

OPIM 291-401: Negotiations

Syllabus, Spring 2010, M&W 1:30–2:50, JMHH G86

Professor Steven O. Kimbrough, Instructor

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1 Class Description

Negotiation is the art and science of creating agreements between two or more parties.

This course has two purposes. First we will talk about and apply theories developed as guides to improving negotiating. (That's the science.) Second, students will develop and sharpen negotiating skill by negotiating with other students in realistic cases. (That's the art.)

Since negotiations occur in all kinds of organizations, and in many functional areas within an organization, we will discuss a wide variety of examples. Most of these examples are cases you will actually negotiate. The cases are the heart of the course.

Most of the cases will be distributed in class, but when cases are distributed in advance, please read the cases and think about them before actually negotiating. Preparation will generally get you a better deal (though not always, of course). Furthermore, when you are negotiating in a group, failing to prepare can hurt the entire group. You should also keep up with the assigned readings. The readings are (generally) relevant to the case which is to follow.

Most of the cases will be graded. Here's how: Typically a student will play one of two or more roles in a case—buyer or seller, for example. The numerical performance of a student who is assigned to be a buyer will be compared only with the performances of other buyers, and the same will apply for sellers. Let x denote the numerical measure of our buyers performance. The buyer's score for x is given by the following formula:

$$\text{Score}(x) = \frac{x - \text{Low Score}}{\text{High Score} - \text{Low Score}} \quad (1)$$

The lowest buyer score will be assigned a value zero and the highest buyer score will be assigned a one. All other scores are between zero and one. Adding all of your scores across the graded cases will determine your aggregate case grade. Your aggregated case grade will constitute 20% of your course grade.

It is absolutely crucial that you participate in the negotiation cases. Missing a case costs you an opportunity to learn, and disrupts the careful balance and pre-assignment of negotiation partners.

It also costs the person or persons you were assigned to negotiate with. If you miss a case without having a good excuse in advance you will earn a score of -1.0. Participating and doing poorly is always better than not participating at all. I will drop your lowest case score, but I will not drop a score of -1.0.

There are three additional rules about the cases.

1. The written background you will receive in each case is meant to represent the preferences and knowledge of real people. You should not show anyone else your written material because in natural settings you would not show people the things the written material represents.
2. You should not make up facts that are not in the case. People make up facts in real negotiations, of course, but facts that are made up in our cases are hard for others to check. We also have found that people who make up facts do not learn to negotiate. Lying gives them a strategic advantage (of debatable ethicality) which enables them to do well without facing the risk of severe legal and reputational penalties, and without facing up to the more fundamental and difficult aspects of negotiating. In the end, all of your private information will be revealed to your negotiating partner during the debriefing discussions. The tactics you use during a negotiation may well become the subject of a full classroom discussion, and may affect the rating you receive from your classmates (see below).
3. Many of these cases will involve multiple issues. The number of points a participant receives for each issue will depend on his or her role in the case. You should never reveal your point structure to the other participants in the negotiation. This rule will be made clearer when we get to the relevant cases in the course.

2 Required Texts

There are three required texts, all available in paperback:

- Roger Fisher, William Ury, and Bruce Patton's *Getting to Yes*, (Penguin, 2003). (Fisher et al., 1991)
- Max Bazerman and Margaret Neale's *Negotiating Rationally*, (Free Press, 1993). (Bazerman and Neale, 1992)
- Avinash Dixit and Barry Nalebuff's *Thinking Strategically*, (W.W. Norton, 1991, reissued 1993). (Dixit and Nalebuff, 1991) Note: (Dixit and Nalebuff, 2008) is an updated version. You may prefer to read it, but it's not yet available in paperback.

You should read *Getting to Yes* as soon as possible, and get going on the others right afterwards. *Getting to Yes* is a quick read and provides some basic lessons for negotiations. Bazerman's text focuses on behavioral decision research and its relation to negotiations. Dixit and Nalebuff's text provides some background on game theory. These readings will provide a foundation for negotiation theory and strategy.

In addition, various other readings will be assigned. These will generally be handed out or made available online.

3 Class Feedback

Near the end of the semester you will rate your classmates, on a scale from strongly agree to strongly disagree, on the following item:

This person helped create value in class discussions.

I will use your average rating as a part of your class discussion grade.

4 Class Participation

One of the best ways to learn about negotiation techniques and situations where negotiation may prove useful is from your fellow classmates. For this reason, it is important for you to participate fully in class. Your class participation grade will be based on several things. First, I will keep class attendance and second, I will generally keep track of willingness to take part in class discussions. Second, as explained above, I will also use your classmates' assessment of how much you created value in the class discussion in deriving your score for this dimension. Third, I will give you a number of short assignments during the semester. These will be graded fairly informally but will contribute to your class participation score.

In addition, the negotiations courses arrange for guest speakers during the semester. The plan this spring is to have 3 guest speakers to talk about their Negotiations experiences. The plan is to have speakers deliver talks with time for Q&A from 4:30-6 PM on either a Monday or a Wednesday during the spring term. Attendance and a short write up is required.

5 Exam

There will be a $1\frac{1}{2}$ -hour exam during finals week based on the lectures, class discussion, readings, and guest lectures. This will be a closed-book exam, with short answers.

6 Class Presentations: Outside-the-class Negotiation

We will devote much of the last three days of class to class presentations. The presentations will consist of each individual, one-by-one, presenting to the class a series of no more than six slides (that must be emailed to me by Sunday, April 18, 2010, at 5 PM) that explains how you prepared for and went about a 'real world' negotiation. You can negotiate anything—dry cleaning services, a taxi bill, a restaurant meal, or a couch.

My preference is for you to negotiate in a setting where negotiations are uncommon (e.g., not a flea market). You can be the buyer or the seller, and although you do not need to complete a transaction to complete the exercise, the good or service that you negotiate for should be something that you would actually buy or sell.

In your presentation I will be looking for (and grading) the following:

1. Is this an interesting negotiation setting? Any setting will work, but I would prefer to see you initiate a negotiation in a setting where negotiations are not the norm.
2. Preparation. You can write about spontaneous negotiations (e.g., after receiving bad service), but I am interested to see you document how you prepared for the negotiation.
3. Integration of class material. To what extent can you integrate theory and class lessons in analyzing this experience?
4. Identifying key lessons. What did you learn about yourself and/or others from this exercise?

Class members will grade each other and will be instructed to base their grades on the four factors listed above. I will assign the final grade for this component myself, but I will take the class opinion of each presentation into account.

7 Breakdown of Grades

Class Participation (including discussions and occasional assignments) 25%. Cases 20%. Presentation of 'real world' negotiation during last two classes 20%. Exam 35%.

8 Class Schedule

We will have three outside guest speakers. You are required to attend/view the talks. Concomitantly, 2 regular classes will be not held. The dates, however, will not correspond exactly.

1. Introduction and overview of the course.
 Class activity: Course overview. Negotiate Case #1.
 Prepare: Read *Getting to Yes*, (Fisher et al., 1991), during the first 2 weeks.
2. Rational thinking in negotiation, lying. Distributed negotiations.
 Prepare: Read G. Richard Shell, "When is it legal to lie in negotiations?", (Shell, 1991), which is on webCafé and Study.net. Read (Fisher et al., 1991, pages 97–106).
 Class activity: Discuss Case #1. Discuss escalation of commitment. Negotiate Case #2. Hand in: "Negotiations Nondisclosure Agreement". (File: Code of Ethics for Course.pdf, on webCafé.)
3. Rational thinking in negotiation, escalation. Distributed negotiations.
 Prepare: Read (Bazerman and Neale, 1992, chapters 1, 2 & 9).
 Class activity: Discuss Case #2. Discuss escalation of commitment.
4. More on distributive negotiations, escalation, bias .
 Class activity: Negotiate Case #3.
 Prepare: Read (Bazerman and Neale, 1992, chapters 2 & 8).
5. More on distributive negotiations, availability, anchoring.
 Prepare: Read (Bazerman and Neale, 1992, chapters 4, 5 & 6).
 Class activity: Discuss Case #3. Discuss readings.
6. Practice: In a real game.
 Class activity: Play Bohnanza.
 Prepare: Read the rules for the game and prepare negotiation strategies.
7. Practice
 Class activity: Discuss play of the game. Presentation of supplemental materials.
8. Uncertainty.
 Prepare: Read "The basic Decision Dilemma" *Quick Analysis for Busy Decision Makers*, 1982, Behn and Vaupel, pp. 26–53 (Study.net and webCafé), and (Dixit and Nalebuff, 1991, pages 1–27).
 Class activity: Negotiate Case #4.
9. More on uncertainty.
 Class activity: Discuss Case #4. Presentation of supplemental materials.

10. Multi-party negotiations.
Prepare: Read (Bazerman and Neale, 1992, chapter 10).
Class activity: Negotiate Case #5.
11. Multi-party negotiations.
Class activity: Discuss case #5. Presentation of supplemental materials.
12. Integrative, multi-issue negotiations.
Class activity: Negotiate Case #6.
13. Integrative, multi-issue negotiations.
Class activity: Discuss case #6. Presentation of supplemental materials.
14. Class not held in lieu of speaker.

*** * * Spring break week of March 8, 2010 *****

15. Class not held in lieu of speaker.
16. Integrative, multi-issue negotiations.
Class activity: Negotiate Case #7.
17. Integrative, multi-issue negotiations.
Class activity: Discuss case #7. Presentation of supplemental materials.
18. Mediation.
Class activity: Negotiate Case #8.
19. Mediation.
Class activity: Discuss case #8. Presentation of supplemental materials.
20. Mediation.
Class activity: Negotiate Case #9.
21. Mediation &c.
Class activity: Discuss Case #9. Presentation of supplemental materials.
22. Special topic.
Class activity: Negotiate Case #10
23. A little theory: public goods and common-pool resources.
Class activity: Discuss Case #10. Theory lecture.

- 24. A little theory: representation and framing.
Class activity: Theory lecture. Summing up.
- 25. Student presentations.
- 26. Student presentations.
- 27. Student presentations and course wrap up.

9 Calendar, Spring 2010

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0	—	W: 2010-02-17	W: 2010-03-31
1	W: 2010-01-13	M: 2010-02-22	M: 2010-04-05
2	W: 2010-01-20	W: 2010-02-24	W: 2010-04-07
3	M: 2010-01-25	M: 2010-03-01	M: 2010-04-12
4	W: 2010-01-27	W: 2010-03-03	W: 2010-04-14
5	M: 2010-02-01	M: 2010-03-15	M: 2010-04-19
6	W: 2010-02-03	W: 2010-03-17	W: 2010-04-21
7	M: 2010-02-08	M: 2010-03-22	M: 2010-04-26
8	W: 2010-02-10	W: 2010-03-24	
9	M: 2010-02-15	M: 2010-03-29	—

Table 1: Class number :: date correlation, for Monday (M) and Wednesday (W) classes, spring 2010

References

- Bazerman, M. H. and Neale, M. A. (1992). *Negotiating Rationally*. The Free Press, New York, NY.
- Dixit, A. and Nalebuff, B. (1991). *Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life*. W.W. Norton & Company, New York, NY.
- Dixit, A. K. and Nalebuff, B. J. (2008). *The Art of Strategy: A Game Theorist's Guide to Success in Business and Life*. W.W. Norton & Company, New York, NY.
- Fisher, R., Ury, W., and Patton, B. (1991). *Getting to Yes: Negotiating Agreement without Giving in*. Penguin Books, New York, NY, second edition.

Shell, G. R. (1991). When is it legal to lie in negotiations? *Sloan Management Review*, 32:93–101.

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