

OPIM 291-401: Negotiations

Syllabus, Spring 2011, M&W 1:30–2:50, JMHH F94

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Office hours: 565 JMHH, 9-12 Tuesdays and by appointment

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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.

Many of the cases can be graded, and when they can, they will. 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 buyer's 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)
- G. Richard Shell's *Bargaining for Advantage: Negotiation Strategies for Reasonable People* (Shell, 1999).
- Avinash Dixit and Barry Nalebuff's *The Art of Strategy* (Dixit and Nalebuff, 2008).

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. Shell's book is also a general treatment of negotiation, but has more depth. Be sure you read both of these books before the first quiz.

Dixit and Nalebuff's text provides some background on game theory. Be sure to read it before the second quiz. 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 and 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 2 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 Quizzes

There will be two quizzes during the semester, based on the lectures, class discussion, readings, and guest lectures. They will be a closed-book, with short answers, but you may bring a one page crib sheet. The quizzes are not about memorization per se.

6 Class Presentations: Outside-the-class Negotiation

We will devote three days of class towards the end of the semester 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 placed on WebCafé by Monday, April 4, 2011, 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) 20%. Cases 20%. Presentation of 'real world' negotiation during last two classes 20%. Quizzes, 20% each.

8 Guest Speakers

We will have two outside guest speakers. You are required to attend/view the talks and to hand in short essays on the talks. In consequence, two regular classes will be not held. The dates, however, will not correspond exactly. The first speaker is Stuart Rothenberg

(W '84), Managing Director, Goldman Sachs, Co-Chief Operating Officer, Real Estate Investment Group. His talk will be on March 2, 2011, 4:30-5:45 PM in JMHH G06 (Ambani Auditorium).

9 Class Schedule

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. Escalation of commitment; lying.

Class activity: Discuss Case #1.

Hand in: "Negotiations Nondisclosure Agreement". (File: Code of Ethics for Course.pdf, on WebCafé.)

Rational thinking in negotiation, lying.

Prepare: Read G. Richard Shell, "When is it legal to lie in negotiations?", (Shell, 1991), which is on WebCafé (file: Shell-Sloan-Man-Rev-1991.pdf). Read (Fisher et al., 1991, pages 97–106).

3. Rational thinking in negotiation, escalation.

Negotiate Case #2.

4. More on distributive negotiations, escalation, bias .

Class activity: Discuss Case #2.

5. More on distributive negotiations, availability, anchoring.

Class activity: Negotiate Case #3.

6. More on distributive negotiations, availability, anchoring.

Discuss Case #3. Discuss readings.

7. Uncertainty.

Class activity: Negotiate Case #4.

Prepare: Read "The Basic Decision Dilemma" *Quick Analysis for Busy Decision Makers*, 1982, Behn and Vaupel, pp. 26–53 (on WebCafé, file: Quick Analysis The Basic Decision Dilemma.pdf), and (Dixit and Nalebuff, 2008, chapter 1, pages 3–31).

Presentation of supplemental materials.

8. Uncertainty.
Class activity: Discuss Case #4.
9. Multi-party negotiations.
Class activity: Negotiate Case #5. Presentation of supplemental materials.
10. Multi-party negotiations.
Class activity: Discuss Case #5.
11. A little theory: lying and other forms of prevarication.
Prepare: Read (Shell, 1999, chapter 11).
12. Quiz #1.
13. Multi-party negotiations.
Class activity: Negotiate Case #6. Presentation of supplemental materials.
14. Multi-party negotiations.
Class activity: Discuss case #6.

Quiz #1

*** * * Spring break week of March 7, 2011 * * ***

15. Integrative, multi-issue negotiations.
Class activity: Negotiate Case #7.
16. Integrative, multi-issue negotiations.
Class activity: Discuss case #7. Presentation of supplemental materials.
17. Mediation.
Class activity: Negotiate Case #8.
18. Mediation.
Class activity: Discuss case #8.
19. Mediation.
Class activity: Negotiate Case #9.
20. Mediation &c.
Class activity: Discuss Case #9. Presentation of supplemental materials.
21. A little theory: representation and framing.

- 22. Student presentations.
- 23. Student presentations.
- 24. Student presentations and course wrap up.
- 25. Class not held in lieu of speaker.
- 26. Class not held in lieu of speaker.
- 27. Last class. Quiz #2.

Quiz #2

10 Calendar, Spring 2011

Class meets on Mondays and Wednesday, 1:30–2:50 p.m. There are 27 sessions in all. First class, Wednesday, 12 January 2011. MLK day: No class 17 January, 2011 Spring break: No class 7 March and 9 March 2011. Last class, Monday, 25 April 2011. Spring Term Classes end 26 April 2011.

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0	—	W: 2010-02-16	W: 2010-03-30
1	W: 2010-01-12	M: 2010-02-21	M: 2010-04-04
2	W: 2010-01-19	W: 2010-02-23	W: 2010-04-06
3	M: 2010-01-24	M: 2010-02-28	M: 2010-04-11
4	W: 2010-01-26	W: 2010-03-02	W: 2010-04-13
5	M: 2010-01-31	M: 2010-03-14	M: 2010-04-18
6	W: 2010-02-02	W: 2010-03-16	W: 2010-04-20
7	M: 2010-02-07	M: 2010-03-21	M: 2010-04-25
8	W: 2010-02-9	W: 2010-03-23	
9	M: 2010-02-14	M: 2010-03-28	—

Table 1: Class number :: date correlation, for Monday (M) and Wednesday (W) classes, spring 2011

References

- 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.

Shell, G. R. (1999). *Bargaining for Advantage: Negotiation Strategies for Reasonable People*. Penguin Books, New York, NY.