

# Negotiations\*

Professor: Etan Green<sup>†</sup>

3-5:50p | T/W/Th | Fall 2018

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 one class is permitted, no questions asked. If you miss two classes you lose a letter grade. If you miss three classes you fail the course. Excused absences must meet university policy. Please note that job interviews do not qualify.

If you cannot make your assigned section, you are allowed to attend the one of the other two sections that I teach. 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 would like to attend another section, **you must notify Çanberk by 9a 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 Teaching assistants

There are two teaching assistants:

- Çanberk Ucel ([ucel@wharton.upenn.edu](mailto:ucel@wharton.upenn.edu)). Contact Çanberk if you would like to attend a different section one week (as described above) or if you failed to pick up your confidential negotiation materials (as described in 5.2).

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

<sup>†</sup>[etangr@wharton.upenn.edu](mailto:etangr@wharton.upenn.edu), JMHH 555. Office hours: Fridays, 10a-12p.

- Henrique Hypolito (hypolito@wharton.upenn.edu). Contact Henrique if you have questions about grading.

## 3 Reading

Required:

- Readings on Study.net (access via Canvas).

Optional:

- Richard Shell, *Bargaining for Advantage*, 2006 (2nd edition)
- Roger Fisher et al., *Getting to Yes*, 2011 (3rd edition)

## 4 Grading

30% participation:

- 10%: Class participation, measured as the frequency of insightful comments.
- 5%: Persuasive email; see section 6.5.
- 5%: Leverage inventory; see 6.6.
- 10%: Reflections on 2 real-world negotiations; see section 6.8.

70% negotiation preparation and outcomes:

- 30%: Preparation materials, as described in 6.1.
- 30%: Negotiation outcomes, measured as the percentile of your outcome among those in your role across the three sections. I will drop your three worst percentile scores, as well as an additional score for each speaker reflection you write; see 6.4. Failure to appear for the negotiation will be counted as a 0—even if your absence is excused.
- 5%: Accuracy of predicted performance; see 6.2.
- 5%: Jerk index; see 6.3.

## 5 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.

I expect you to be prepared for each negotiation. 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.

### 5.1 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 creating supplementary 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.

### 5.2 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.

At the end of class, I will hand out instructions for next week's negotiation. If the negotiation does not have confidential instructions, you may find the instructions on Canvas. If the negotiation has confidential instructions and you neglect to take yours, **do not** copy them from a friend. Doing so distorts pairings and the random assignment of roles. Instead, email Çanberk.

### 5.3 Considerations of Honor

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.<sup>1</sup>

## 6 Other assignments

### 6.1 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.

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<sup>1</sup>From Howard Raiffa's *The Art and Science of Negotiation*.

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.

## 6.2 Predicted performance

After each negotiation, you will be asked to predict your percentile score—i.e., the percentage of students in your role across the three sections who achieved your score or worse. In order to incentivize accurate predictions, 5% of your grade will be proportional to your prediction accuracy. To maximize this component of your grade, you should make the most accurate predictions you can.

## 6.3 Jerk index

To the greatest extent possible, the in-class negotiations attempt to replicate elements of negotiations that occur outside of class. One element that is difficult to replicate is the value of a positive relationship with your counterparty after the negotiation. In order to better capture this element, you will be asked, after each negotiation, to *confidentially* rate your willingness to negotiate with your counterparty again, on a 7-point scale. Ratings of you by your counterparts will constitute 5% of your grade. (They will not be used to determine future pairings.) To maximize this component of your grade, you should negotiate amicably.

## 6.4 Outside speakers

At most three speakers will visit our class during the semester. 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 speakers, not just the speaker who visits your section.

You may—but are not required to—write one short reflection 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 one thoughtful reflections will have his or her lowest four negotiation outcomes dropped.

Each reflection should critique 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 7th at 9am.

## 6.5 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. Turn in your email (via Canvas) **by 9a on the day of class.**

## 6.6 Leverage Inventory

We will create a personalized report detailing your use of various influence tactics.<sup>2</sup> All you need to do is to complete a short online survey **by Monday, October 1st**. Additional details will be provided in class.

## 6.7 Moms.com negotiation

Around Halloween, we will provide confidential instructions and pairings for the Moms.com negotiation, which you will conduct outside of class via phone, email, or text. You are **not** to conduct the negotiation in person or via video conference. You or your counterpart must report the outcome of your negotiation to OIDD691@gmail.com **by 9a on Friday, November 30th**. Your preparation materials are due on Canvas at the same time. Though this negotiation will be conducted outside of class, it will be graded as an in-class negotiation.

## 6.8 Real-world negotiations

Class will not meet during Thanksgiving week. However, you will be asked to 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. And you may not tell the other person at any point (before,

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<sup>2</sup>The 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.

during, AND after) that this is for a class. Write-ups must be submitted via Canvas **by 9a on Friday, November 30th.**

### 1. 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:

- (a) What did you ask for?
- (b) What was it like for you to hear No?
- (c) Under what circumstances are you most uncomfortable with No? What does that cost you?
- (d) What are two things you can do to increase your tolerance for No?

### 2. Something New

Your assignment is to negotiate with someone outside of Wharton for a good or service that you would have otherwise thought to be non-negotiable. 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? The negotiation must be completed by the time you submit your web survey about it. Please do not report on unresolved interactions.

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

- (a) Describe the situation. What did you negotiate for, how did you approach the negotiation, and what was the outcome?
- (b) What did you do well?
- (c) What could have done better?
- (d) What did you learn (about negotiation or about yourself)?

## 7 Policy on electronics in the classroom

You are encouraged to consult your preparation materials during the in-class negotiations on any device you choose. The use of electronic devices is otherwise forbidden, except when permission is obtained before class. I intend to implement this policy by cold-calling on those who violate it.

## 8 Classes

1. 8/28-30 // Introduction: Creating and claiming value

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

### 8.1 Claiming Value

2. 9/4-6 // Fairness and persuasion

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

- **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. 9/11-13 // First offers

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

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

- **Read:**

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

- **Complete:**

- Persuasive email, due at 9a the day of class via Canvas; see 6.5.
- Upload preparation materials to Canvas by 1p the day of class.

## 8.2 Creating value

4. 9/20 & 9/25-26 // Trust and repeated games

- **In-Class:** “OPEQ” simulation.

- **Prepare:** Your role in the simulation.

- **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.

5. 9/27 & 10/2-3 // Principled bargaining

- **In-Class:** “Stakes of Engagement” 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.
6. 10/9-11 // Leverage Inventory
- **In-Class:** “Nexxtoil” negotiation (ungraded).
  - **Prepare:** Your role in the negotiation.
  - **Read:**
    - “Leverage Inventory, Explained”
    - Your Leverage Inventory report, distributed via email.
  - **Complete:** Upload preparation materials to Canvas by 1p the day of class.
7. 10/16-18 // Teams
- **In-Class:** “Alphexo-Betonn” negotiation.
  - **Prepare:** Your role in the negotiation.
  - **Read:** *Bargaining for Advantage*, chapters 4-6.
  - **Complete:** Upload preparation materials to Canvas by 1p the day of class.
8. 10/23-25 // Creative solutions
- **In-Class:** “Bullard Houses” negotiation.
  - **Prepare:** Your role in the negotiation.
  - **Read:** *Getting to Yes*, chapters 6-7.
  - **Complete:** Upload preparation materials to Canvas by 1p the day of class.

### 8.3 Multilateral bargaining

9. 10/30-11/1 // Agents
- **In-Class:** “Hoop Hayden” negotiation.
  - **Prepare:** Be prepared to play all roles in the negotiation.
  - **Read:** *Bargaining for Advantage*, chapters 8-10.
  - **Complete:**
    - Complete “Bullard Houses” survey **by 9a on Monday, November 5th.**

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

10. 11/6-8 // 3 parties

- **In-Class:** “3-way” negotiation.
- **Prepare:** Be prepared to play all roles in the negotiation.
- **Read:** “Get all the Parties Right,” in *3-D Negotiation*, by Lax & Sebenius.
- **Complete:** Upload preparation materials to Canvas by 1p the day of class.

11. 11/13-15 // 4 parties

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

12. 11/27-29 // 6 parties

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

13. 12/4-6 // Wrapping up

- **Read:**
  - “Introduction,” *Women Don’t Ask*, by Linda Babcock and Sara Laschever.  
<http://press.princeton.edu/chapters/i7575.pdf>
  - “Six Habits of Merely Effective Negotiators,” by Jim Sebenius.
  - *Bargaining for Advantage*, chapter 11-12.
  - *Getting to Yes*, chapter 8 & conclusion.
- **Complete by 9a on Friday, November 30th:**
  - Moms.com preparation materials (to Canvas) and outcome (to OIDD691@gmail.com).
  - Complete reports on real-world negotiations via Canvas.