



## ***Seven Elements Negotiations Preparation Worksheet***

### **1. Alternatives**

*Alternatives are actions you can take without their agreement, including agreements with other parties, self-help, or maintaining the status quo.*

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#### ***Initial Offer for Negotiated Agreement***

- *Pay to HackerStar 10-15% of the royalties on PowerScreen and split those royalties with Stanley Star 50/50.*
- *Support a reasonable number of new products as Alan Hacker develops them.*
- *Allow Alan Hacker the time and latitude for R&D to develop new products.*
- *Increase HackerStar's advertising support for new products. (\$50,000)*

List **your** Alternatives? (Circle your BATNA)

Alternatives to NA – Hacker can (in no particular order):

1. **\*\*BATNA\*\* Hacker can agree with Stanley Star and allow all HackeStar to collect all royalties paid by Jeremy Gate's group and split those royalties 50/50 as Stanley Star requests. In exchange Star must agree to draft an invention agreement that modifies and supersedes Paragraph 4 of the Alan Hacker's Employment Agreement. This modification would expressly allow Alan Hacker to engage in side projects and clearly defines the terms, conditions and ownership rights of each party.**
2. Sell his interest in HackerStar to Stanley Star and start another company.
3. Buy out Stanley Star's interest in HackerStar.
4. Partner with Jeremy Gate's group to buy out Stanley Star's interest in HackerStar.
5. Hire a General Manager to run HackerStar's day-to-day operations allowing Hacker more time for new product R&D.
6. Petition for involuntary dissolution of HackerStar corporation.
7. "Run out the clock" on his 8-year contract with HackerStar then dissolve the company or sell his interest to Stanley Star. Draft an invention agreement, covering the remaining two contract years, that clarifies the terms under which he can develop new products as personal projects.
8. Do nothing and risk a total meltdown of the company at the risk of losing employees and customers.

Ways to improve your Alternatives?

- Talk to Stanley Star's attorney before formal negotiations begin and try to better understand his client's point of view.



## Elective Negotiations

- Talk to Stanley Star's attorney before formal negotiations begin and try to better understand his client's point of view.
- Talk to HackerStar counsel, Dale Levinson, to get more insight about Stanley Star's personality, perspective and potential hot buttons.
- Talk to client Alan Star to determine if his stance can be softened.

List **their** Alternatives? (Circle your estimate of **their** BATNA)

1. Sell Stanley Star's interest in HackerStar to Alan Hacker and move on.
2. Buy out Alan Hacker's interest in HackerStar.
3. Accept less than 50% of the PowerScreen royalties from Jeremy Gate's marketing group and recognize Alan Hacker's contribution as the inventor of PowerScreen by allowing him to keep a larger portion of the royalties (60/40 in favor of Hacker?).
4. Agree to hire a General Manager to run HackerStar's day-to-day operations and consent to allowing Hacker more time for new product R&D.
5. Agree to increase the advertising budget. This can be done for a limited time with milestones for a measurable impact on revenue. Agree to experiment with various advertising tactics to determine which have the best impact on revenue.
6. Petition for involuntary dissolution of HackerStar corporation and move on.
7. Do nothing and risk a total meltdown of the company at the risk of losing employees and customers.

Ways to test their Alternatives, or if appropriate, worsen?

- Hacker can refuse to sell PowerScreen and possibly put it in the public domain. There will be no royalties to fight over and Hacker would still get public recognition of his programming skills.
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## 2. Interests

*Interests are a party's true needs, concerns, desires, hopes, and fears; they may or may not coincide with the stated positions.*

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List your **client's** interests?

- More money allocated to advertising.
- More time for researching and creating programs
- Public recognition of his programming skills



## Elective Negotiations

- Larger share of revenue from Alan Hacker's personal projects.
- General manager to run day-to-day operations.
- Growth in sales.
- Expanded marketing opportunity by leveraging Jeremy Gate's organization.

List their likely interests?

- Highest revenue with minimal risk.
- Revenue from all of Alan Hacker's efforts.
- Lowest advertising expenses.
- Minimal management involvement.
- Growth in sales.
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List possible mutual interests?

- Keeping HackerStar intact and growing.
- Highest revenue with minimal risk ("minimal" must be defined to find "optimum" risk/reward mix)
- Increased sales revenue.
- Balanced revenue from Hacker's efforts.

### 3. Options

*Options are the various things to which the parties to this negotiation could agree.*

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List possible options for each issue or major interest:

Issue #1 – PowerScreen revenue distribution

- Compromise on royalty distribution.

Issue #2 – Hacker R&D time

- Invention agreement allowing Hacker specific times and terms to create new products. Clearly defined "personal time".
- Explicit permission to use HackerStar's systems for experimentation and development in exchange for a percentage of any revenue generated by the results of that experimentation.

Issue #3 – Ownership of Hacker's inventions



## Elective Negotiations

- Invention agreement explicitly defining the rights of Alan Hacker and Hacker/Star regarding any new products (“inventions”) created by Hacker..
- Distribution of royalties from new products

Issue #4 – Increased marketing and advertising budget

### 4. Legitimacy/Criteria

*Legitimacy is the way in which an agreement can be viewed as fair or justifiable, based on relevant objective standards, principles, norms, or criteria.*

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Identify possible relevant standards/norms/criteria for each issue:

Issue #1 – PowerScreen revenue distribution

Issue #2 – Hacker R&D time.

Issue #3 – Ownership of Hacker’s inventions

Issue #4 – Increased marketing and advertising budget

### 5. Relationship

*Relationships include that between the parties at the table as well as those with other interested parties, such as clients, colleagues, and constituencies.*

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What relationships at stake in this negotiation?

1. The partnership of the founders Alan Hacker and Stanley Star.
2. Alan Hacker’s relationship with Jeremy Gates.
3. HackerStar’s relationship with its customers.
4. HackerStar’s relationship with its employees.

What is the current status of each relationship?

1. The founders presently have a strained relationship.
2. Alan Hacker’s relationship with Gates appears to be neutral at this point.



## Elective Negotiations

3. Currently, HackerStar's relationship with its customers seems to be okay but continued infighting may siphon energy from Alan Hacker resulting in a negative effect on customer relations.
4. Continued infighting will negatively affect company culture and may cause employees to look for employment elsewhere.

What is the preferred status of each relationship?

1. The founders should have a mutually supportive relationship that puts the interest of firm above personal interests and bias (against marketing/advertising).
2. Alan Hacker's relationship with Gates should be preserved and strengthened.
3. HackerStar's relationship with its customers should be deepened and expanded.
4. HackerStar's relationship with its employees should be reassuring and seek to deepen their loyalty to the firm.

If a gap exists between the current and preferred status, what are possible causes?

In light of these causes, what steps might you take to change the current relationship to the preferred one?

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## 5. Communication

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*Communication includes any verbal or non-verbal signals that convey meaning between parties.*

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Things to say or disclose?

Things to disclose carefully or not at all?

What are some things to listen for or questions to ask?

- Listen for a softening of position on Stanley Star's demand for a 50/50 split on royalties for PowerScreen. If not indicated specifically ask "How wedded is Stanley Star to the idea of a 50/50 split on PowerScreen royalties?"
- Does Stanley Star want to end the partnership and dissolve the company?

- Is Stanley Star interested in exploring the idea of allowing Alan Hacker more time to research and develop new products?
- What do you (Star's attorney) think about hiring a manager or increasing the sales staff?
- Is Stanley Star satisfied with the performance of salesman Jim Sparks? If no, should he be replaced with someone who is open to ?
- What are some of Star's ideas to increase revenue?
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What are possible communication problems/barriers? What steps can be taken to avoid/overcome barriers?

## 7. Commitment

*Commitment includes the manner and level of agreement on some or all issues.*

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Your authority to commit?

Their authority to commit?

What level of commitment do you want?

- No commitment?
- Joint recommendations?
- Tentative agreement?
- Agreement regarding process or future meetings?
- Firm, signed deal?

What steps can you take to make the agreement operational and durable?