

New Recruit

Teaching Notes

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Note: The salary ranges were increased on the 2004 CD. No points were changed.

This exercise can be used to introduce the concepts of *bargaining zones*, BATNAs, and the importance of *updating* information during the negotiation.

Logistics

There is an excel spreadsheet in this file folder that you may use to post results.

BATNA: Decide what you want to do about BATNAs. There is no BATNA mentioned in the original role of candidate or recruiter. You may alter the simulation such that half of the negotiators have a "high BATNA" of 4,500 points while others have a "low BATNA" of 2,200 by handing out the urgent messages in the file folder. If you use the urgent messages, you should randomly assign these BATNAs across recruiter and candidate roles. This mixes parties relative power and is addressed in the last debriefing point below.

Pairings: New Recruit is a one on one exercise. Assign students to the role of either the recruiter or the candidate. Give them their role information and the payoff matrix.

Preparation: The role material can be handed out prior to class for preparation or because it is simple enough, preparation can be done in 30 minutes of in-class time.

Negotiation: Allow 30 minutes for negotiation. If they reach an agreement, they should complete the *contract* form (included with the recruiter's instructions) and both parties to the agreement should sign the form.

Post results: When students return to the classroom, have a mechanism for displaying the class results of

the negotiation. Generally, this takes the form of an issue (8) by dyad matrix¹.

Debriefing

Types of issues and types of agreements: There are three different types of issues in this negotiation: distributive, integrative and compatible. The distributive issues are starting date and salary. The integrative issues (ones that are differentially valued by the two parties) are bonus (highly valued by candidate), vacation (more valued by the recruiter), moving expenses (more valued by the candidate), and insurance plan (more valued by the recruiter). The two compatible issues (ones for which the parties want the *same* outcome) are job assignment and location. Based upon past experience, about twenty percent of the dyads will not discover the compatible issues.

So, the first discussion centers on the reasons why individuals did not discover these compatible issues. Did one party use these issues strategically? Did that backfire? What were the assumptions of the parties? The answer to this is that individuals usually expect that their interests in a negotiation are mutually exclusive. As such, they never bother to test that assumption.

In terms of maximizing their symmetrical joint outcomes, each party should give up on the integrative issues that are less important and gain on the issues that are more important. Trading off in this manner, getting the compatible issues, and splitting the difference on the distributive issues will result in a joint outcome of 13,200 points. Simply splitting the difference on each issue will result in a joint outcome of 4,400 points. Thus, the advantage of allocating these resources efficiently (and avoiding leaving "value on the table") is obvious.

¹ Please note the New Recruit Spreadsheet

Targets and resistance points (walk aways, bottom lines, reservation prices). Ask if in planning for the negotiation, did the negotiators define their "bargaining zone" by setting resistance points and target points? That is, did they decide before the interaction began just what they were willing to accept in this negotiation or did they let the other party's behavior determine what they thought was a reasonable outcome? The discussion here should center on the importance of setting a "bottom line" and a target so that you can evaluate various proposals made by the other in a somewhat objective manner. Walking into a negotiation without sufficient planning sets the negotiators up for failure. Without planning, the parties can really only evaluate if they got an agreement or not – they have no information on which to base an evaluation of either the quality of that agreement or when to walk away from a negotiation.

BATNA. The final component of the debriefing is emphasizing the importance of knowing *your* Best Alternative to a Negotiated Agreement (BATNA) as well as finding out as much as you can about your opponent's BATNA. A nice way to get into this line of questioning is to ask what information negotiators should use to set their targets (the other party's BATNA) and their bottom lines (their own BATNA). Unless the urgent messages were given, the BATNA in New Recruit is zero points for each party. That is,

if the parties cannot reach an agreement, neither party will collect any points. Whether or not there are other candidates or recruiters out there who would be potential negotiation partners is unknown. Commonly, students will not view the "0" points as the BATNA. Because of the wide adherence to a "split-the-difference" strategy for resolving disputes, many individuals will assume that their BATNA is 2,200. Or others might go beyond the information in the case and develop "phantom" BATNAs. The strategic implications of each of these should be addressed. What are the potential costs and benefits of each of these?

Relative power. Finally, in discussing BATNA, the issue of quality of BATNA and relative power may be raised. In fact, if you randomly assigned half of the negotiators have a "high BATNA" of 4,500 points while others have a "low BATNA" of 2,200 you are likely to observe that negotiators with higher BATNAs do significantly better in the negotiation than do those with low BATNAs. Ask students why this is.

Note: In the *Outside Offer* folder on this CD, there is a version of *New Recruit* that alerts students that they will be negotiating again in the future. If you will be using *Outside Offer* as well, use the version of *New Recruit* that is in the *Outside Offer* folder on this CD.

POINTS SHEET

ISSUE	OPTIONS	RECRUITER (points)	CANDIDATE (points)
Bonus	10%	0	4000
	8%	400	3000
	6%	800	2000
	4%	1200	1000
	2%	1600	0
Job Assignment	Division A	0	0
	Division B	-600	-600
	Division C	-1200	-1200
	Division D	-1800	-1800
	Division E	-2400	-2400
Vacation Time	25 days	0	1600
	20 days	1000	1200
	15 days	2000	800
	10 days	3000	400
	5 days	4000	0
Starting Date	June 1	0	2400
	June 15	600	1800
	July 1	1200	1200
	July 15	1800	600
	August 1	2400	0
Moving Expenses Coverage	100%	0	3200
	90%	200	2400
	80%	400	1600
	70%	600	800
	60%	800	0
Insurance Coverage	Plan A	0	800
	Plan B	800	600
	Plan C	1600	400
	Plan D	2400	200
	Plan E	3200	0
Salary	\$90,000	-6000	0
	\$88,000	-4500	-1500
	\$86,000	-3000	-3000
	\$84,000	-1500	-4500
	\$82,000	0	-6000
Location	San Francisco	1200	1200
	Atlanta	900	900
	Chicago	600	600
	Boston	300	300
	New York	0	0