

15.067 Spring 2003

Assignment #9

READ:

Read Thompson's discussion of contingency contracts in Chapter 4 **Strategies that Work**, pp. 70-72.

Betting on the Future: The Virtues of Contingent Contracts by M. Bazerman and J. Gillespie.

Think about how you might possibly employ Raiffa's approach to two party negotiations as outlined in his Lectures on Negotiations.

PREPARE:

1. *Jessie Jumpshot*

The Women's National Basketball League (WNBL) is fast becoming a TV challenge to the NBA. Jessie, a star center for the Cincinnati Five-Ways is in the running for a possible slot as center for the Boston Sharks. Read the case and prepare answers to the questions about contract negotiations between Jessie, the Boston Sharks and Jessie's agent. We will discuss the case in class before beginning negotiation.

Questions to think about:

1. What is the Sharks' BATNA in their negotiations with Jumpshot? What is their reservation price? What is Jumpshot's BATNA? What should Jumpshot instruct her agent to use as their reservation price? Is there a ZOPA, and, if so, what is it?
2. For this question only, assume that Jumpshot derives additional utility (beyond any monetary compensation) from winning the championship. Directionally, how does Jumpshot's reservation price change if she believes that the Sharks (with her on the team) have a greater likelihood of winning the championship than the Five-Ways (with her on the team)?
3. During the negotiations, the Sharks get the sense that they have different beliefs than Jumpshot about the likelihood of winning the championship and the value of the merchandising profits. Should they reveal their true beliefs on these issues to Jumpshot? If so, how and when?
4. What are the key barriers that might prevent the parties from achieving value-creating opportunities in this negotiation? What can the Sharks and Jumpshot do (either together or on their own) to minimize or eliminate these barriers?