

MANAGERIAL NEGOTIATIONS - MGMTB8510.060
MS & E Program
Columbia University
Thursday 4:00 – 7:00 PM
Fall 2013
VERSION: 7/22/13

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Office hours: Before & after class or by appointment

Objectives

There are three main objectives for this course:

- First, an understanding of the effect of a negotiation's structure on the negotiation process and outcome. All of the exercises in this course can be classified according to five factors: number of players, number of issues, structure of interactions, structure of information, and the presence of a currency.
- Second, the improvement of your negotiation process skills through participation in negotiation exercises. These exercises provide an excellent environment for both learning about and modifying your negotiation skills and style.
- Third, an appreciation of the philosophical assumptions that underlie various theories of negotiation. In particular, an understanding of the relationship between modern negotiation theory and recent developments in business strategy.

Course Format

The teaching of this course relies heavily on negotiation exercises and class discussions. There will be very little lecturing, and when there is, it will be interactive lecture. The course content uses decision theory and game theory for much of its analytic underpinnings. These topics will be covered as needed in the de-briefing of the negotiation exercises. (No prior knowledge of game theory is required.)

The negotiation exercises provide role-playing opportunities. They provide an excellent opportunity for experimenting with different approaches to negotiating, but there are some rules that must be followed.

- (1) The written background you will receive in each exercise is meant to represent the preferences and knowledge of real people. You should not show anyone else your written material because such information usually can not be revealed in real negotiations.

- (2) You should not make up facts which are not in an exercise. People make up ‘facts’ in real negotiations, of course, but these facts can be investigated. In the class exercises, though, it is generally not possible to verify such made-up facts.
- (3) Many of the exercises will involve multiple issues. If an exercise specifies a point structure for each issue, you should never reveal it to the other participants in the negotiation. This rule will be made clearer when we get to the relevant exercises in the course.

Readings

There is no textbook that covers all of the course content, though *Bargaining for Advantage* (BFA) is a good, comprehensive book. Three books have been assigned:

- 1. Fisher, Roger and Ury, William, *Getting to Yes: Negotiating Agreement Without Giving In*.
- 2. Kolb, Deborah M. and Williams, Judith, *Everyday Negotiation*.
- 3. Shell, G.R. 2006. *Bargaining for Advantage*. NY: Viking (BFA)

The first book should be read by *Class 4*. In the second book, only the Introduction and Chapters 1 through 3 will be required, but I strongly recommend that you read the rest of the book at your leisure. In the third book, only selected chapters will be assigned, but the remaining chapters are highly recommended, too.

Requirements and Grading

Grading will be based on four factors:

Attendance	(see below)
Class Participation (& Preparation)	50%
Journal	(see below)
Paper	50%

1. Attendance

Attendance is required in all sessions. It is essential that you participate in the negotiation cases. Missing a case disrupts the careful balance and pre-assignment of negotiation partners. Not only does it cost you an opportunity to learn, in a course like this, it negatively affects the learning of others.

Accordingly, if you miss two classes without good cause, you will lose half a grade. If you miss three classes without good cause, you will lose a whole grade.

“Good cause” for absences covers illnesses, family emergencies, and religious observances. They specifically **do not** include attending interviews and recruiting-related events.

If you do have to miss a class, for good cause or otherwise, I will gladly review the class discussion for you if you come to see me about it later.

Additionally, it is essential that you come to class on time. If you are late to class more than once, your final grade will be lowered.

2. Class Participation (& Preparation)

Class Participation comprises 50% of your grade. You need to prepare conscientiously for each class because preparation is one of the keys to effective negotiations. Treat this course as a real-life exercise. If you wish to improve your skills as negotiator, you must imagine yourself doing the negotiation simulations in the real world. The more seriously you engage in the negotiation simulations, the more you will learn from this course.

You should plan to participate regularly in class discussions. This is very much a ‘learning by doing’ course. If you have prepared properly for class, you will find that you have plenty to say. You will be evaluated on the degree to which your contributions and insights contribute to the group learning.

3. Journal

You will be expected to keep a written journal during the course. The journal should be a record of your thoughts both before and after each exercise you participate in. Ask yourself what you learned, what surprised you, what you might have done differently, how theoretical predictions are helpful or obvious, and so forth. You can also write about relevant events that happen outside of the course, e.g. current events, books you read, things that happen in your work or personal life or in other courses. Be diligent about writing in your journal - it is much easier to record fresh observations than to remember stale ones.

4. Paper

The other 50% of your course grade will be based on a paper. It should be relatively short, 8-15 pages. Feel free to work in groups of two or three, but no larger. Use the paper as an opportunity to report on an actual negotiation, read some academic or popular literature about negotiations, study data generated by class exercises, or conduct an experiment to test a hypothesis. I am rather flexible about paper topics. It is more important that you are genuinely curious about the topic of your paper than whether it fits nicely into the above categories.

One option for a final paper is to submit a polished version of your journal. This option is for those students who want to use the course as a workshop on refining their approach to negotiating. If you choose this option, the paper should include a critique of your existing approach to negotiations, a description of how you expect to negotiate in the future, and the reasons why you have chosen this approach to future negotiations.

COURSE SCHEDULE

Class 1 (Thurs. 9/5): Introduction

- **Management of the Class**
- **Negotiation Exercise:** *Mapletech-Yazawa* (892-003) and (892-004) (to be distributed in class)
- **Class Discussion**
 - De-brief of negotiation
 - Defining Value
- **After Class Reading:** *Bargaining for Advantage*, Chap. 1, 2, & Chap. 11, pgs 196-214

Class 2 (Thurs. 9/12): Negotiations and the Perceived Game

- **Negotiation Exercise:** *Patriot National Insurance Co.* (394-095) and *Byrnes, Byrnes & Townsend* (394-096)
- **Class Discussion**
 - De-brief of negotiation
 - Uncertainty and the Unknown

Preparation: You will have been given one of the two roles in the prior class. Prepare your case from the perspective of your role. Answer the two pre-negotiation questions at the end of your case. You will negotiate in class.

Class 3 (Thurs. 9/19): Analytics of Value Creation

- **Negotiation Exercise:** *Working Moms*
- **Class Discussion**
 - Analytics of Value Creation
 - Tactical Implications
 - *Mapletech-Yazawa* comparisons

Preparation: You will have been given one of the two roles in the prior class. Prepare your case from the perspective of your role. Answer the poll questions for your role. You will negotiate your role in class.

Class 4 (Thurs. 9/26): Introduction to the Value Creation Mind-set

NOTE: You should have finished reading Fisher and Ury's *Getting to Yes* by this class.

- **Powerscreen Negotiation**
- **Movie:** *Powerscreen Problem*

Preparation: You will have been given one of two roles in the prior class, as well as some general information. Consider how you would prepare for this negotiation. In particular, following *Getting to Yes*, outline interests, 'batna's', and some options.

- **After Class Reading:** *Bargaining for Advantage*, Chaps. 3-5

Class 5 (Thurs. 10/3): Surprise in Negotiation

- **Negotiation Exercise:** *The 1987 NFL Strike (A)* (189-093) and *(B)* (189-094)
- **Exercise:** TBD
- **Class Discussion**
 - Game-theoretic implications of surprise
 - Defining rationality
 - Implications of Procedural Restrictions

Preparation: Skim the (A) case for context. Read the (B) case and be prepared to negotiate your assigned role in class. Answer the poll questions for your role. Skim the (A) case for context. Read the (B) case and be prepared to negotiate your assigned role in class.

Class 6 (Thurs. 10/10): Fair Division

- **Exercise** (distributed in class)
- **Class Discussion**
 - TBD

Preparation: Read *A Bargaining Problem from the Talmud*. Be prepared to answer the case question: "Is there a unifying principle behind the three situations?"

NO CLASS (Thurs. 10/17)

Class 7 (Thurs. 10/24): Introduction to Difficult Negotiations

- **Movie:** *Final Offer*
- **Class Discussion**
 - Movie comments
 - Getting to Yes critiques
 - Managing difficult negotiations

Preparation: Read the Introduction and Chapters 1-3 of *Everyday Negotiation*.

Class 8 (Thurs. 10/31): Introduction to Coalitional Bargaining

- **Negotiation Exercise:** *WAMAYC* (to be distributed in class)
- **Negotiation Exercise:** *Four-Way Organization* (894-015) (to be distributed in class)
- **Class Discussion**
 - De-brief of negotiation
 - Preliminary look at Cooperative Game Theory
- **After Class Reading:** *Bargaining for Advantage*, Chap. 6

Class 9 (Thurs. 11/7): Managing Internal and External Negotiations

- **Negotiation Exercise:** *Edgewood Electric* (894-019), (894-020), (894-021), (894-022), and (894-023)
- **Class Discussion:** De-brief of negotiation

Preparation: Read the general information for *Edgewood Electric* (distributed in the prior class). You will be assigned your role at the beginning of class.

Class 10 (Thurs. 11/14): Signaling, Commitment, Information

- **Exercises:** TBD
- **Class Discussion**
 - Analysis of examples
 - Discussion of applications

Preparation: The exercises for this class are in the form of a problem-set. They will allow us to talk precisely about the suggestive topics of signaling, commitment, and information. Your preparation is in two parts. First, work through the problems. Second, think of applications for the concepts described by the problems.

Class 11 (Thurs. 11/21): Managing a Multi-Party Process

- **Negotiation Exercise:** *Harborco* (20003.0)
- **Class Discussion:** De-brief of negotiation

Preparation: Read the general information for *Harborco* (distributed in the prior class). You will be assigned your role at the beginning of class.

NO CLASS (Thurs. 11/28)

Class 12 (Thurs. 12/5): Effects of Structure on Coalitional Bargaining

- **Negotiation Exercise:** *Coalition Bargaining* (distributed in class)
- **Class Discussion**
 - De-brief of negotiation
 - Toward a Broader View of Negotiation
 - Course Review

Preparation: Bring \$3.00 to class.