

[SQUEAKING] [RUSTLING] [CLICKING]

PROFESSOR: Great. As I mentioned at the beginning, the second part of today is going to be on negotiation skills. Assuming you can present well, eventually, you'll then have to engage with the people that want to know more. And there are skills that can be learned about that. We have Mindy Garber, who's done this a number of times. I'm going to let Mindy, like others that have presented, introduce themselves. And I hope you enjoy this. And I know you'll get a lot out of it. So, Mindy.

MINDY GARBER: Good evening. And welcome. And thank you for coming. Most ventures fail because of people issues and are really a failure of the relationships among the team members. So that quote was an inspiration for this workshop. And here's the original paper that it came from a while ago. But it's just as valuable today as it was when it was first written.

So negotiation is a skill that you're going to need your whole life, from when you start the company to the life of the company. It's a way to build relationships with people and have conversations. I'm Mindy Garber. I'm class of '82. I'm both an engineer and a mediator. And I tell people, the difference between engineering and mediation is, as an engineer, your job is to gather all the facts and try to make the optimal solution.

As a mediator, you're trying to help people have a conversation that they couldn't have before. And you're trying to help them communicate with each other and help them figure out why they-- to help them solve their own problems. So that's how I got into it. I got into mediation because really, after financial issues-- I helped start a company that does speech recognition.

After financial issues, getting along is really the hardest part. And I've seen a lot of companies fail not because of technology problems or financial, but because the two founders couldn't get along. And that leads to a lot of wasted IP. And so anything that we can do to help companies be successful and monetize their IP is something that will be a good thing for the US economy.

So this course is very interactive. And the people on Zoom, you don't get a buy on this. There's stuff for you to do, too. Please raise your hand. And for now, could everybody get a partner. And if it's the person that you are a co-founder with, that's fine. But for now, you're just going to be co-founders. So please, please pick somebody else because, otherwise, this class will be no fun. All right.

OK.

All right. That's one way to get people to move. It's so funny because, when I was a student, I always would sit in the back, too. And now, I get it. It's like, please, please, if you want, come forward. OK, all right. So the agenda-- we're going to talk a little bit about negotiation. We're going to talk about when you start up negotiations. And when you're starting up, it's you're negotiating with your co-founder, with the intercompany, and intercompany between other companies. And then we have a bunch of role plays along the way. And we'll do a debrief.

So there are many schools of thought of negotiation. But basically, there's two kinds of ideas. There's the idea that it's either win-lose or it's more of a collaboration. If it's a win-lose, you're trying to get as most-- you think it's a zero sum game. I win, you lose. If I get something, you lose something. And also, you don't really necessarily care about the relationship between the people.

But if it's a collaboration, and it's two people working on the problem together. So my whole philosophy is all based on getting to yes. And I took the program on negotiation at Harvard, which I highly recommend. So it's a joint effort. You're collaborating. It's a problem for two people to solve. And you do care about the relationship.

And I know that Joe has a million stories, too. There is no such thing as one and done. People think, oh, I'm just going to do this. And I'm never going to see this guy again. Well, we both have a lot of stories, if there's time at the end, to tell you what you negotiate today may come back to haunt you, even if it's the person goes to another company and decides never to buy your product again. You will always meet people again. And so being a principled negotiator is a very important thing. Your reputation will precede you.

So the first thing to think about in a negotiation is, for you, what are your interests? What are your needs, and goals, and hopes, and fears? What is it you want? Because a lot of people, when I'm in mediation, and you ask people, OK, well, what is it you want? People have no idea. They haven't really thought about it.

It's like, well, how can I how can you solve your problem if it isn't-- you don't really even know why it is you're doing things. And having your own interests and understanding them really leads to having options. If you know what you want, you can say, well, there may be a lot of different solutions to getting it.

So I just put this picture in. This is a stereotypical negotiation. It's like, people have positions. I want \$500. And then if you ask them why, why do you need \$500? They'll say, well, you drove over my fence. And it's going to cost \$500 to fix it. So that's the interest, is that I need to fix my fence. And I could say, well, my brother fixes fences. And he'll do it. And he'll make it as good as new. And you won't have to pay anything.

So now, I've had an option. The options are all the things that solve your interests that you may not have thought of. So typically, as an engineer, we come in and say, here is the right answer. We need to program this in C++. And then you'd say, well, like why? They say, well, if I have to learn some other language, it'll take me six months to learn that language. But I already know C++. So I can do it in three weeks.

I teach a moderating design dispute in one of the design courses, 2009. And it's really just helping people understand why people want what they want. OK. So now, we're getting to the negotiations. So the first things you're going to do is talk amongst yourselves. Then you're going to have negotiations within your company as it grows. And you're going to have to talk to people outside your company-- not just your not just your customers, but your vendors, your people that you work with and collaborate with. So you're going to have all kinds of negotiations.

We talk about the kinds of negotiations the founders should have. And I've divided into three parts. One is first questions. And we'll get to these in details. Everybody's heard of a founders agreement. And we'll talk a little bit about that. And then there's the team agreement. So first questions are really why are you doing this, what does success look like, and what are you giving up to do this venture?

And I think the third question is really one of the most important, because people will say, oh, I'm giving up grad school. Or I got this great job with Google, but I'm giving it up to work on this. And it's really important to know where people come from. So what I'd like you to do is, for about two minutes, with your co-founder-- don't give information that's secret to your company. But ask each other these questions and answer them.

Now, what I want to also stress here is the person, when you ask your co-founder, why are you doing this? They're going to give you some answer. Instead of just moving on, we're going to practice active listening and just reframe it and say, so you are doing this to further the science in your field, whatever it is. And this way, both sides feel heard. And we're going to ask and answer these questions. OK? You've got like two minutes or three minutes.

OK. How are we doing up there? Let's stop for a minute. How many of you are planning to found a company with another person? Please raise your hand. So keep your hands raised if you have already had this discussion. OK, one person. So what you're doing here is you're finding out each other's interests. I have my slides in the wrong order. So I'm going to skip a slide. But I will come back to it.

So what I tell people to do is-- this is called the circle of interest, where you write a circle, and then you put a little stick for each person and write their interests down. And the reason you do this is so that you literally get all of your interests on one page. So this is what I did. I mentored a startup. And we sat. And I actually asked them the questions. And I took down their answers.

And you can see, one of them is I'm trying to solve a problem that's been identified but not yet solved. I want to learn about tech. I don't know about tech, but I wanted to challenge myself. I want to challenge myself to learn something I know nothing-- I'm good at detail. And I want to keep expanding my skills.

And the other founder said, well, I want to be a successful entrepreneur. I want to show how a successful venture can change the format or help a certain section of people and be a profitable company. So they gave me all these things. And I wrote them down. And then I looked at them. And I said, oh, so have you heard-- you haven't heard anything that you haven't heard before right here?

And they kind of gave me a very sheepish look. And they hadn't discussed it because they had a great idea. They both wanted to do it. But they didn't know why the other person wanted to do it. So I feel like this is-- well, let me ask you this. Do you think this is important when starting a company?

So let me go back to this slide that I skipped because I went back and forth what order these things should be in. And this slide I added because, pretty much after every one of these lectures, people say, well, how do I know who's a good co-founder? How do I know? How should I pick them? And the thing is this is where I call the discussion that you have your honest assessment.

What skills do each bring? And what are our personalities? To really discuss, like oh, I really love being in front of people. And I will talk people's ears off, whereas some people are like, well, maybe that kind of function, you should take over because I'm not so interested in doing that. But what I am not saying is, let's just say you're two mechanical engineers. And you have an idea for a widget.

I am not saying you should not form a company together because you have the exact same skills. What I am saying is that, when you form your company, you know your skill set. And you're going to say, oh, we will need additional skills to help this company. So it's not saying who you should and shouldn't be with as far as your technical skills. It's just understanding that there's a lot of skills needed to start a company. And knowing which ones you have and which ones you don't have are really important.

All right. So the next one is the founders agreement. And I'm not going to spend too much time on it because there are lots and lots of books written. In fact, even MIT has a book on how to write a founders agreement. But basically, it's just covering who owns what, who did what, who's contributing what, and your very favorite, the equity discussion. How many people are looking forward to having an equity discussion with their co-founder? OK. You already had it? You guys already had your equity discussions? No, the people-- oh, no. You're just-- OK, fine. All right.

And the most important thing is what happens if one founder leaves. And that's a really-- like. OK, I decided I am going to grad school and see you later. And having these discussions and writing everything down. And the thing with equity is like, suppose I'm the inventor and the other person is the business person. And we're like, oh, we could form a company.

Well, at the beginning of the company, I'm doing all the work. And maybe as the company goes on, I do less and less and people take more and more. So it's really about what your contributions are, what are the values of the contribution you make to the company, and being able to just have a real discussion. What does it take to put this company together? And who's going to do what? And what are the pieces? And what are the values of the pieces? So this is just something that you're going to have to talk about. And again, there's lots of literature to help you.

So the last thing is about the team agreement. So what is a team agreement? So anytime two or more people work together, it's a team. So I do a lot of co-mediation. And that's a team. And the agreement is, how are we going to work together? And I think all companies have it. But it's like this secret thing.

When you go work for a company, it's like, oh, who knows this? How do you get that done? How do we communicate? Which Slack channel are we supposed to be using? All the things that you have to learn as a new employee, you could actually write down in advance and create the culture for your company that you want.

And MIT really does push having team agreements. I'm a mentor for the UPOP program, which is Undergraduate Practice Opportunities. And on the first day, they have to write an agreement on how they're going to interact with each other-- so the kind of corporate culture you want, what are the roles, and how decisions will be made.

So the first thing is the culture. Now, there's company ethics. And of course, we can argue Google did have its original ethics, don't be evil. You might argue, well, maybe now it's be less evil than everyone else. But they did have one originally. And what do you expect for people to do? How are you expecting people to behave to each other?

And again, as you start your company, if you don't think about these things, your first employees are going to create the culture for you. So this is your chance to do two things-- set up the kind of culture you want to work in and you want others work in and also have a way to communicate it with each other.

So this is like, how are you going to interact? How are we going to have meetings? So I just co-founded a venture which is a nonprofit that were really just teaching workshops. And I set these things up. We're going to have a Monday morning meeting. And we're going to talk about the following things. And how are we going to plan? And how are we going to share and collaborate? And just even saying, OK, we'll use Google Docs, or we'll use Slack, or whatever it is is important.

The other thing is next we have roles. Who's going to do what? And how are we going to be accountable to each other? So how are we going to manage it? How are we going to understand what's going to happen? And again, this does two things-- not just sets the stage, but it also gives you a way to communicate.

Hey, in our team agreement, we said that we would have our meetings Monday at 3 o'clock every Monday. And maybe that's not working now. Or you seem to be not available every Monday at 3 o'clock. So it's giving you the language to talk to each other instead of accusing each other or whatever. These are things you've agreed to. You can change them. And that's the other thing, is all these things should be revisited, everything that you do. I have a co-founders check-in every six months or so. How are we doing? And it's really not about what we're doing. It's about how are we working together as a team.

OK, so the last thing is, how will the team make decisions? And what will you do if you disagree? So I'm going to give you two minutes to talk to your co-founder. First of all, the people that are co-founding, how many people have 50/50 agreements, like we each own half the company? OK. So assume that your co-founder, you're all 50/50. Have a discussion with your co-founder. What can you do when you disagree on something? I'll give you like two minutes.

OK. Raise your hand and I'll call on you. Who has some suggestions as to what to do, what to do if you can't agree? Raise your hand.

STUDENT: Give each other some time to discuss over what was being discussed and the points for it. Probably afterwards talk to each other together in a room, or go-- if preferred-- for coffee or eat something, and then discuss honestly. But everything should be honest of what their opinion was and how they think they could come together to a probable solution. But the conversation should entirely be honest. Once we exit the room, there should be nothing that's held back so that with a collective vision we can move forward from that problem because there are many others to come.

MINDY OK, so step back, think about it, and have a real intense discussion. Who else has some other ideas?

GARBER:

STUDENT: So I think it also depends on at which point of disagreement you are. If it is a point of blockage of the business, potentially one that will impact the growth of the business, it has a point that will have a form of resolution. So in the past, that level of disagreement, I've put in the agreement from the beginning, basically a Wesleyan approach. We will agree to disagree. And this is what we will do. Prior to that, you should try to not be at that level and then try to get some form of mediation-- so finding a neutral ground, going to a movie, or sharing a meal is one thing. But maybe as the business is more mature, finding ways to not get to that level of disagreement and how-- if there's not an imbalance of power, how you can get a joint decision?

MINDY OK, good. Over here?

GARBER:

STUDENT: So one thing that we were talking about is if we really disagree on something, that we should find an unbiased person that would-- like a consultant-- that would help us. And we should agree that we will go with the opinion of that unbiased person that is an expert.

MINDY OK, a consultant. Great. Are there any other ideas? Oh, they're back there.

GARBER:

STUDENT: So we also talked about the type of decision that we're making. So if it's a one-way type of decision, so it's very hard to come back or take it back, then we discuss another, only we go through the-- we put a lot of investment. And we come up with a decision together-- either we can also look for outside guidance or something like that.

But if it's a two-way decision, so we can make it, and then it's not that hard to come back from that decision, we can just evaluate and just make the decision. For example, what is the [INAUDIBLE]

MINDY OK, so the severity of the decision, make it and see how it goes. Good.

GARBER:

STUDENT: Just to summarize that a little bit, yeah, if we have a one-way decision, where it's like, once we go back from it-- or once you go through with it, you can't come back from it, just take it a little bit of the way, and then see how it goes, and then go from there. And if it doesn't work out, go with the other person's opinion.

MINDY OK, so decide. And then maybe you can back out if it's not good. So there's the get advice from an expert or MIT
GARBER: Venture Mentoring kind of people, consultants. Some companies take turns being the decider. So I have another workshop that I used to teach called Helping Small Businesses Avoid Court based on all of the mediations that I had done.

And so I also do arbitration, which is where I'm the decider. So I talked to one of my lawyer friends. And I said, oh, you've done a lot of litigation with small companies. Can you tell me-- I'm working on this workshop. Can you help me? And he looks at me. He says, never, ever let anyone be 50-50. Make it 51/49. And then he starts telling me all the court cases that he had where he sued the other partner.

And at one point, there was like the two partners got in a fight in the courtroom. And so he's like telling me, doing that. And I laughed at him. I said, you know, it's funny you say that but 100% of the people that I've ever met are 50/50. So we better give them the tools so that they can avoid you, so they don't wind up being at lawyers. So that's where this has started out from.

OK, good. So now, we're going to get to the role play. And I need a couple of volunteers. So in your pairs, one of you is going to be the inventor, Sandra. And one of you is going to be a student. And this is a true story. This happened here at MIT. And Joe knows the people involved. And I know the people involved.

Sandra has invented a very inexpensive way to process crude oil. So I have three slides. I used to hand out pieces of paper for people to read. But I need volunteers to read the slides. So do I have a volunteer who will read one slide? Thank you. Then you'll do read the second one. OK here we go. Read this slide, please.

STUDENT: What?

MINDY I know. It's cheaper than handing out paper that no one wants.

GARBER:

STUDENT: Do you want me to verbatim?

MINDY Yes, verbatim. Just read it.

GARBER:

STUDENT: OK. Ready? Sandra has a prototype. But it can only process 1 cup of crude oil at a time. Several undergraduates heard about this invention and were introduced to Sandra. They hit it off. And somehow, it was decided to enter the 100K competition and perhaps start a company.

The relationship between the inventor and the undergraduates was never documented. But the undergraduates began working intensely on writing a business plan. They didn't stop there, though. They made connections with executives at large oil-processing companies, who, of course, were very invested in the invention.

They put in a tremendous amount of work in this venture, sometimes to the detriment of their regular classwork. Just before the competition however, Sandra is thinking about pulling out, saying that her invention isn't ready. This would leave the students disappointed and frustrated that all the work has been for nothing.

MINDY OK, next one.

GARBER:

STUDENT: It's so small.

STUDENT: Sandra's invention can only process 1 cup of crude at a time. And she isn't sure how to scale it up or even if the process is scalable. She has no written agreement with the students. And she isn't even sure that students are capable of starting a company. In the end, though, it is her invention. And she feels that she can decide what to do with it.

MINDY All right, I need one more reader. Does anyone else want to read one? OK.

GARBER:

STUDENT: They are in awe of Sandra. She has a PhD and has invented something that could be really useful and profitable. They're hesitant to bring up uncomfortable subjects, like agreements, with her, assuming that it will all work out after they have proven to her how much effort they're willing to put into make the company a success.

They can't understand her reluctance to move forward faster. When they get a company executive interested, she doesn't seem that excited to speak with them. Also, she doesn't seem to really want to show her invention to anyone, even though, from the outside, it just looks like a black box. And no one would be able to see the inside process.

MINDY OK, so one of you is Sandra. And one of you is a student. But first of all, I'd like you to discuss, what are your interests? So take a couple of minutes and tell each other what your interests are. And actually, you can think about the other persons, too. So if you're a student, you can think, oh, maybe Sandra might be interested in this. So think about the interests of both Sandra and the student. And I'll give you a few minutes.

People at home, write down all the interests that you can think of for both Sandra and the students. We're going to fill our little interest thing. I can't do what you're saying. But OK, let's start with the student's interests. And she's just going to hand it-- people in the corner, just say something, a student interest, and then hand it to the person next to you.

STUDENT: Student interest-- it's fun and exciting. It could be a cool experience for them as students.

MINDY OK, so they want a fun experience. Next, as the student.

GARBER:

STUDENT: Student or Sandra?

MINDY OK, we could say Sandra, whatever.

GARBER:

STUDENT: I think Sandra's interest is inventing a genuinely useful technology and wanting to protect her IP.

MINDY OK, wanting to protect her IP.

GARBER:

STUDENT: It seems like the students really want to raise money to be able to scale up this new invention.

MINDY So why do they want to raise money? What are their interests?

GARBER:

STUDENT: Might just be end goal would be to create a profitable venture for them.

MINDY Profitable venture, OK.

GARBER:

STUDENT: For Sandra, I think she only wants to put a product out there that she is sure is scalable and viable.

MINDY So she's worried about her reputation. Do you want to hand it down to the next row?

GARBER:

STUDENT: This next one right here. I won't repeat what they phrased, but for me, I would say that these students are more concerned of the process. And Sandra is more concerned about the result.

MINDY So the students want to get experience in starting a company. And Sandra's really worried about her reputation

GARBER: and being able to build a valuable thing, a valuable product. So does anybody else have different things, if you have different things? OK.

STUDENT: This is mean. But maybe, because the students also spent a lot of time on it, it was detrimental to their schoolwork, according to the text.

MINDY What are their interests, then? Are they avoiding work on purpose? Like oh no, I can't do my homework. I have to

GARBER: work on this project. I mean, what's an interest?

STUDENT: Maybe it's also like a sunken cost kind of thing, where they spend time on this. And they could spend their time on their work instead. And they want to see something come out of it.

MINDY So they want to return on their investment?

GARBER:

STUDENT: Yeah, of time.

MINDY Of time, OK. Are there other ideas? OK. Actually, go here first, and then back. Oh, OK. That's OK. Go ahead. That's fine.

GARBER:

STUDENT: It sounds like Sandra is interested in just keeping control.

MINDY OK, so she is interested in control. OK. Anyone else on this line? OK.

GARBER:

STUDENT: Well, yeah, so Sandra is focused on developing this technology so it's available, able to use it as a consumption. But students, they're-- I was thinking they're undergrad students. And I think one of the interests-- they need to find an internship [INAUDIBLE] and they would like to put this into their resume eventually. So their focus seems a little different.

MINDY No, this is good. So possibly, they just want to put it on their resume. But maybe they want this to be their career, their job. Maybe they're just like, oh look, if I do this and it's successful, I have a job coming out of school. And I can do something that's worthwhile. So are there any other things that you felt weren't covered? OK.

GARBER:

So over the years, we've collected a bunch of things. And actually, from the real people, too. But here, so the students-- and again, this is not the right answer. You guys had answers. I mean, when you're thinking about people's interests, you don't necessarily always get them right. And

Even when I'm in a mediation, I'll say, so you're interested in this? And they'll go, no, I'm not interested in that at all. But I am interested in y. So again, this is not the right answer. These are just things that have-- since I couldn't really do it live, things that people have thought up over the years.

There's a career path with the company, the students. They are learning to talk with executives. I mean, they're talking to senior executives at oil companies. They are bringing a new technology that will help the world. So they're like, wow, this would be really great. If we could really cut down on what it takes to process crude oil, maybe we would save a lot of energy. Obviously, money and career.

And for her, she wants to protect her IP, which you said about that, that she wants control. But she also is very concerned about her own reputation in the field. She doesn't want to say, oh, I have this, because scaling up from 1 cup to a million gallons a day is not an easy, an easy thing to do.

So what you're going to do now, student and Sandra, are you're going to pick the things that you thought of that were interests and come up with an agreement that would meet your interests. So you're going to get a little bit longer to talk about this. You can pick a couple things, two or three things, and come up with-- if you were going to go forward with this, what kind of agreement would meet your interests? So pick a couple of your interests, the ones that you thought of, or if you want to pick from there. And let's see what agreements you can come up with. OK?

So how many of you-- raise your hand if you were able to come to some kind of agreement. So for the people who came to an agreement, can you tell us something that you agreed to? And I wanted to make one other comment before that someone came up and mentioned to me.

So sometimes, it's hard to understand what our interests and what our positions are. I want to raise capital. Well, then it's what are the interests behind the capital? What is it going to do for you? Why do you want to raise the capital? So these are interests-- what they want, what they're interested in, what their fears are, as opposed to-- they could say, I want to make a million dollars. Well, that's an interest. But we'll keep going through this and coming into what are interests versus positions. So who wants to share something that they agreed to, that they could both agree to?

STUDENT: We could go first. So we came to the agreement that it could be a joint venture. But Sandra has all the IP on the patent and everything. And she comes to a time-based agreement of licensing, where, for this business specifically, there's a significantly discounted rate for the students to manufacture and use the IP for the first 10, 15 years. And then slowly with time, that changes.

Also, her position in the overall company might not be as a co-founder, but more as an advisor. She doesn't need to be in the limelight. But at the same time, she has ownership. She has shares. She could have the [INAUDIBLE] come to her, because her license already has money coming in for an additional revenue stream.

The way I see it is that students, they have the most incentive to do it. But because Sandra has the IP, the students have to take the most risk. Sandra is like a queen bee in this situation. She has the main thing that's doing this whole thing together and taking this on. And yeah, I think that's pretty much it.

MINDY
GARBER: OK, so good. And that's an agreement you both would agree to and sign. Who else had something? Who else agreed to something? Did you guys have an agreement?

STUDENT: So in our case, she made the point that Sandra does deserve a lot of equity because she is in the IP. What I mean by that, other IP, there is no business without the IP. There is also no business without marketing. But many other functions are required in the company. So we decided to come up with a number for each of these functions. So first break it down into a bunch of functions, come up with a number for each of these functions, and have an honest discussion about who would perform which function, and according to that divide.

MINDY
GARBER: OK. So base equity on all the different requirements and who's going to do what, and then talk about that. So you did agree to have a joint venture together? OK, who else?

STUDENT: So I mean, overall, we had a lot more disagreements than agreements. But one thing we did talk about was maybe using patents to protect her IP for a little bit so that she can have some control over it while giving company control over to someone else.

MINDY
GARBER: So what were your challenges?

STUDENT: Yeah, I mean, the challenges is like it sounds kind of like Sandra wants to have her cake and eat it, too, a little bit, because she wants to protect her IP and have control over it, right? But at the same time, she doesn't want to run the business. And she wants to stay out of the limelight. And that interferes with wanting to grow and everything.

MINDY
GARBER: So she's ambivalent about doing this in general?

STUDENT: That's what it sounds like.

MINDY OK. So who else had some challenges that would like to share? OK.

GARBER:

STUDENT: It might be different, but it's just thinking about it. Since student cannot really take that much risk, why not use this as a research project, where you can improve on the product, how to scale it. You can get grants to still make money if you can make money. I mean, but both parties can still be protected because, in the research, you don't have to make any promises.

MINDY OK. So instead of starting a company, let's research to how we can scale it up. Is that what you're saying? So

GARBER: let's put in money. We're going to research. We're going to get grants to see if it is scalable. And that way, if I'm Sandra, I feel more comfortable and you feel more comfortable that this is going to be a real product and a viable product. OK, that's a really great idea. Are there any other challenges that you couldn't come to an agreement because of challenges?

OK. So what really happened? How many of you think they had any agreement? Raise your hand. OK, so they didn't. But let me ask you this, before we go to the answer. Is this a one of? Does this ever happen? Or is this just like one time at MIT this happened and it doesn't happen ever? What are your thoughts? Do you think this is-- do you ever hear of things like this happening? Joe, do you want to say something?

OK, so they didn't have any agreement. And they were never able to really talk about what they wanted and what they thought Sandra wanted. And she took her invention and started a different company with a whole different set of people. So it was a great, excellent learning experience for the students.

I want to just tell you-- PS, they all graduated. And they all have lovely careers. But they were not able to have this discussion with them. And at the time, I begged them. I said, let me help you. I'll just be the neutral person. I'll help you have a discussion with her. And they're like, no, no, it'll work out. We're working really hard. It'll work out. So that's what happened. And she still has her company. And I don't really know how successful it was. But it's still an ongoing company.

So that was that. Was this useful to go through this exercise? Was this helpful to you to think about things from both sides? OK, because we're going to just go do a couple more of these. Actually, so this is your agreement. So now, you have a company. And you're going to negotiate within a company, within people.

And again, there might be differences in power levels. You might have legal ramifications. There may be more than two parties. And it may require another level of confidentiality. But again, even when I'm having difficulties with someone, I always draw my little circle of interest and really try to understand what is it that people are interested in, and can I position my interest in the terms of other interests.

So I've given you-- this is an example. And this is based on two people that I mentored. So Judy wants to get a promotion as a marketing manager. By the way, is there a talent acquisition module? Is there a talent acquisition module in your course? No, OK. So in the field of talent acquisition, this is thinking about how people get hired and who you hire.

But this is an example. Judy wanted to apply to be a marketing manager. And so I had her go through each interested party. And these are all the stakeholders. What could they possibly be thinking about/ What would interest them? So the manager wants to look like, hey, I'm this great manager. I'm growing my employees, so they can take on more responsibility. Also, but I need to get all my work done.

So Judy's interest-- well, I want to contribute more to this company. I want to be seen as very competent. I want to start supervising others. I want to be part of a really high-achieving team. I want more challenging work. I want to use my newly gained skills. So what does the company want? Well, of course, what company doesn't want revenue? But they also want effective leadership. And they want to grow their employees. They want to have more diversity. They want more client projects.

But then she has teammates. They probably want a promotion, too. So thinking about all of these things, so what it did is it actually helped her go to her manager. But before she did that, I said, OK, well, you want to be a marketing manager. Here's all the things that a marketing manager could do. This is not the exhaustive list. But I'm just saying. And you don't have to-- it's just everything that anyone could think about in marketing.

And actually, the company that I was a founder of, these were all the things that we had to do for marketing. I'm not in marketing. I was the engineering. But the marketing people did. And so I sent her this list. And I just didn't do anything. I just said, OK, well, here's some of the things that marketing is responsible for.

So what she did on her own is she made an Excel spreadsheet and put every one of those things in the Excel spreadsheet. She gave them a value of 1, 2, 3, how important it was. And on her own, she came up with a strategy, what she was going to do, and how she was going to go through all of these things, even though this is not necessarily the be all and end all list.

And so when she went to talk about her promotion, she talked about interests. And then she also presented, well, here's what I-- she actually presented her report. And here's all the things we need to do. And here's how I think we could start them. And so she had presented it like she'd already done the job. So she did get the job. So anyway, but it all started with thinking about what are other people's interests, and then thinking about how can you meet those interests. How can you prove that you're competent? How can you prove that you are ready for this new step? So that's that one.

So this is the last one, is you're going to have to negotiate with other companies. And this is a true story. So this has happened to me. I'm Little Inc. And we had a contract with Big Inc. And it was a fixed cost contract, meaning they just paid us upfront for everything.

But in the contract, it said, we can cancel for any time, any time that we want. And if we do, well, we realize you may have done some work. So we'll pay you for time and materials of what you've already done. And literally, the contract was so vague, it said something like, we'll figure out how much you owe. Someone will figure out somewhere how much you owe.

And so this is the thing about contracts. You can have a 300-page contract. It isn't going to cover everything you can think of. It's not going to. So it was very vague. And basically, they didn't cancel the contract because of our work. The company, Big Inc., was actually having more financial issues. And they canceled all of their contracts. So we were just one of them, but probably on the smaller side.

So they said, we're going to need some money back. And we'll tell you what we're going to do later. So I met with the-- I was as manager-- or not manager, but just as representing service. We had a CFO, the chief financial officer, and the sales person, who actually sold it.

So we went around the room. And everybody said-- we said, I think we should do this. I think we should do that. And that got us nowhere. So I said, how about this? Why don't we sit down and think about all of our interests? And we'll think of the interests of the other company, and then see if we can come up with a solution space that would work for us before we even meet with them.

So let's see. So now, we have Little Inc. has a sales executive. We have the service manager, me. And we have the CFO. And then we have Big Inc. So for this contract, well, let's start with the easiest one. What might Little Inc.'s sales executive's concern be? Oh my God, the contract was canceled. We're going to have to give back money. What was his concern?

STUDENT: Commission.

MINDY GARBER: That's right. What happens to my commission? So that's what he was mostly worried about. And so let's talk about the service manager. Me, what was I concerned about?

STUDENT: Your reputation.

MINDY GARBER: My reputation. What else? My job. We lost a contract. What else? What does customer support care about?

STUDENT: Customers.

MINDY GARBER: Customers. And what? The relationship. So what do I care about? They had been a customer for a really long time. And we had other stuff going on with them. So this was not a one-time deal. We had other contracts with them. Other interests? And let me just tell you, we came up with three pages, three pages of interests. OK, let's talk about our CFO. What was her interest? What's the problem with giving money back?

STUDENT: Well, accounting. So they need to have cash to give it back.

MINDY GARBER: Cash flow. They're worried about the company. What else?

STUDENT: It depends what happens. If it's after the closing of the books, it's really problematic.

MINDY GARBER: OK. So in other words, if we've already declared the revenue because we got the cash-- did we already declare it all? Or do we declare it month by month or whatever? have we declared it? And can we go back and undeclare it? So that was that.

But there were a lot of personal things, too. For example, well, one of her concerns was, I don't want them to think this is David and Goliath and they're just stomping all over us. I want them to feel like we are a real company. We were a 20-person company. And they were like 10,000 people.

But the two of us were agreed on a couple of things. One, we did not want this to escalate to the CEO, even though that was just one level up. In a 20-person company, there's only one or two levels. We did not want it to go to the CEO. We did not want lawyers involved, because that wouldn't have done any good. And so we really wanted to keep it at our level. But now, think about our contact at Big Inc. What was Big Inc. worried about?

STUDENT: Their reputation.

MINDY Their reputation. So they were like, oh, we bought something from Little Inc. and we canceled it. And who cares?

GARBER: We stomp all over little companies. What else?

STUDENT: Legal?

MINDY Legal, maybe like they'll sue us because we've already paid them and they've done so much of the work. They

GARBER: don't know what we're thinking. And we didn't know what they were thinking either. So what else?

STUDENT: Someone messed up and they would want to protect themselves.

MINDY Right. So how about the person who bought this and signed the contract? Oh my God, I signed the contract. And

GARBER: now, they canceled it. What's my reputation going to be like? Here's the interest that we came up with. And again, I said, we have three pages.

So from the sales executive, is this going to affect my follow-on business? The original contracts were fair and reasonable. So we felt like his interest was that we didn't do anything wrong and we shouldn't be penalized. You have a question?

STUDENT: Were we assuming that this was a big sale? It was a big company, but was it a big sale?

MINDY It was a big sale for Little Inc., not for Big Inc. And again, for me, the relationship with the customer was very

GARBER: important. And I did want them to acknowledge that we had done work. I wanted them to say that we were a competent company, that they didn't cancel because of anything we did wrong. So I was worried about our reputation. Again, I did not want it to get escalated, because I just thought that would make things more intense. Let's put it that way.

Our CFO was worried about cash flow. She didn't want to get-- again, lawyers, didn't want to look like she was inexperienced and didn't know how to run a company. But she did want it to be fair. And she didn't want to be taken advantage of. And she felt we did do a lot of work. And those expenses should be covered.

So again, from Big Inc., they wanted to look good for their stockholders. They wanted to continue the relationship with us. We just assumed that. We assumed that because we had other contracts with them. Again, we didn't know this. But this is what we thought of in our meeting and which I tell people that they really have to think a lot about. And they didn't want to anger upper management. And didn't want to escalate it. So they had a stable of lawyers. We had none, actually. We would pay a lawyer piecemeal. So it would have been a lot more expensive for us.

So what happened? So the day before the meeting, I call my contact. And I said, oh, can you just tell us anything? Can you give us a hint? And he said, no, but let me just tell you this, please listen to everything they have to say before you respond. So the day comes. And the three of us are crammed into a little office with those little speakerphones, those little triangle things. And we call them.

And you can feel the tension in the air. We say hello. And then they come up and they say, we want this much money back. And our CFO looks up. And she says, OK. And that was it. So this is a class on negotiation. What kind of negotiation was that? What are your thoughts? We just agreed to the very first thing they said. Why? Yes?

STUDENT: Because it was better than you had expected.

MINDY GARBER: So we had thought in advance what our solution space could be. We had thought. And really, she had calculated out how much she could afford, what would it do. And the thing is, typically when I teach this, I get a lot of pushback saying, hey, you should have at least pushed once because you're not doing the fiduciary responsibility for your company.

But what were our interests? What were our real interests? I mean, obviously, we're interested in the financial safety of the company. But we wanted to keep the relationship. And we didn't know, if we pushed back, if everything would fall down. So I have another colleague who tells this exact same story with his company.

And they were negotiating, negotiating. And they did. They tried for one more thing. And the whole thing blew up in his face. The company took their toys and went to another vendor. And they never worked together again. So you just never know. And you don't want to-- we didn't want to push, because it worked for us. We thought it was fair. We could see that, in their offer, they didn't want to stomp on us. They weren't trying to be punitive to us for any reason. And what happened was we continued the relationship for many years. And they bought more later. So thoughts on this?

And I have a colleague who worked at 3M. And he said looked at me. He said, sometimes the first offer is the best offer. And if it's something that you can live with, and we preserve the relationship, and after that, after the CFO said, OK, we just started talking and chatting away. And everything was just fine. So any other comments on this?

STUDENT: Interesting.

STUDENT: Question.

MINDY GARBER: Yeah?

STUDENT: [INAUDIBLE]

STUDENT: It looks like if you're explicit about what you want, and everyone knows what they want, and they talk about it, it's a lot easier to find an agreement. But it often feels that giving that information could make the other part use it as a weapon against you. And I wonder how do you gauge-- like in this scenario, do you think there would have been space to explicitly say the things that are listed here to Big Inc.? Or you just have to accept that you cannot be that open with the person you're negotiating with?

MINDY GARBER: OK, let me tell you one more story that answers that question. So I was advising another other person. So she was a Big Inc. trying to buy a Little Inc. because Little Inc. had some IP that absolutely everybody in her field was after. So it took her six months to get a meeting with him.

And so I said to her, why don't you plan out everything and think about what his interests are, what your interests are? Think about everything you're going to say. And think about everything he might say because now you know everybody is after him, because he's got something that everybody wants.

So he'd been talking to other companies. And so she calls me up afterwards. She has this meeting with her team. And she goes through this. And she walks in the door. And the first thing the guy says to her-- they come in. She's waited six months to have an hour meeting with him. And he literally looks at her, doesn't say hello. He goes, what do you want? Literally.

And she starts in by saying, we thought that you might be interested in having your intellectual property get more disseminated through the world. We have all these things going on. We would like to help you get your product out there. And so she started by saying, here's what we think your interests are.

And then she calls me back. And she's really excited. And she tells me, she says, you know what? We got them wrong, some of them. I said, what do you mean? She said, well, some of the interests we got wrong. But then he corrected us. And he said, oh no, I'm not interested in this, but I'm interested in that. And so basically, she started out with interests and discussing it. And when he saw that she was interested in his interest, and helping him, and that it was a joint problem to solve, they got the business. And she got a promotion. So it depends on how you start.

And then my 3M buddy, he's had all these negotiations with IBM. And he said, one time it wasn't going at all. And he said, these both have stables of lawyers. And he said, well, let's talk about what we're interested in. No, no, we're just going to negotiate. And things weren't moving. Things weren't moving at all.

And so he finally just said, well, 3M is interested in doing this kind of thing. And he just started giving them their interests. And we're interested in this. And they changed. They turned. And they started sharing their interests. So I think you're right. You could use it as a weapon. But if you're really trying as a joint problem, you can share your interests.

You don't have to say, I need this deal with IBM because otherwise 3M is going to go out of business. I mean, those things you don't share. But you can share the things that will help move it forward. Does that help? OK, go ahead. We have two more minutes, but go ahead.

STUDENT:

I noticed that, in this example, you had three interests of individuals, and then one big interest of the company. And when it comes to business negotiations, when you get into this room, I would assume that if you know who the people are going to be there, it's kind of a little bit easier to potentially prepare. But if you get into the room and you have people that you did not expect to see, how do you tackle this, meaning that you just don't know what the interests will be? Do you address this from the business interest or still take into account personal stuff?

MINDY

GARBER:

Well, I guess you can-- well, first of all, you're saying-- because the person we were talking to had different interests than Big Inc., right? I mean, we could have put the people that were going to be in the room. But if this had been let's talk about our interests, I would have said, oh, you're probably interested in making sure that this is working.

So you can actually ask people. And so when I'm even in a mediation, I'll just ask them, well, what are your interests? What is important to you? What are you trying to accomplish? What would be helpful to you? And if people don't want to share, then you can see which way the negotiation may not go so far because you don't even know what to offer them because there might be things that-- I mean, this is the whole point.

There might be things that are so valueless to you, but they're valuable to them. And they say, well, we want your company to do X. And you're like, OK, because it's not a big deal for you. It's how do you get to those things that are low value to one person, high value to the other, or things that you can talk about. So was this helpful?

OK. Summary-- startups, make sure that you understand the interests of your co-founder. That's really important. Document your decisions because someday you're going to go, well, why did we do that? So I tell people, write everything down and revisit it periodically because companies change really fast and your ideas change fast. And you need to keep going.

And then for negotiations, just prepare, prepare, prepare. What has been shown is the more that you think about what your interests are, what their interests are, what your zone of solution could be-- and listen in the meeting. You'll hear new interests. And you'll say, oh, you guys are interested in this. I didn't know that. Well, we might be interested in helping you with that aspect, too. So you're always listening and thinking about what you can do. All right. I think that's it. So thank you very much. I hope this was helpful.

[APPLAUSE]

PROFESSOR: Mindy, great. Thank you. There's so many little tidbits of knowledge here. And it brought back a memory I had. There were three of us on one side negotiating this divestiture of a whole division. And we were the little company. It was big, but little compared to the big company that had like 10 people at the table.

And we did a little introduction-- who's who, how are you. And it became pretty clear that these 10 people had flown in from all different parts of the company. And they probably hadn't really talked to each other. So after the introductions, we suggested, you guys have just arrived, maybe you want a little time to-- we're going to give you some room to get organized and everything. And we went out for about an hour.

And during that time, they actually managed to talk and get organized enough. So we had a really interesting discussion. Otherwise, it was pretty clear that somebody was going to say something. And somebody else was going to say something else. And it wasn't going to go anywhere. So you brought back that memory about interest. Make sure the other side understands their internal interests when you're dealing with a big, big company.

So thank you very much, Mindy. And tomorrow, we have Financing Night. We have a Financing Sources Panel. We'll see different people representing different sources of financing. And then we'll have a session on how to do financial projections for your new venture. So tomorrow, it's all money. Tonight, you were rich a few times, according to Bob. Tomorrow, you're going to see what it's like to be on that side of the equation. So we'll see you tomorrow. And have a good evening. Thank you.

[APPLAUSE]