

Negotiations*

Professor: Etan Green[†] TA: Joshua Lewis[‡]

3-5:50p | W/Th | Spring 2017

This course provides training in the theory and practice of negotiation. The successful student will be able to identify the economic structure of any negotiation, as well as its underlying psychology. This theoretical treatment will be complemented by hands-on negotiation experiences, with the goal of imparting comfort and confidence when using these tools every day.

1 Attendance

Attendance is required. Missing 1 class is permitted, no questions asked. If you miss 2 classes you will lose a letter grade on your overall course grade. If you miss 3 classes you will fail the course. Excused absences must meet university policy. Please note that job interviews do not qualify.

This is an experiential course. A great deal of the value you will derive comes from the in-class negotiation exercises we undertake every week. It's terrible to show up for class, having prepared extensively for your negotiation, only to find that your negotiation partner or counterparty didn't show or didn't prepare. Some of your preparation will likely have been wasted, and you will likely get less out of the exercise than you could have. The attendance policy is meant to protect you from this situation.

If you absolutely cannot make your assigned section, you are allowed to attend the other section. Knowing who will attend each section allows us to make pairings for the negotiation, which we distribute at the end of the previous class. As a result, if you must attend the other section, **you must notify myself and the TA by 10a on the Wednesday a week**

*Alternately called OIDD691, MGMT691, and LGST806. With inspiration from Cade Massey, Howard Raiffa, Alex Rees-Jones, Yuval Rottenstreich, Maurice Schweitzer, and George Wu.

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prior to the class. Failure to provide sufficient notification will count as an absence—even if you attend.

2 Required reading

- Richard Shell, *Bargaining for Advantage*, 2006 (2nd edition)
- Supplemental readings posted to Canvas

3 Grading

40% participation:

- Class discussion, judged on quality not quantity (10%).
- Leverage inventory (10%); see 5.2.
- Reflections on outside speaker (5%); see 5.3.
- Reflections on 2 real-world negotiations (10%); see week 6.
- Persuasive email (5%); see week 7.

60% negotiation preparation and outcomes:

- You will be graded based on:
 1. Pre-class surveys and preparation documents, as described in 5.1 (30%).
 2. Your party's outcome relative to other parties in your role (30%)—for the 8 graded settlements noted on this syllabus. I will drop your two worst relative outcomes when calculating your settlement grade. Failure to appear for the negotiation will be counted as a 0. If the absence is unexcused, this 0 will not be counted among your two worst scores.

4 Negotiation Exercises

This course is built around a series of negotiation exercises. We will conduct one of these exercises in almost every class during the term (and sometimes outside of class).

For each exercise, you will be assigned a particular role and given background materials, instructions, and (often) confidential information to aid your preparation. You will be paired with one or more negotiating partners. Typically, we will spend the first part of class negotiating one of these exercises and the second part of class debriefing and analyzing the negotiation.

The negotiation exercises are the single most important vehicle for learning in the course. You will receive immediate feedback about your performance, relative to your negotiating partner as well as to others in your role. Because everyone negotiates the same exercise and we then discuss the negotiations extensively, you have access to information rarely available when you negotiate: how well you might have done had you negotiated differently.

Your faithful, creative preparation and role-playing are essential to this course. The quality of your interaction will have a huge impact on what you—and your partner—learn from the exercise. Thus, your conscientious preparation is a primary requirement of this course.

4.1 Logistics

Though there will be exceptions during the course, the following is the procedure we will generally use for the negotiation exercises:

1. We will assign roles in the class prior to the exercise.
2. You will prepare for the negotiation by reading the documents and preparing materials to aid you during the negotiation.
3. We will assign partners at the beginning of the class in which we are doing the exercise.
4. We will conduct negotiations during the first half of class.
5. You will submit your outcome sheet immediately following the negotiation.
6. We will debrief the negotiation during the second half of class.

4.2 Confidential Instructions

You will receive confidential instructions in many of the exercises. **Do not show your instructions to others.** You may choose to reveal or discuss some or all of the contents of your confidential information—indeed, to be successful, this kind of communication is often indispensable. However, you must not physically show your actual confidential instruction sheets. This rule is intended to mirror reality: in most negotiating situations, you cannot simply show your counterparts the full set of your underlying values and information.

The instructions for the exercises are designed to be self-explanatory. Please follow them carefully. For example, in cases where the set of issues is defined in the instructions, please **do not invent new issues as part of a reported agreement.** Otherwise, scoring and comparing scores would become hopelessly complicated. Likewise if the instructions provide specific details on the structure of the negotiation—timing, sequences, etc.—please follow them explicitly. In class discussion, of course, suggestions for more creative resolutions are welcome.

4.3 Considerations of Honor¹

It is easy to defeat the purpose of these exercises. You could, for example, find out how others did before you play, or you could consult students who have taken earlier versions of the course. Likewise, you could deviate from the specified rules-of-play and collude with your opponent, or you could seek out published accounts of some of the exercises to gain an advantage over others. I trust you won't. While such behavior is never acceptable, it is particularly egregious here because of its impact on your classmates—it can subvert everyone's experience, deaden discussion, and distort negotiation scores.

5 Other Assignments

5.1 Preparation for in-class negotiations

Before each class with a negotiation, you are required to upload the materials (via Canvas) that you prepared to help you during the negotiation. This is due by 1p the day of class. These materials may not be turned in during class.

Success in negotiation requires planning. Typically, the space of possible settlements is

¹From Howard Raiffa's *The Art and Science of Negotiation*.

large, and the mapping from settlements to valuations may be complex. One purpose of the planning materials is to help you sort through this complexity without having to decipher the case over and over during the negotiation. These documents may also be used to help you in other ways—for instance, by outlining strategy.

You may upload as many documents as you wish. Each document must adhere to the following constraints:

1. You must be able to consult the document during the negotiation. No audio or video.
2. It must be uploaded in one of these formats: xls, csv, doc, rtf, txt, pdf, jpg, png, ppt.

5.2 Leverage Inventory

We will devote one full class to discussing and analyzing a personalized report on your negotiation approach and style. We will provide a personalized *Leverage Inventory* based on feedback provided about 10 people that you have worked with. This will inventory reflect your use of various influence tactics.²

In order to provide this inventory, you must nominate at least 8 people (and up to 20) they you have worked with to complete a survey about your influence tactics. The survey consists of 67 multiple-choice questions (responses are simply frequency of use—e.g., never, rarely, sometimes, often, always) and takes less than 10 minutes to complete.

No more than 4 raters can be fellow students. Raters should not include purely personal relationships—friends and family are okay only if you have worked with them professionally. This means at least 4 (and preferably more) of the raters should be non-student, professional colleagues. You can draw on peers, superiors or subordinates, as appropriate. Obviously the mix will influence your interpretation of the results. A balance is best. And more raters is better than fewer. It is important to realize that the quality of the survey heavily depends on the quality of the raters! Rater responses will be confidential. The only scores a student will receive will be the average of all respondents.

You need to do three things for this exercise:

1. Submit 8-20 rater names and email addresses. These are due by web survey (on Canvas) by **Tuesday, February 7th**.

²The Leverage Inventory is based on research going back to French and Raven's seminal work on sources of authority. This instrument has been refined based on course material and empirical results from Executive and Daytime MBA classes at several leading business schools.

2. Ensure at least 8 responses are submitted. The requirement is not to ask 8 people, but to actually prompt 8 people to complete surveys. Rater responses are due **Tuesday, March 14th**.
3. Complete your own self-assessment survey (which is almost identical to the one raters complete). Due **Tuesday, March 14th**.

5.3 Outside speakers

An outside speaker will visit each section to discuss his or her real-world negotiation experience. Outside speakers are a great opportunity to provide a reality check on course material. Having studied negotiation in detail, you should be critical consumers of negotiation advice. For this assignment you should negotiate (i.e., address) differences and disagreements between class material and the speaker's experience.

You are required to 1) attend the live talk or watch the video afterward, and 2) write a reflection, due by 1pm the day of the next class (via Canvas).

6 Classes

1. Week of 1/16: Introduction
 - **In-Class:** "New Surgeon" negotiation (ungraded).
2. Week of 1/23: Full information
 - **In-Class:** "Hoop Hayden" negotiation (graded).
 - **Prepare:** Be prepared to play any role in the negotiation.
 - **Read:** Jim Sebenius, "Six Habits of Merely Effective Negotiators", *Harvard Business Review*.
 - **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.
3. Week of 1/30: Outside Negotiation [NO CLASS]

In lieu of meeting as a class these days, we will send you outside the classroom to conduct a couple of real negotiations. These are relatively small exercises designed to stretch your developing negotiation skills, and to provide a different perspective on some of the ideas we've been talking about in class.

In both cases, you should complete a web survey afterward about the experience (via Canvas). **The surveys are both due by 9am the day of our next class.** We will collect your surveys and debrief amongst the class.

These assignments should be separate negotiations. The surveys are separate as well, and either can be completed at any time before 9am the day of our next class.

(a) Hear No

Too often, we aim too low or fail to assert our request at all, simply because we are uncomfortable with the possibility of being turned down. If you never hear No, you aren't asking for enough. This week, go audaciously in pursuit of failure. Seek an opportunity to hear someone tell you NO. The purpose of this exercise is to experience rejection. Follow these guidelines to get the most out of this exercise:

- Aim so high with your request that you're sure you'll hear NO, but **don't make it facetious** in a way that the other person won't consider you to be serious. For example, asking a clerk for a 50% discount is aiming high; asking him for a helicopter and a 10-minute foot massage is facetious, if not downright creepy.
- **Don't ask for anything illegal.** The person should say NO because of the audacity of your request, not because he or she is bound by law to deny it.
- **Persist.** And up the discomfort. Instead of accepting No and walking away, persist in your request until you hear NO!

Afterward, write briefly about these questions via the web survey on Canvas:

- i. What did you ask for?
- ii. What was it like for you to hear No?
- iii. Under what circumstances are you most uncomfortable with No? What does that cost you?
- iv. What are two things you can do to increase your tolerance for No?

(b) Something New

Your assignment is to negotiate with someone outside of Wharton for any good or service worth more than \$0 and less than \$250. Wheel and deal with the deli clerk for a cheaper lunch, see if you can get a discounted haircut, negotiate a fee you have incurred—be creative. You should plan for this negotiation just as

you would for any other. What will you ask for, how will you ask it, what can you offer in return? What tactics and tools of persuasion can you bring to bear? When is the best time and place to negotiate?

Ground rules:

- i. The negotiation must be completed by the time you submit your web survey about it. Please do not report on unresolved interactions.
- ii. You may not tell the other person at any point (before, during, AND after) that this is for a class.

After you have negotiated, complete the web survey (on Canvas) addressing these issues:

- i. Describe the situation. What did you negotiate for, how did you approach the negotiation, and what was the outcome?
- ii. What did you do well?
- iii. What could have done better?
- iv. What did you learn (about negotiation in general or yourself in particular)?

4. Week of 2/6: Styles of negotiation

- **In-Class:** “Nexxtoil” negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Read:** Shell, chapters 2-5.
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

5. Week of 2/13: Claiming Value I

- **In-Class:** “Appleton-Baker” negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Read:**
 - Lax and Sebenius, “Chapter 12: Shape Perceptions to Claim Value,” *3D Negotiation*.
 - Dawson, “Secrets of Power Negotiating.” (optional)
 - Galinsky, “Should you make the first offer?” *HBS Negotiation*. (optional)
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

6. Week of 2/20: Claiming Value II

- **In-Class:** “The Merger” negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Read:** Dixie and Nalebuff, “Chapter 11: Bargaining,” *Thinking Strategically* – just the section titled, “Measuring the Pie” (pp339-342).
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

7. Week of 2/27: Persuasion

- **In-Class:** “Bullard Houses” negotiation (ungraded).
- **Prepare:** Your role in the negotiation.
- **Read:**
 - Heath and Heath, *Made to Stick* – introduction and epilogue.
 - Cialdini, “Harnessing the Science of Persuasion,” *Harvard Business Review*.
 - Lehrman, “Chapter 2: Persuasion,” *The Political Speechwriter’s Companion: A Guide for Writers and Speakers*. (optional)
 - Reynolds, “Presenting in Today’s World,” *Presentation Zen*. (optional)
- **Complete:**
 - (a) Upload preparation materials via Canvas, due at 1p the day of class.
 - (b) Persuasive email, **due at 9a** the day of class via Canvas, to be used in class discussion. Email is an extremely common form of negotiation, and as these topics illustrate, we’re negotiating more often than we think. Review the vignettes below, and choose one for your email. The idea is to draw on principles discussed in the readings when putting together your email.
 - i. *Project Assignment:* You have been with a company for five years and will be leaving in a year. Everyone knows this and the split is amicable. However, as part of the shuffle related to your departure, you will take on a new job for the next year. Your boss’ boss, “Armed and Dangerous” (or “A&D”) is the head of the organization and is trying to staff a project (“Downward Spiral”) that she is responsible for. You have had some involvement with this project in the past and she would like for you to move onto it full-time for your remaining time. Downward Spiral (DS)

is unrelated to what you will be doing when you leave the company, and has not been going well. You strongly believe in the project, but you also believe it has been mis-managed and that, no matter what you do, the year would be painful and ultimately a failure. You cannot be this blunt given A&D's investment in the project. You prefer project "Noble Cause" (NC) or "Just Knocking Around" (JKA). A&D has complete discretion to do with you what she would like, though she obviously also needs you to do a good job. You have tried to resist her overtures but she has proven quite persistent. Now is the time to take a firm stand. Write an email persuading her to staff you on something other than DS. You sense that if you don't persuade her this time, your fate is sealed.

- ii. *The Beach in Winter*: You and some friends are planning to take some time off on a weekend in January. The only question is where. As emails are exchanged with ideas about where to go, you realize (for whatever reason) that you really want to go to the beach (i.e., local-ish / north-eastern beach). Write an email to your friends trying to convince them to go to the beach in January.
- iii. *Last Chance*: You've been in the market to buy a house for 3 months. You must now sign a 12-month lease within the next week to secure housing for the following year, unless you can get a contract on a house. Only one house interests you, and it is not presently on the market. Two months ago you saw this house and made an offer on it the same day. Unfortunately, so many people were interested in the house that the seller first bumped the price significantly before you could get an offer in, then pulled it off the market altogether. You've been told she is putting it back sometime this spring at a higher price. You've also heard she's worried about having to close before she's ready to move (she and her husband are retiring to North Carolina). You decide to write a letter to express your interest, along with increasing your offer. You realize the chances are against a letter mattering, but you figure it's worth a shot. Potentially relevant personal information: You're about to get married; your fiancé currently lives out of state; your fiancé works for a healthcare non-profit; this will be your first home after getting married; you both truly love the house; the owners have made numerous improvements to

the home, and have decorated it impeccably.

8. Week of 3/14: Coalitions and status

- **In-Class:** Three-way negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Read:**
 - Brockner, “Why it’s so hard to be fair,” *Harvard Business Review*, 2006.
 - Raiffa, “Chapter 21, Group Decisions,” *Negotiation Analysis*, pp. 389–406. (optional)
 - Lax and Sebenius, “Chapter 4: Get All the Parties Right,” *3D Negotiation*. (optional)
 - Kramer. “The Harder They Fall,” *Harvard Business Review*. (optional)
 - Keltner, Gruenfeld and Anderson, “Power, Approach and Inhibition,” *Psychological Review*, 2003. (optional)
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

9. Week of 3/20: 4 steps

- **In-Class:** “Alphexo-Betonn” negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Read:** Shell, section 2 (3 chapters in total).
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

10. Week of 3/27: Leverage inventory

- **In-Class:** Discuss Leverage Inventory reports.
- **Prepare:** Review your leverage inventory report, which we will distribute via email before class.
- **Read:**
 - Shell, chapter 11.
 - “Leverage Inventory—Your Influence Behavior, Assessed and Analyzed”
 - “Leverage Inventory, Explained”
 - “Abraham Lincoln and the Tools of Influence” (optional)

11. Week of 4/3: Trust

- **In-Class:** “Moms.com” negotiation (graded).
- **Prepare:** Your role in the negotiation. This negotiation will be conducted by phone, so please bring your phone to class.
- **Read:** Axelrod, “Chapter 4: The Live-and-Let-Live System in Trench Warfare in World War I” in *The Evolution of Cooperation*
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

12. Week of 4/10: Law of the divided cloth

- **In-Class:** “Viking Investments” negotiation (ungraded).
- **Prepare:** Your role in the negotiation.
- **Read:** Short web videos on the Law of the Divided Cloth by Barry Nalebuff, an economist at Yale.
 - Introduction (5min): <http://bit.ly/2fX0bZm>
 - Airfare problem (9min): <http://bit.ly/2fX608W>
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.

13. Week of 4/17: Multiparty negotiation

- **In-Class:** “Deepport” negotiation (graded).
- **Prepare:** Your role in the negotiation.
- **Re-read:** Jim Sebenius, “Six Habits of Merely Effective Negotiators”, *Harvard Business Review*. Reflect on when you read this at the beginning of the semester.
- **Complete:** Upload preparation materials via Canvas, due at 1p the day of class.