

Negotiations*

Professor: Etan Green[†] TA: Sam Skowronek[‡]

3-5:50p | T/W/Th | Fall 2017

This course provides training in the theory and practice of negotiation designed around hands-on exercises, with the goal of imparting comfort and skill when negotiating every day.

1 Attendance

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

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 another section, **you must notify the TA by 10a on the Tuesday prior to the previous class (i.e., more than 7 days in advance of the class you will attend)**. 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)
- Roger Fisher et al., *Getting to Yes*, 2011 (3rd edition)
- Supplemental readings posted to Canvas

*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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3 Grading

35% participation:

- 10%: Class participation, measured as the frequency of insightful comments.
- 10%: Leverage inventory; see 5.4.
- 10%: Reflections on 2 real-world negotiations; see section 5.5.
- 5%: Persuasive email; see section 5.6.

65% negotiation preparation and outcomes:

- 30%: Preparation materials, as described in 5.1.
- 30%: Negotiation outcomes, measured as the percentile of your outcome among those in your role across the 3 sections. I will drop your 2 worst percentile scores, as well as an additional score for each speaker reflection you write (up to 3 bonus reflections); see 5.3. Failure to appear for the negotiation will be counted as a 0—even if your absence is excused.
- 5%: Accuracy of predicted performance; see 5.2.

4 Negotiation exercises

This course is built around a series of negotiation exercises. 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. You will receive feedback about your performance relative to others in your role, allowing you to assess how well you might have done had you negotiated differently.

A great deal of the value you will derive comes from the in-class negotiation exercises we undertake almost 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 prepare. Some of your preparation will likely have been wasted, and you will likely get less out of the exercise than you could have. Thus, your conscientious preparation is expected.

4.1 Logistics

Most negotiation exercises will follow this procedure:

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 report your outcome immediately following the negotiation and predict how well you performed relative to others in your role.
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 confidential 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. 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

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

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 in-class negotiation, you are required to upload the materials that you prepared to help you during the negotiation, **due by 1p the day of class** via Canvas (not to be turned in during class). You are encouraged to consult these materials during the negotiation.

Success in negotiation requires planning. Typically, the space of possible settlements is large, and the mapping from settlements to valuations is 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. This document may also be used to help you in other ways—for instance, by outlining strategy.

Your preparation 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.
3. The materials must be your own.

5.2 Predicted performance

After each negotiation, you will be asked to predict the your percentile score—i.e., the percentage of peers in your role that you outperformed. In order to incentivize accurate predictions, 5% of your grade will be proportional to your prediction accuracy. For each negotiation, I will measure your accuracy as $1 - |p - a|$, where p is your prediction and a is your actual performance. For example, if you predict that you will perform at the median (i.e., in the 50th percentile), but you outperform 80% of those in your role (i.e., you perform in the 80th percentile), then your accuracy is $1 - |0.5 - 0.8| = 0.7$. I will then measure your overall accuracy as the average of these negotiation-specific measures. To maximize this component of your grade, you should make the most accurate predictions you can.

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. I encourage you to attend all three speakers, not just the speaker who visits your section.

You may—but are not required to—write as many as 3 short reflections, one for each speaker. For each thoughtful reflection, an additional negotiation score will be dropped when calculating the 30% of your grade from negotiation outcomes. For instance, the student who writes 3 thoughtful reflections (i.e., one for each speaker) will have his or her lowest 5 negotiation outcomes dropped.

Each reflection should critique no more than one point made by the speaker—in no more than 300 words. A thoughtful reflection uses evidence to make a compelling argument. Bonus reflections are due December 8th at 9am.

5.4 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 by your (former) co-workers. This inventory will 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) that 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.

The quality of the survey heavily depends on the quality of the raters. Raters should not include purely personal relationships—friends and family are acceptable only if you have worked with them professionally. 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. Rater responses will be confidential. You will receive scores that reflect average ratings.

You need to do three things for this exercise:

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.

1. Submit 8-20 rater names and emails, **due Monday, September 18th** via Canvas.
2. Ensure at least 8 responses are submitted **by Monday, October 16th**.
3. Complete your own self-assessment survey **by Monday, October 16th**.

5.5 Fall break

Though class will not meet this week, you will have 2 assignments:

1. ‘Moms.com’ negotiation.
 - Upload preparation materials to Canvas, **due at 1p on Monday, October 2nd**.
 - Conduct negotiation via phone, email, or text. Do not conduct negotiation in person or via video conference.
 - Report negotiation outcome via Canvas, **due at 9a on Monday, October 9th**.
2. Outside negotiations, **due at 9am the day of our next class** via Canvas.
 - Conduct two real negotiations outside the classroom, designed to stretch your negotiation skills and to provide a different perspective on some of the ideas we’ve been talking about in class.
 - These should be separate negotiations.
 - (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 or about yourself)?

5.6 Persuasive email

In preparation for week 3, you will be required to write a persuasive email. First, read Robert Cialdini's "Harnessing the Science of Persuasion," and then write an email that skillfully incorporates each of Cialdini's 5 elements of persuasion—in under 200 words. Review the vignettes on Canvas, and choose one for your email.

6 Policy on electronics in the classroom

You are encouraged to consult your preparation materials during the in-class negotiations, and these materials may be consulted on tablets or computers. The use of electronic devices is otherwise restricted. Wharton policy for MBA classes now states the following:

- Phones must be turned off and put away. If a student must keep a phone on by reason of a personal emergency, the student must inform the instructor before class begins.
- The use of laptops and tablets are not allowed unless for educational purposes as permitted by the instructor (e.g., notetaking, reading, or data analysis).

I intend to implement this policy by cold-calling on those who violate it.

7 Classes

1. 8/29-31 // Introduction: Creating and claiming value

- **In-Class:** "New Surgeon" negotiation (ungraded).

7.1 Claiming Value

2. 9/5-7 // Fairness and persuasion

- **In-Class:** "The Merger" negotiation.
- **Prepare:** Be prepared to play either role in the negotiation.
- **Read:**
 - *Bargaining for Advantage*, chapter 7 & appendix B.
 - *Getting to Yes*, pp.153-9.

- “Chapter 2: Persuasion,” in *The Political Speechwriter’s Companion: A Guide for Writers and Speakers*, by Robert Lehrman.
- “Secrets of Power Negotiating,” by Roger Dawson.

- **Watch:**

- Introduction (5min): <http://bit.ly/2fX0bZm>
- Airfare problem (9min): <http://bit.ly/2fX608W>

- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

3. 9/12-14 // First offers

- **In-Class:** “Appleton-Baker” and “Mapletech-Yazawa” negotiations.

- **Prepare:** Your role in each negotiation.

- **Read:**

- *Bargaining for Advantage*, chapters 1-3.
- “Shape Perceptions to Claim Value,” in *3-D Negotiation*, by David Lax and Jim Sebenius.
- “Should you make the first offer?” by Adam Galinsky.
- *Getting to Yes*, pp.170-5.

- **Complete:**

- Persuasive email, due at 9a the day of class via Canvas; see 5.6.
- Upload preparation materials to Canvas by 1p the day of class.

4. 9/19-21 // Coalitions

- **In-Class:** “3-way” negotiation.

- **Prepare:** Be prepared to play any role in the negotiation.

- **Read:** *Bargaining for Advantage*, chapters 4-6.

- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

7.2 Creating value

5. 9/26-28 // Trust and repeated games

- **In-Class:** “Stakes of Engagement” negotiation.

- **Prepare:** Your role in the negotiation.
- **Read:** “Chapter 4: The Live-and-Let-Live System in Trench Warfare in World War I,” in *The Evolution of Cooperation*, by Robert Axelrod.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

6. 10/3-5 // Fall break [NO CLASS]; see 5.5

- **Out-of-class:**
 - “Moms.com” negotiation.
 - Outside negotiations (2).
- **Complete:**
 - Upload “Moms.com” preparation materials to Canvas by 1p on Monday, 10/2.
 - Report “Moms.com” outcome, due at 9a on Monday, 10/9.
 - Report on outside negotiations via Canvas, due at 9a on day of our next class.

7. 10/10-12 // Outside speaker

- **Read:**
 - *Bargaining for Advantage*, chapters 11-12.
 - *Getting to Yes*, chapter 8.
 - “Six Habits of Merely Effective Negotiators,” by Jim Sebenius.
 - “Introduction,” *Women Don’t Ask*, by Linda Babcock and Sara Laschever.
<http://press.princeton.edu/chapters/i7575.pdf>

8. 10/17-19 // Principled bargaining

- **In-Class:** “Bullard Houses” negotiation.
- **Prepare:** Your role in the negotiation.
- **Read:** *Getting to Yes*, chapters 1-5.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

9. 10/24-26 // Teams

- **In-Class:** “Alphexo-Betonn” negotiation.
- **Prepare:** Your role in the negotiation.

- **Read:** *Bargaining for Advantage*, chapters 8-10.
- **Complete:**
 - Complete “Bullard Houses” survey by 9a on Monday, October 30th.
 - Upload preparation materials to Canvas by 1p the day of class.

10. 10/31-11/2 // Agents

- **In-Class:** “Hoop Hayden” negotiation.
- **Prepare:** Be prepared to play any role in the negotiation.
- **Read:** *Getting to Yes*, chapters 6-7.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

7.3 Leverage inventory

11. 11/7-9

- **In-Class:** Discuss Leverage Inventory reports.
- **Prepare:** Review your leverage inventory report, which we will distribute via email before class.
- **Read:**
 - *Bargaining for Advantage*, appendix A.
 - “Leverage Inventory, Explained”

7.4 Multilateral bargaining

12. 11/14-16 // 4 parties

- **In-Class:** “Aussie Air” negotiation.
- **Prepare:** Your role in the negotiation.
- **Read:** “Get all the Parties Right,” in *3-D Negotiation*, by David Lax and Jim Sebenius.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

13. 11/28-30 // 6 parties

- **In-Class:** “Deeport” negotiation.
- **Prepare:** Your role in the negotiation.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

14. 12/5-7 // Collusion

- **In-Class:** “OPEQ” simulation.
- **Prepare:** Your role in the simulation.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.