

### Abstract

This paper presents an analysis of the negotiations between General Motors (GM) and the United Auto Workers (UAW) that took place in 2007 and 2009. These negotiations were critical to the very existence of GM at the time and provide a window into how organizations negotiate in crisis situations. This paper will present a background of the relationship between GM and the UAW, analyze the 2007 and 2009 negotiations, and provide suggestions for future negotiations.

The content of this paper was sourced in news articles, GM internal documents, and personal conversations with GM executives Diana D. Tremblay (VP of Manufacturing and Labor Relations, and Lead UAW Negotiator for GM from 2005-2009), Denise C. Johnson (VP of Labor Relations), Joe Ponce (Executive Director of Labor Relations), and Scott Sandefur (General Director of Labor Relations).

### Background

As General Motors approached its 100<sup>th</sup> year anniversary in 2008, several questions loomed about the future of the company. Many wondered if the company which at one point had been one of the most admired companies to work for in America would be able to avoid bankruptcy. The cost gap between GM and its foreign competitors had significantly reduced profitability and market share and it was obvious drastic steps needed to be taken in order for the company to remain viable.

Sample

Wow

GM was founded in 1908 and in 1933 congress passed the National Industrial Recovery Act, which among other things gave employees the right to engage in collective bargaining. GM welcomed collective bargaining but viewed membership as an individual right therefore they wanted it to follow the open shop format (a system where one is not required to join or financially support a union) and have proportional representation.

By the end of 1933, the American Federation of Labor (AFL) had representation in many GM plants. It continued to increase pressure against the company and later that year created a common union for the automobile industry called the United Auto Workers (UAW). This newly formed union continued to demand exclusive representation and used sit-down strikes (processes where employees physically occupy the plant and keep others out) to accomplish its goals. The most famous sit-down strike was in Flint, Michigan from December 1936 to February 1937.

GM grew significantly and dominated the worldwide automobile industry between the end of World War II and the late 1970s. During this period, the UAW's sole focus was to be a significant beneficiary of this prosperity and it fought vigorously to accomplish it. Contracts saw rising wages and company paid health care benefits, which was unprecedented at the time, and essentially set the standard for other industries to follow. GM continued to make significant concessions to the union to the point they earned themselves the nickname "Generous Motors." As foreign competitors improved and began to infiltrate the US market, GM's profitability and dominance began to dwindle. The company sought to downsize and increase productivity in order to remain competitive; however this caused a further deterioration in its relationship with the UAW as union jobs were threatened. This era (1980s and 1990s) ushered in a new focus for the union which was a shift from the pursuit of superior wages and benefits to ensuring job security for its members. As the company moved in the twenty first century, GM continued to dramatically improve manufacturing efficiency and exit non-competitive operations;

however it was clear GM had to find other ways to close the cost gap it had with its competitors.

According to GM's management these costs were mostly embedded in wages and benefits paid to union employees. Hence one of the first challenges GM had to overcome in order to avoid bankruptcy and return to prosperity was to reach an agreement with the UAW to cut wages and benefits in order to put the company on par with competitors. As union numbers continued to dwindle the UAW attempted to avoid concessions.

## 2007 Negotiations

The year 2007 represented a significant turning point in the history of GM. There was a lot of uncertainty about the future of the US auto industry and GM, due to years of continued losses of billions of dollars. It became clear that if the company was to survive, it would need to go back to the bargaining table with the UAW and re-negotiate the obligations it had to approximately 74,000 employees and retirees. By some estimates GM's health care burden in 2007 was equivalent to more than double its market capitalization. For years GM executives had pointed to legacy health care costs as a major contributor to the cost gap that existed between the company and its foreign competitors, hence as they entered into contract talks with the UAW, management was expecting concessions from the UAW along this front. By September 2007, GM had reached a new four year labor agreement with the UAW which included lower wages and benefits for new union members, an agreement to allow GM to hand off responsibility for retiree health care to an independent trust, voluntary employees' beneficiary association (VEBA), as well as other concessions.

## Analysis

Standards of Legitimacy: By 2007, GM recognized the need to have the UAW fully understand the real situation if they were to make any significant concessions. In order to legitimize the situation and convince the UAW its offer was fair, Diana Tremblay the lead UAW negotiator during this period,

brought Ford and Chrysler to the table so they could collectively explain the dire situation of things across all three companies and show that it was not unique to GM. Prior to establishing this standard across the "Big Three" of the automobile industry, the union had been skeptical. When they saw this collaboration among competitors they realized the seriousness of the problem and were more willing to work with GM.

Power: In the early days, GM clearly had power because they controlled the resources the union wanted, namely jobs and increased wages and benefits. As the UAW grew in membership, so did its bargaining power. In addition the union's influence increased because it had the option of going on strike if GM did not give in to its demands. This was a difficult situation for GM because the company was already facing reduced profitability in the 1970s hence a strike by the UAW would only make a bad situation worse. The 56 day strike by the UAW in 1998 cost GM an estimated \$2 billion in lost sales. Through 2003, the UAW largely held on to power. However, GM's future was in such a grim state that the power dynamics began to change. By 2007, a new cooperative approach between GM and the UAW made the balance of power more equal, i.e. both parties no longer had a strong BATNA. The goal was now less about who had more power and could get the most out of a negotiation but more about avoiding bankruptcy which would lead to a loss of union jobs.

Relationships: The importance of relationships in negotiations such as this cannot be overstated. Despite the long history between GM and the UAW, both parties did not always have a good rapport particularly during contract negotiations. This was not from a lack of effort—in fact both sides would claim they have always tried to improve the relationship. However, when interests are not aligned and parties do not trust each other it is difficult to move forward. As the situation at GM continued to decline into 2003, the company decided that if they were to stay alive they would need to work with the UAW both in the short and long term. Immediately, they began to readjust their focus because they

saw the value they may receive from an on-going relationship with the UAW. The first step was to establish trust through months of one-on-one meetings. Once a strong bond was established, it was easier to go back to the negotiation table and discuss the specifics of the contract. Diana Tremblay said it best when asked what it was like to negotiate with the UAW during this period, "it was all about personal relationships. The UAW needs to know you have integrity, that you will do what you say you will do." She was specifically referring to her relationship with Cal Rapson, the UAW Vice President responsible for contract negotiations with GM. As another executive put it, "the relationship between them (Diana and Cal) was extremely strong, there was a lot of trust so they were able to figure out a solution." It is safe to say that without the significant investment of time in developing a close relationship with the UAW, the 2007 deal would not have been possible.

## 2009 Negotiations

From 2007 through 2009, the economic downturn severely affected GM, with a number of issues coming to a head on June 1, 2009, when GM declared voluntary chapter 11 bankruptcy. In 2008, the global economic crisis was roaring to its peak, with the downfall of Bear Stearns in March and the collapse of Lehman Brothers in September. GM's revenue and market share continued to decrease—it was surpassed as the world's largest carmaker by Toyota in 2008—and the company was quickly running out of cash. In December 2008, President George W. Bush authorized federal aid to the company, which took about \$9 billion in December and January of the following year. When Obama took office he appointed an auto task force led by Steven Rattner to oversee the government's involvement with the Big 3 automakers, with Ron Bloom leading many of the union-related issues. In March of 2009 President Obama and his auto task force rejected GM's viability/restructuring plan, ousted CEO Rick Wagoner, and gave GM 60 days to restructure itself into a leaner company, requiring negotiations with its unions, suppliers, and bondholders to make it happen [1].

Bush  
bailed  
Tremblay



This set the table for the 2009 negotiations with the UAW, which began in February 2009 and culminated in an agreement on May 26, 2009. The main points of the agreement included: 1) greatly reduced money GM was required to contribute to the VEBA, essentially giving the VEBA stock in the new GM rather than cash, 2) The VEBA would receive a 17.5% stake in the new GM as well as other preferred stock and options, 3) no wage or benefit cuts to current GM UAW workers, 4) reduced job protection, 5) GM would build a new small car in a previously closed factory.

### Analysis

Distributive vs. Integrative: In the 1940s through the 1970s GM was at a zenith and was remarkably successful. In negotiating terminology, the pie was huge and the attitude of the UAW (under the leadership of Walter Reuther) and GM was purely distributive. Essentially the two sides fought in a win-lose contest for a bigger slice of the pie. According to Richard Block, a professor at Michigan State University's School of Labor and Industrial Relations, "In essence, they could afford to beat each other up because they were all eating at a very rich trough" [2]. From the 1980s through the mid-2000s the storm clouds of market share erosion, due to the strength of Japanese companies, were brewing but the relationship remained combative in nature even as the pie was shrinking.

However by the time of 2007 and especially in 2009, the reality of GM disappearing into bankruptcy forced GM and UAW to take a more integrative approach. Instead of fighting for the shrinking pie, the attitude was how the two parties could work together to keep the pie alive. Business articles with headlines such as "Foes now allies in fight for survival" appeared [2]. In our discussion with Diana Tremblay, she mentioned during this time period, "I would not call it negotiation. I would call it problem solving."

Multi-Party Negotiation: The 2009 negotiations were unique in that a third party, the U.S. government (specifically the U.S. Treasury), now entered into the negotiations. This had a number of interesting

consequences, the most importance of which is that it shifted the balance of power tremendously; in essence, according to our interviews, the government (i.e. Ron Bloom) said to GM and UAW that unless they came to an agreement that the government was happy with, there would be no bailout, and in essence, no more GM. This greatly altered the BATNA of both GM and the UAW. The government wielded this power over the negotiations indirectly. According to our interview, Joe Ponce mentioned, "The whole matter was not GM vs. UAW, but it was what does GM and UAW have to do to get the government satisfied."

This forced GM and the UAW to work as partners instead of combatants. Instead of GM vs. UAW, it was GM and UAW vs. the government. The government's holding of power also forced both parties to agree to terms they ordinarily would have rejected. For example, the government mandated that in the next contract in 2011, if a wage/benefit agreement could not be reached the decision would be made by an arbiter—neither side wanted this in fear of a "divide the baby" approach taken by the arbiter, which would be a lose-lose situation for both.

Relationships: Our interviews highlighted again and again the importance of relationships, particularly the good relationship between Diana, GM's lead negotiator, and Cal Rapson, the UAW's lead negotiator. Diana herself mentioned that much of the negotiation was not done across the negotiation table, but in one-on-ones in various places building up the right relationships. The relationship was very strong with a much trust between them, and they were on the same page to figure out a solution. As a testament to the strong relationship, in our discussion GM executives went out of their way to describe how important they thought Cal's openness and understanding really helped the deal get done.

Communication/Seeing the story from the same perspective: According to our interviews, the most difficult part of the negotiations was to get the UAW on the same page as GM with regard to the real



situation of the company. During the period of these negotiations from 2005 through 2009, according to Diana, GM's goal with the UAW was threefold:

1. Get the UAW to understand the real situation, i.e. how financial dire is GM's condition
2. Get the UAW to realize that they are part of the problem and solution
3. Decide what to do about it from here

Diana mentioned that the first two points were the hard tasks while the third task was relatively easier. From GM's point of view the most difficult part of the negotiations was getting everyone on the same page to see the situation with the same perspective. Throughout its history the UAW viewed GM with suspicion, believing that GM was exaggerating its financial troubles to use as leverage. Getting the UAW to acknowledge GM's real condition and admit that the UAW had some effect on this condition was more than half the battle. Once both parties were on the same page, the decisions could be made in a problem-solving, collaborative environment.

## Suggestions on Future Negotiations

The next UAW/GM negotiation will take place when the current contract expires in 2011. Through our interviews, GM has indicated that they expect the union to be looking for increases in benefits and wages as soon as GM begins to regain financial prosperity. This section of the paper will discuss suggestions on negotiation strategies adopted by GM that can help improve the next round of negotiations:

1. Build a foundation for lasting relationship. Since the last negotiation, Diana Tremblay has moved to a higher level and Denise Johnson has filled Diana's former role. Since much of the successful negotiation in the past has been built on strong personal relationships, we suggest establishing the precedent on both sides to emulate what Diana and Cal have done.

2. Begin informal negotiations early to maximize creative solutions. According to negotiation theory, it takes time in order to bring out maximum creativity. By beginning informal negotiations early to feel out the interests of the UAW, GM may be able to have time to brainstorm creative solutions which can be used to preempt any potential issues arising during formal negotiations.
3. Consider possibilities of aligned interests. According to GM executives, it is unlikely that the UAW will keep its ownership stake in the company once an exit becomes possible via an IPO, decoupling the parties' mutual interest. In much the same way as a joint venture, GM should try to structure financial incentives with the UAW so both parties benefit from strong GM financial performance. For example, GM can tie UAW bonus payments to company performance such as better quality, sales, etc.
4. Leverage credible threats. The government intervention in 2009 enabled stronger integrative negotiations because they represented a credible threat of dissolving the company. Long-term threats exist which can be leveraged to bring urgency to future negotiations; for example, GM (and the union) can use the shadow of potential arbitration in its favor to keep the counterparty at the bargaining table.

## Conclusion

By being squeezed through the vice of bankruptcy and the near-collapse of the U.S. auto industry, GM and the UAW were able to negotiate their way into maintaining their mutual existence, and hopefully, a promising future. GM is retooling for its future with the development of a new small car platform as well as the upcoming electric car, the Chevy Volt. The UAW is regrouping from the many compromises it has made over the years and it appears to now have the attitude: we do not want to make any more

concessions. As the 2011 negotiations unfold, it is with great anticipation that we will observe the strategies and techniques used to create a final, hopefully harmonious, solution.

## Acknowledgements

We would like to sincerely thank the following GM executives for their time in having conversations with us, providing us with numerous documents (both external and internal), and giving their upmost cooperation with this project. We have gained much from them and hope we can become better negotiators by learning from their positive and negative experiences. Our thanks go to: Diana D. Tremblay (Vice President, Manufacturing and Labor Relations, and Lead UAW Negotiator for GM from 2005-2009), Denise C. Johnson (Vice President, Labor Relations), Joe Ponce (Executive Director, Labor Relations), and Scott Sandefur (General Director, Labor Relations).

) Seems like almost  
all data is available

## References

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15.6.65

11/19

Congrats Paper is done

Will pick ~~something~~ presentations to actually present

Will let us know soon

---

## Multi-Party Negotiations

- Very complex
- Can make table of people's
  - interests
  - positions
  - perceptions
  - BATNA
  - strategies
- Groups goal at shooting down idea
  - ↳ but bad at idea generation
- Do own brainstorming
  - (should put into RTAA sim)
- Emotional issues more complex
  - appreciate other party

(2)

Often conflicts around autonomy

↳ People feel excluded

- don't want people to shut down + withdraw

Can focus explicitly on process

How to make sure everyone can get a chance to speak?

- free flow

Pros: - can get creativity

- people build on each other

- more comfortable/less formal

Cons: guy w/ loudest voice dominates

- or guy w/ most status

- people can go off on tangent

- go straight around table

Pro No one can dominate  
= participation

But lose efficiencies in free flow



③

## middle options

- can start w/ go around
- then free flow
- then go around as needed

How will decisions be made?

Majority rule

Unanimity

Consensus

Majority

Pro fast

Con - often need buy in from all  
Feel victimized

- no minority needs

- only option A or B

- hides intensity about issues

← should know relative valuations

Unanimity

Con

if one party has a very good BATNA

- can blackmail rest of group

Judge each case for what it is

consensus

- almost everyone

- works well; no blocking power

(4)

If know I grasp will try to undermine ahead of time  
Set the rules upfront!

What can do if I party stuck?

- Hope to avoid!
- change rules
- Very bad scenario to be in

Social complexity

- not just additive
- but grasp itself affects how people behave
- tendency of grasp this
  - jump on emerging consensus too fast
- One of most established things in social science
  - 4 people convinced sth shorter line is longer
  - it was very clear
  - 30% of people picked shorter line as longer when prompted by grasp
- ask yourself am I doing this during groups

5

Esp if person is person of authority

Be in touch w/ someone outside

↳ call someone back in HQ

- critical to do

---

## Newport Doll Case

---

#4 - VP Facilitator PR

No facilitator

Suggest 1 not off

3, 4 or 5

↑

3 people said 3 out of 5

Talk about model 1st - then other stuff

Or consensus on options

(Very bad role for me)

↳ But that is interesting thing

Started w/ way off for a field position

↳ in Jost

(6)

Mia Ham - 250,800

Lopez \$1, mill

Ashley - low

Lopez not a brand

Rerelease Ashley as occupational

Marketing said ~~that~~ <sup>↑</sup> has done bad

Most people prefer more wholesome stars

~~the~~ Sales + Marketing agree

Finance only cares about ROI

Smaller line up

Lopez - projected profit 30 mil

9.2 mil Ham

2 mil Ashley

Licensing up front + per doll

Finance: single line up



⑦

Since J-Lo 'international' & make 'international'

(went around in circle  
that people jumped in)

do 2 dolls to see what to further,

Got notes

How many left?

Then which one?

(My role is to be quiet)

so do 2

- JLo

- Hanne

Finance: tempted to make everything in US

Don't dilute ~~the~~ Ashley name

divorce from new line

Could identify another pop-star

↳ if J-Lo ↓

People love any celeb

⑧

? Short term lines

↳ low risk

↓ royalty

~~connect~~ collectors line

J-to line needs to be made in US

Is it NPV positive?

no answer really

VP Finance covers VP Licensing

↳ they track this

2 leave

↳ we talk about other things

All competitors multiple

Girls play doll together

Someone writes art options on paper

↳ rank choice

Run out of time

Cheaper

↳ but not sweatshops

9

Running at of time

do both

3 of 5 came back to havnt Finance

Safe plastic

International - non sweatshop

---

Group Debrief (Handout)

Forced consensus

↳ since majority

Group building coalition

When heard 3 of 5

4 out of 5 kinda happy

Ignored VP licensing

- no opt to discuss

Everyone liked J-L

Mike was only ethical issue one

Everyone thought I was against J-L

(10)

Finance

Wanda told team

- Didn't explicitly say it

~~Get Veeva~~

Good to write it down

Licensing only one to 1 to go w/ Ashley

Could say most key need

I thought licensing not important

↳ Didn't make sense

Start over; Finance wanted 4 of 5

Would have been more difficult

Longer + more stressful

No one that influential

For the 2

Biggest issue: doing 2

Didn't talk about price



(11)

Post

Everyone reached an agreement

most likely to integrate ~~an~~ w/ consensus  
as a group

- may be different individually  
facilitator

- no one explicitly appointed one

VP Finance only one w/ #s

- imbalance who has figures/facts

Decide facts over opinions

- but everyone had opinions

~~and~~ - could also just be no data available

What role could facilitator do

- agree on process + enforce it

- summarize where we are

People talking past each other?

- facilitator reframe

(12)

facilitator often has an agenda

- they should try to separate

- move back and forth explicitly "as the VP Finance"

Can hurt more than help

- give something away to get honest broker creditability

Is there a downside to person taking role?

- if they can't also explain their role

- if too consumed by being facilitator

After established in co.

---

Important to keep everyone engaged

- dominate person - constrain

Remind people of no agreement option

Want to buy time plus side

---

Majority rule cultural?

- assuming coequals

(13)

## Addition of new info

Some transparent w/ it

Some thought it <sup>would</sup> help sales

Confirmation bias - initial info forms filter

for new info

- tendency to see things in light of initial info
- particularly the later you get info
  - the more likely you are to dismiss

- This intensified in group context where

Disclosure: you already took a public stance

3rd party response lets you think out of box

want to be honest - all info on table better

Context prob matters most

- if never interact w/ again prob not

but in company - could suffer reputation effects



14

## Ethics

VP Licensing ~~the~~ came up w/ Ashley doll

Should legacy play a role?

- It will come at in a weird way otherwise
- Yeah I marginalized

PR had conflict of interest - external deal if J-L

Do you disclose?

One didn't really think of it up front

Then thought afterwards should not disclose

Most didn't - was going in their favor

Half -  $\frac{2}{3}$  class thought it should be disclosed

- its like a bribe

~~What~~

What if they were silent?  
hard to prove



15

VP Marketing PR Feminists' daughter  
- personal interests

VP Sales concerned about their kids

What do you do ethically when you are concerned  
about society vs company's profits?

Do you share your personal views?

Or hid it behind substance/objective views

" - do "This might not be a good idea because..."

---

When do you lie? bluff? omit?

Omission vs Commission

? per many people omit is fine

So ask explicit qu - are there any hidden defects?

1. Do the right thing always

2. Play the "game" - it's expected

3. What comes around goes around

(16)

Most people have all 3

- articulate at diff times

- whenever something is convenient

How is it consistent w/ my self image?

if it was widely publicized?

if everyone in society did this?

15.6.65

12/1

Students teaching this class

- Sims hard to write
- his fav lecture of the year
- 3 groups

---

Beatles Come to iTunes

99 cents wanted to do

- could not find

did Beatles instead

People

Beatles - hired new CEO 2009

EMI

Apple Co

(leaving out stuff I know)

---

Planning basic sheet negotiations

Rolling strategy like before

②

Most important - 'share of cell'

But we'd to start w/

Rev prob best

Allies in Beatles

- work w/ them

---

### Negotiations

- start w/ share

(working w/)

def want to promote

~~Apple~~

friends w/ Beatles

Apple - want change share of rev

Personal conflict w/ Rishi

(prot sitting around)  
for long time

Rishi - disage

Hard to get a deal



③ What do you feel strongly on?  
Apple hates BMI  
Did deal last min

---

Post

half reached a deal

Who most powerful?  
Beatles

How much do they care?

(2 people <sup>Motivation?</sup> on team did not really effect  
my partner quiet

mostly 1 person spoke for all 3)

Em's interests?

Just wanted a deal

Almost bankrupt

• No power

• Stay quiet + play along

(4)

No one did a price  $\neq$  .99¢

Nothing outside the line

Apple getting stronger + stronger

EMI needed to get a deal

Learning

Focus on common interests to get beyond prior  
extend pie

Patients

- deal took 7 years

Alliance

- for some put on defensive

Prof: New leadership came in to Beatles

Everyone wanted a deal now

5

Break

Told Prof about Disney

Intern not important \$

Liked paper

Glad we ~~earl~~ caught dishonesty

But sim too long + complicated

- did long one in A - not worth it

(He wanted 3 in 3hrs - I was envisioning 1)

knew I would be disappointed

---

NBA

Just ~~and~~ ended

3 1985

1998

2011

1983 - basketball related income split

1995 - Union decertified

6

CBA negotiated for 2 years

(both are good presenters)

↳ wish I could do

(can do w/ NN group)

Complicated chart of who

Doves vs Hawks

Growing disparity big vs small market

Small market says losing \$

(Did they look at other leagues)

---

### Negotiation

1 class wide negotiation

(nice slides)

3 min rounds

players + people vote on it

break up by compete, avoid, etc



①

One person telling us

We can't talk

Only during huddle

Can't change BRT

Trust coach?

Halk vs Dave

Dave don't trust coach?

Fight over salary cap

Did not fully agree on

Way more players than owners

---

Negotiate

Other groups can ~~negotiate~~ heckle

Rishi using real life

53% and match everything

⑨ <sup>Post</sup> Star players felt left out

player

Owners can't heckle - make a deal

Lots of people - all not involved

- Think others taking care of  
had same sheet

Owners - hard to agree too

Owners can't change BRT

Debrief

Negative ZUPA

~~BATNA~~ pts fall off over time  
- below grasp

Not all players & savey

Chart of offer

Line drawn - people don't want

Brought someone in who helped before

Players biggest concerns: lux tax, etc

②

nothing else matters

Plan

When to agree on

BRI is only big issue

2nd Rd

Players want 57 - <sup>reps</sup> offered 55

~~TRA~~

Other things on table

Can go to 50

Plan

Go 50-50

3rd Round

Final round

didn't do deal

our Commissioner negotiated against half interests

didn't fully understand

No deal!

(10)

## Debt Ceiling Crisis (2011)

May 2011 → Thanksgiving

(I know a bunch more about this)

Make sure other party did not look good

Teams of 14

Only majority leaders can propose plans

Plan

(Sheet random + unexplained)

Everyone's sheet kinda diff

(sheet not as I would write)

Senate D can only talk to other Senate D

- got kicked out of talking to Obama

- even though rules said otherwise

---

Soldiers - agree on

then '0 cut FICA

then tax ↑



① Points for dealing is much ~~more~~ more  
(written wrong on sheet)  
(not clear who is majority leader)

Neg

(confusing)

(why Dems arguing for ↓ tax inc)

(GOP 1st offer was tax inc)

(Cassidy undermining)

Senate reached deal

House reached deal

House + Senate very diff deal

House demanding concessions

---

Pos

Us no deal

2 others deal

Minority - can't propose deals

LI said moot

all groups said same thing

12

Party leaders didn't try to meet

Many people don't know what was going on  
~~other~~ people on the side

(People attacking accuracy of presentation)

(Presentation + Sim are crap)

(Really complicated)

## **A Troubled History**

*Beatles Corp, EMI and Apple Computer have a troubled history going back to 1970s, which has created an environment of distrust and hostility.*

### *Beatles Corp versus EMI*

The Beatles alleged in a 1979 lawsuit that EMI and Capitol had underpaid the band by more than £10.5 million. A settlement was reached in that case in 1989, which granted the band an increased royalty rate and required EMI and Capitol to follow more stringent auditing requirements. Beatles Corp, on behalf of the surviving Beatles and relatives of the band's late members, again sued EMI for unpaid royalties, in a case beginning in 2005. The case was settled in April 2007 with a "mutually acceptable" conclusion, which remained confidential.

### *Beatles Corp versus Apple Computer*

Long before the Beatles and Apple Computer engaged in business negotiations, the two parties had already developed an adversarial relationship. From 1978 to 1991, Beatles Corp had filed and won three lawsuits against the computer company on the grounds of trademark infringement and breach of contract. In addition to a settlement of over \$26 million, Apple Computer was required to pay license fees to the music company and agree never to enter the music business. Leading into the introduction of iTunes in 2001, this certainly made for unfavorable negotiating conditions.

In 2006, the tides turned, as a judge ruled a fourth trademark lawsuit brought against Apple Computer unwarranted and the courts ruled the two companies' respective trademarks distinct and separate. In 2007, the two companies settled on a \$500 million agreement that gave Apple Computer trademark rights to Beatles Corp' logo.

### *Paul McCartney Interview*

"To tell you the truth I don't actually understand how it's got so crazy," Sir Paul told Newsbeat. "I know iTunes would like to do it, so one day it's going to happen."

Sir Paul has claimed the delay is down to record company EMI.

"It's been business hassles", he said. "Not with us, or iTunes. It's the people in the middle, the record label. There have been all sorts of reasons why they don't want to do it."



# The Beatles Comes to iTunes

## Background Overview

*The facts of the case have been modified to create an effective classroom simulation.*

### Three Party Negotiations

#### *Apple Computer*

Apple Computer originally started as a producer of personal computers in 1976. Since then, it has broadened its reach into other markets, including digital music. As of 2010, Apple Computer dominates the online music industry, with estimated market share of over 90%. In its first year of operation, the iTunes store reached 70 million downloads.

Apple Computer has maintained a consistent pricing strategy for most of its existence. Each song is priced at \$0.99, with albums often offered at a discount. Of each sale, 30% goes to Apple Computer (split roughly even between Apple Computer and credit card processors) and the rest is left for the artist and the label.

#### *The Beatles (Beatles Corp)*

The Beatles originally founded Beatles Corps in 1968 as a holding corporation for the four band members' sizeable music, publishing, and entertainment business. The corporation has continued to care for the Beatles' licensing and brand interests well after the group disbanded in 1970. Forty years later, the Beatles remain a top-selling act in the United States, with 3.3 million albums sold in 2009 (third highest of any act that year).

At the time of the iTunes negotiations, the operating structure of Beatles Corp was complicated. Ownership and control remained with two of the original founders (Paul McCartney and Ringo Starr) and the estates of the two deceased members (John Lennon and George Harrison). Given the very bitter and public break-up of the band, the controlling parties were likely often in conflict with one another. That said, Beatles Corp found new leadership in 2007 with the hiring of CEO Jeff Jones, a former Sony/BMG executive.

#### *EMI Music*

EMI Music is a record label and distribution company founded in 1931. In 1962, they signed the Beatles through their subsidiary Parlophone Records. In 2007, EMI Music underwent a leveraged buyout from Terra Firma Capital Partners, putting the record label under stress to significantly increase profitability. This leadership change, combined with often-turbulent relations with artists, caused top-tier artists such as Radiohead and the Rolling Stones to leave the distressed record label.



### 3. EMI Music

As the representative of EMI, you have the following key interests going into this negotiation:

- You would really like the deal to go through. You need to pay off loan from Citigroup and the new sales from this venture could just be the lottery you were looking for
- You want to be known as a progressive company to existing audience and new generation *Sure as air Sim*
- If this deal goes through, it will change the Beatles and online music industry. It is an epic event and must be celebrated as such – you want Apple Computer to promote Beatles on their homepage (one of top 10 visited pages on internet) for a full month

At the same time you have certain reservations and you do not want to come of a loser. Some contentious issues on the table include:

- You think that Apple Computer and Beatles Corp might try to squeeze you out. You believe you should get a fair share of at least 9% of revenue. Amazon has reached out to you for a similar deal and you would rather go with them than get a bad deal for yourself
- You believe that if Apple Computer takes a chunk of revenue, The Beatles Corp is less likely to give you your fair share. It is hence in your interest to ensure that Apple Computer gets as little share of the pie as possible
- You also don't like the idea that a Beatles song will be priced equal to tasteless artists like Britney Spears. You would like Apple Computer to sell all Beatles tracks at \$1.69 each



Negotiation Sheet  
(EMI Music)

iTunes Song Pricing	All songs sell at \$1.69	10
	All songs sell at \$1.29	0
	All songs sell at \$0.99	-10
Apple Computer's Share of Total Revenue	20%	0
	25%	-5
	30%	-10
	35%	-15
	40%	-20
EMI's Share of Total Revenue	5%	-10
	9%	0
	15%	10
Promotion on Apple Homepage	1 week	0
	2 weeks	5
	3 weeks	10
	4 weeks	20
Sign-up Bonus from Apple Computer to Beatles	None	0
	\$5 million	5
	\$20 million	15
Getting a deal done		50
<b>Total</b>		
<b>BATNA</b>		<b>40</b>

← way over  
BATNA

55 pts



# NEGOTIATING THE NBA & NBPA COLLECTIVE BARGAINING AGREEMENT



## Background

It's time to re-negotiate the collective bargaining agreement (CBA) between the basketball player's union (NBPA) and the National Basketball Association (NBA). The NBPA union represents the collective interests of approximately 420 athletes. The NBA represents the interests of all 30 basketball team owners. The previous CBA has recently expired without reaching any agreement between the NBA's owners and the NBPA's players. Consequently, the NBA has officially locked out the players from playing any games this season until a new CBA can be agreed upon by both parties.

## The Owners (NBA)

### David Stern

David Stern, commissioner of the NBA, is the primary voice of the owners within the league. Stern has been commissioner for over 25 years and one of the most highly respected businessmen in professional sports. He is credited with bringing the NBA from near bankruptcy to the highly profitable business that exists today. Although Stern only needs the majority of the 30 teams to agree to terms, it is likely that he strives to gain a consensus across all owners in order to ensure a good working relationship and fair competition throughout the league. A consensus might not be easily attainable, as each of the 30 owners have different interests.

### Hawks and Doves

Consider a division of amongst the owners into two primary categories; doves and hawks. The "doves" are owners who are eager to resume the season as soon as possible. These owners generate at least 90 % of their net worth from their investment in the NBA. As a result they are more willing to make concessions to minimize their losses this season. On the contrary, the "hawks" are owners who prefer to delay the season in order to gain more favorable terms for the owners. Their investment in the NBA is less than 40% of their net worth and they are willing to continue the lockout until they are able to reach an agreement they are satisfied with.



# NBA CBA Negotiations

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## The Players (NBPA)

### Billy Hunter

Billy Hunter, executive director of the NBPA, is the primary voice of the athletes within the union. Hunter has over 13 years of experience in his current position and has negotiated several CBA's with Stern in the past, including CBA following the 1998 lockout and the most recent CBA which just expired. He has been successful at avoiding a decertification of the union proposed by Michael Jordan in 1995, a player at the time, but now currently an owner of the Charlotte Bobcats. Once again, Hunter is faced with another potential decertification which may disband the union in order to file antitrust lawsuits against the NBA for their lockout. Hunter strives to avoid a decertification and hopes to reach an agreement between the owners and the players as soon as possible to continue the season. However, like the owners, the interests of each of the 420 athletes vary considerably. Although Hunter only needs a majority of the 420 players to agree upon terms, he will also strive to ensure all the interests of his players are met with satisfaction. The players are primarily divided into two major categories; star players and regular players.

### Star Players

Although the star players may be the minority, they are the primary reason why so many people watch the NBA. Thus they carry a very strong vote since they are considered responsible for profitability of the NBA based on their overwhelming large fan base. The star players have won many NBA championships and are well respected for their prowess in playing basketball. They have a lot of sports fans and can generate additional revenues outside of the NBA. Players like Kobe Bryant, LeBron James, Arnold Garnett, and Carmelo Anthony are in high demand and can negotiate the best contracts. They expect to be playing for at least five more years and want to ensure that they do not make unfavorable agreements now.

### Regular Players

The regular players, representing the majority, consist of new players or old timers that haven't had as much success as the star player counterparts. Their cash flows are mostly from their contracts with the NBA and are mostly concerned about the short term losses they are making from not playing during the lockout.



## NBA CBA Negotiations – Hawk Owner (Confidential)

---

The past several years have not been very profitable. Although the appeal of owning a team for bragging rights is nice, your investment must be profitable if you wish to continue owning an NBA team. You are one of the 8 owners (of 30) who has consistently made profits over the past several years. The former CBA was certainly biased towards the players. You would rather cancel an entire season and gain more favorable terms for the owners over the entire length of the new CBA, than settle for another CBA so much in favor of the players.

During previous negotiations with the Players, an aggressive "Take It or Leave It" tactic with the pressure of time (cancelling games to lower the player's BATNA) has certainly worked in terms of gaining more concessions. The 400+ players are certainly more disorganized than you and your fellow 29 owners. A strong united front will likely pressure the players to concede to your terms in order to avoid losing more games.

### **Your BATNA**

You have valued your BATNA to be worth 800 points.

### **Your Perspective on Terms**

***Basketball Related Income split (BRI):*** The players are likely to strive for an arrangement similar to the most recent CBA (57% of the BRI for players). It will be very difficult to move them from this anchor point. However, it is absolutely critical to reduce their percentage in order to reestablish a profitable business.

**OWNER'S DEFAULT OFFER:** 35% BRI for players (65% for owners)

***Length of the CBA:*** The longer length of a contractual agreement under these new terms, the better in order to maximize the benefits of this CBA.

**OWNER'S DEFAULT OFFER:** 7 years

***Player Contracts:*** Player contracts are usually a big gamble, and owners have erred on the side of caution by giving shorter term contracts. However, most owners prefer to avoid 1 year contracts that will give rookies rights to be free agents after their first season.

**OWNER'S DEFAULT OFFER:** 2-5 years



## NBA CBA Negotiations – Hawk Owner (Confidential)

---

**Salary Cap:** The salary cap is the limit teams can spend on salaries. As a hawk owner, you would prefer a more flexible cap or soft cap so that you can negotiate for star players without paying huge penalties. However, you would certainly be willing to consider a hard cap in order to win the favor of Dove owners on other terms.

**OWNER'S DEFAULT OFFER:** Flex Salary Cap

**Luxury Tax:** The luxury tax is an amount levied on teams that exceed the salary cap, which should regulate the industry as a whole. As a profitable owner, you would certainly prefer a low luxury tax since you attract more of the higher paying star players. You would be willing to consider a higher luxury tax, if that would help win the favor of the Dove owners on other terms.

**OWNER'S DEFAULT OFFER:** Moderate Luxury Cap

### **SPECIAL RULES – all owners**

If no agreement is reached with dove owners during strategy prep sessions, NBA Reps will negotiate with NBPA (players) using terms from previous session.

NOTE: if no agreement is reached during *initial* prep, default values above will be used

Owners should also determine the allotted PREP time for both parties following the next session, in the event a tentative agreement is not reached.



## NBA CBA Negotiations – Hawk Owner (Confidential)

<b>HAWK OWNERS (Confidential)</b>		
<b>BRI Split</b>	25% Players   75% Owners	3000
	30% Players   70% Owners	2500
	35% Players   65% Owners	2000
	40% Players   60% Owners	1500
	45% Players   55% Owners	1000
	50% Players   50% Owners	500
	Above 50% Players (<50% Owners)	No Deal
<b>Length of CBA Contract</b>	10 years	300
	7 years	200
	5 years	100
<b>Player Contracts</b>	2-5 years	200
	1-6 years	100
<b>Salary Cap</b>	Soft Cap	150
	Flex Cap	100
	Hard Cap	50
<b>Luxury Tax</b>	Low (\$1 for every \$1 above \$5m)	150
	Moderate (\$1.5 for every \$1 above \$5m)	100
	High (\$2 for every \$1 above \$5m)	50
<b>TIME IMPACT</b> (due to lost games)	No Agreement after 1 session <i>(no lost games – use time to pressure NBPA)</i>	0
	No Agreement after 2 sessions <i>(cancel 2 weeks)</i>	-50
	No Agreement after 3 sessions <i>(cancel 4 weeks)</i>	-150
	No Agreement after 4 sessions <i>(cancel 6 weeks)</i>	-200
	No Agreement after 5 sessions <i>(cancel 8 weeks)</i>	-250
	No Agreement after 6 or more sessions <i>(cancel entire season)</i>	-1000

**BATNA = 800**

**NOTE:** If owner speaks during NBA/NBPA sessions in opposition to NBA (owner) rep, owner will be fined 500 points for EVERY disruption (-500 x number of opposing comments made by owner)







## Senate Democrat Scoring Sheet:

Please use the following scoring table for your negotiations.

Note: If Debt Ceiling increases: Cuts = 1300; if Debt Ceiling does not increase: Cuts = 1000.

Item	Savings	Points
Research	300	30
	175	15
	75	5
	0	0
Soldier Entitlements	400	45
	200	30
	100	15
	0	No Deal
Tax Increase	500	40
	350	30
	200	20
	50	10
	0	0
Student Loans	300	5
	175	20
	75	40
	0	50
Federal Housing Loans	500	No Deal
	350	5
	200	15
	50	35
	0	50
Increase Debt Ceiling	Yes	60
	No	-50

*Senate R*

✓

✓

*No deal*

*No deal*

*-no deal No deal*

✓

✓

*No d  
No d*

*No d*

✓

*No D*

✓

*No deal*

✓

Item	Selection	Savings	Points
Research			
Soldier Entitlements			
Tax Increase			
Student Loans			
Federal Housing Loans			
Increase Debt Ceiling			
Total			

## Michael E Plasmeier

---

**From:** Shikha Chetal <schetal@MIT.EDU>  
**Sent:** Monday, December 05, 2011 6:58 PM  
**To:** Shikha Chetal  
**Subject:** [15.665] Grand finale memo and your negotiation stories

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Dear Class,

This Thursday will be the last class for power and negotiation. Please make sure to:

Turn in your grand finale memo in class on Thursday. This memo is also one page in length and reflects on your experience and learnings in class.

Myriam and I have heard lots of fun stories related to this class from you all. We'd like to document a few of them. So, please take 2 minutes to share an anecdote or two with us through <http://tinyurl.com/83kpmoa>. Please do this by 5pm on Wednesday.

If you haven't already, Please pay for your simulations using this link:  
<https://copytech.jvcreative.com/readers/view.php>. If you are not sure whether you have paid, check with your TA

15.665 Team

# Power and Negotiation Survey

You don't have to answer all questions. 1-2 sentences max for any questions you choose to answer

**The highlight of this class was**

the simulations

**A negotiation I never would have attempted prior to this class...**

serious salary/comp neg

**My key take-away from this class is...**

practice and confidence

**Any fun stories related to this class?**

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11/12

Michael Plasmeier



## Newton Hospital Memo

In the Newton Hospital scenario, I played the role of John Demars, the Chief Operating Officer. As the COO, it was my job to preside over the meeting; I did not have a position that I was trying to push. As the chair of the meeting, I started the meeting by laying out the goals of why we were here. I then asked each party who they were and what their positions were. Each party started talking about where they saw cuts could be made and where they could not be made. Vickie, the head of nurses union, brought up the point of whether the hospital could take on more debt. After some back and forth, Bob, the CFO, relented and agreed to take on \$1 million in debt. After that, we still had \$2.5 million gap.

For the rest of the time, the discussion generally followed the pattern of circular logrolling, a term we learned about in class. Circular logrolling is *agreeing to offer concessions, while receiving some of your own*. Basically one party would propose a cut. Then the party that was being cut would then propose an alternate cut. After a lot of discussing we arrived at making a low cut in each of the departments.

Another interesting concept in this negotiation was the coalition between Diana, the VP of nursing, and Vickie, the head of the nurses union. They both claimed that they cared a lot about nursing and nurse recruitment/retention. On the other hand, they did not agree on everything. Diana was more willing to work out a deal than Vickie was. Towards the end of our scenario, we had a deal that 5 out of the 6 people had agreed to. I was ready to declare the deal done, but Diana was still trying to convince Vickie to agree to the deal. Diana pointed out that the deal was still giving the nurses a raise, albeit a 3% one, instead of 5%. In addition, Diana pointed out that the education programs which Vickie cared about were not being cut. After hearing this, Vickie added her support to the deal and we had unanimous agreement.



I think it was good that we got Vickie on board. I was ready to declare the deal done at 5 people supporting in, since I thought it was good enough, and we had Bob's support. However, it was good that we got Vickie on board because she could now be an advocate for us in front of the nurses union. We had also learned about the power of an advocate in class. The advocate can pull people to your side, giving you a big leg up in front of a hostile crowd.

15.665 Last Lecture

12/8

Grade on paper 84/100

L Kyle had 85/100 - so I don't feel bad about  
- But "lacks B6" - wish we left more in my grad

~~3300~~ work<sup>but</sup> word max  
- One group 90/100 - good job

---

\$ 20<sup>bill</sup> auction

- to highest bidder

- but 2nd highest bidder pays too

After 20 just bids up

Why can people not stop?

We will take great risks to avoid losing

Then to get a gain

ie \$5000 or 50% risk of ~~\$5000~~ \$10,000

most  
choose

②

Gov levying a tax \$5000 or 50% of \$10,000  
↑ must do

From economist POV - should be same!

---

Should understand other sides' POV

↳ are they losing something?

taking risks to avoid loss

Might seem ~~irrational~~ irrational

Are ya taking great risk to avoid loss

---

Once ya become aware of cognitive biases they lose their power

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## Review of Cognitive bias

Agreement bias - want to reach an agreement

↳ need ~~to~~ to remember BATNA

Fixed-pie bias

Anchoring effect

3

## Pretty Girl Clip

Should he have gone first?

He Does he go first?

Do he know the going rate?

Ask for quantity discount?

Or is goal a LTR - so don't care about \$

---

Not a good idea to say hah at end

## Road to Prediction

Winners Curse

## Attribution Bias - ~~It~~ in interpreting other's actions

We tend to overestimate the ~~and~~ role of disposition and underestimate situation

greed? or structural problem?

Why:

- i) we seek predictably
- ii) "Focalism" effect
- iii) culture



9

When someone ~~to~~ assigned students to write pro-Castro Essay - Other readers think person is pro-Castro - even when told the person was assigned it

- 
- ? People want world to be predictable + safe
  - Attribute ~~an~~ causality to what ever we see
  - ? More Western than Eastern

Problem: blocks you from connecting w/ other party

- less likely to try
- but you aren't figuring out situation
- you are anchoring on disposition

---

Power

Was ~~an~~ it forgotten in this class?

What is it?



⑤

- Position of strenght/
- Ability to make someone do something ya want
- Achieving your objective

Can be working together to make both stronger

- Morey: From money:

What are the sources of power in negotiation:

- Status

- Information

- BATNA ← huge

- Positional authority - inside a co

- Or connections

- Future business opportunities

↓  
- Relationships

- esp if integrative, mutual gains

- Since trust is key

- Location

- status game

- making you wait

⑥

- But you can gather up info
- Find their interests
- Time
  - Time pressed
- Personal power
  - Strategic capacity + flexibility
  - (creating ⊕) emotional dynamics
  - Info + Confidence
  - being a good listener
  - being creative
  - ~~building~~ being aware of cognitive biases
  - being able to set emotional tone
  - building relationship + reputation

Don't view world as pre-determined

---

Is power a sum?

Some aspects are (info on RP)

But not all

⑦ And its the integrative win-win thing again

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Split & assignment

---

A gets \$100

splits w/ B

Accept + reject

---

Rejections

50 - 50

↳ the loud guy in the class  
thinks more counts

30 - 70

↳ not fair

~~40 - 60~~

35 - 65

↳ only would accept 750

last class

20 - 80

offered + was rejected

Theoretically should accept \$1



⑧ Other values at stake: fairness  
Most people offered 50-50

Fairness is one of the most powerful arguments in a negotiation

- Convince opponent your offer is fair
- gives huge advantage

Q: What happens when more A?

- believes a limit

Q: Or if A earned the \$100  
LB's expectations might change

Q: Is this a Western thing?  
Findings consistent that most reject not 50-50  
- except some village in Peru  
- people accept 85-15 since A lucky to be able to split, B lucky to get more

Or when told A is a robot  
People accept anything

9

Q: How about when representing someone else

- Fairness / reputation matters for Co  
↳ in the industry

- Still extremely important both sides feel deal is fair

---

### Dinner Exercise

3 people - friends

A \$20

B \$10

C \$20 - MBA in dept

---

vs: even split - 20 each

Other group: You're the girl and the MBA student

B offered for a future favor  
- left it over

A few groups did pay for your order

(10)

20-20-20 v1 A paying tip

### 3 Principles of Fairness

1. Equality - even split
2. Equity - proportional to cost
3. Need-Based - proportional to need

Benore i) even split argument

ii) self serving interpretation of fairness

What is fair can mean diff things!

~~Bob~~ ~~Cognitive~~

---

### Freebies

Bubble-T One of the professors is having vendor

Sample day, -

Then next week ~~the~~ brought friend - said would like to try

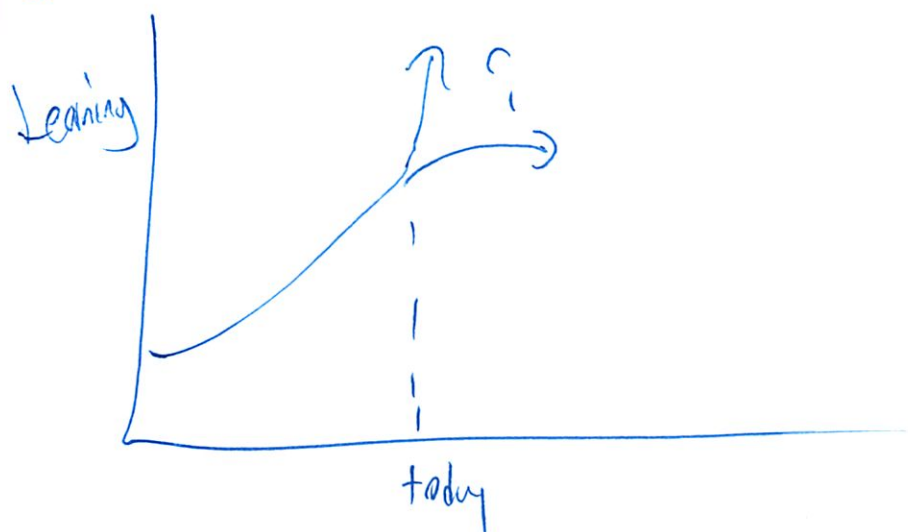
Closed the deal

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Break

Trivia contest

①



Try to distill key takeaways

Goals for improvement

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Write 5 takeaways, 3 things to work on, personal highlight

1. When to offer 1st

2. ↑ confidence

3. Rigorous thinking framework

4. Ask about interests

5. Logrolling - hospital

1. Planning out before starting

2. More confidence + experience

3. knowing possible ranges

1. i've not hotel still  
Running meetings

4. Not giving away

Oil mutual gains max



(12)

Everyone Has A #

Must divide each ~~rand~~ rand  
4 min each rand

Most #s b/w ~~70-75~~ 73-78  
Some ~475  
↳ I had 73

Who?

Lots on board

But I didn't see

( Mostly on 1 side of the room  
I asked a bunch of people to see their #  
Ended doing 70-30 swap w/ (Cassandra) - not many showed  
who had 78 people were coming out

I had proposed swap

But did it right before time  
Swap = indication of high #

13

## Others

Once #s on board ~~can~~ could understand range  
↳ he did not intend

In most cases high people dealt w/ high

Ask people how many digits

Could to keep your own points

---

## Round 2

Had 1077

ever split w/ 1077 gy

After seeing his paper

How do you get a feel about person's #?

People more enthusiastic/cautious here

- did anyone try to fake

(14)

Esp in ~~the~~ long game  
- no incentive to cooperate

Immediate 1st reaction  
- try to read

---

3rd card (skipping)

Only a few high # people  
Odd # of high # people

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If a low knew was dealing w/ high  
Then negotiate for split

\* Signal what you have by what you say

Play RPS (Rock Paper Scissors) - is 50-50 chance to  
get all when you are low

Time can give lows power  
- run at clock  
- high has to agree

(15)

So highs don't want to get locked in to ~~start~~ discussion

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## Feedback

Offer a prize for highest #

Or can only talk to X people

Need to tell people high/low

Or have a ~~all~~ few very high #s

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Linked In Group