

MORS 470:91 Negotiations
Professor Louisa Egan
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Instructor:

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Meeting Day/Time:

Monday evenings 6:30 - 9:30pm

Jacobs 2245

Course Goals & Objectives

We negotiate every day—with potential employers, coworkers, roommates, landlords, parents, bosses, merchants, and service providers—determining what price we will pay, the amount of our salary and compensation, what movie to watch, and who will clean the kitchen...all of these are negotiations. Although negotiations are a ubiquitous part of our everyday lives, many of us know little about the strategy and psychology of effective negotiations. Why do we sometimes get our way, while other times we walk away feeling frustrated by our inability to achieve the agreement we desire?

Negotiation is the art and science of securing agreements between two or more interdependent parties who are seeking to maximize their outcomes. This course provides the opportunity to develop your negotiation skills in a series of simulations and debriefings that engage a variety of bargaining processes in the contexts of deal making and dispute resolution. Each simulation has been chosen to highlight the central concepts that underlie negotiation strategy. The course is designed to address a broad spectrum of negotiation problems that are faced by managers and professionals. It is also designed to complement the technical and diagnostic skills learned in other courses at

Kellogg. A basic premise of this course is that while a manager needs analytical skills to develop optimal solutions to problems, a broad array of negotiation skills is needed for these solutions to be accepted and implemented.

Successful completion of this course will enable you to recognize, understand, and analyze essential concepts in negotiations. A partial list of course objectives follows:

- improve your ability to negotiate effectively
- analyze negotiation situations
- develop a strategic plan for effective negotiation
- gain an intellectual understanding of negotiator behavior
- gain confidence as a negotiator

Course Format

- **Negotiation Exercises:** The course is built around a series of negotiation exercises. We will be negotiating every week. While the class officially meets at scheduled course times, students will be expected to meet with other students outside of class to prepare for and execute certain negotiation exercises. Students should also be prepared to stay a few minutes after class to arrange meetings with other members of the class.
- **Preparation for Negotiations:** Your classmates expect you to be fully prepared for each negotiation exercise. Prior to each negotiation, you are required to submit a planning document. Also, note that some exercises require students to prepare outside of class as a team, either by phone, email, or in person.
- **Negotiation Debrief:** We will debrief every negotiation in class. You are expected to participate in these class discussions. Your negotiation results will be posted so that the class can analyze the relationship between different negotiation strategies and outcomes and learn from everyone's experiences.
- **Learning:** You are encouraged to experiment with alternative styles in this "safe" environment. This is where you can lose a "million" dollars and in retrospect be happy because you will learn a lesson you will never

forget! Recognize your strengths and weaknesses and track your individual progress over the quarter.

- **Readings: It is important to do the week's readings AFTER the negotiation.** The concepts will be more comprehensible if you have already experienced them directly and foreknowledge of the concepts could prevent mistakes that are the critical part of the learning process.

Attendance Policy

MORS 470 has an attendance policy that is uniformly applied to all sections of 470. You may miss one negotiation exercise without penalty if you provide me with advance notice (48 hours) and, if requested, make arrangements for a substitute to negotiate in your place. If you miss a second exercise, you will lose a letter grade. If you do not provide advance notice regarding an absence or fail to provide a substitute when required to do so, you will lose a letter grade.

If you are not in attendance when a role assignment for a case or exercise is distributed, you/your intelligent agent must make your own arrangements to get this material. There is no courier or mailbox service. (see "professionalism").

Reading Assignments

- **Required book:**
Fisher, R., Ury, W., & Patton, B. (1991). *Getting to Yes*. New York: Penguin
- **Course Pack:**
The course pack will be available at Norris bookstore. Negotiation exercises are included in the cost of course pack, but will be handed out in class. The course pack is expensive because it contains the permissions and fees that are required to purchase each of the exercises and readings for the course.

Kellogg Honor Code

The Kellogg honor code will be strictly enforced in this classroom. The Kellogg honor code standards apply to MORS 470 as follows:

- You are expected to be prepared and on time for all negotiation exercises (see attendance policy).

- You may not show your confidential role instructions to the other parties at any point in time, **even after the negotiation**. You are free to tell the other party whatever you would like about yourself during the negotiation.
- **Stay in role during the negotiation and do not discuss the case with the other party even after the negotiation is complete.**
- Do not make up facts or information that materially change the case.
- It is not appropriate to discuss the cases or anyone's outcomes with people outside of class.
- Class discussion stays in class.

Research and Intellectual Capital

The Dispute Resolution Research Center (DRRC) has been instrumental in supporting Kellogg's reputation as one of the premier institutions for negotiations. Just as prior Kellogg students have had the opportunity to contribute to your learning by being willing to share their negotiation processes and outcomes, we are asking you to also contribute to the experiences of future students.

We are systematically compiling aggregated data from 470 course participants. These data will allow you to benchmark your own behaviors and skills with those of others. We will use the aggregated data to further our understanding of negotiation.

Before and after each negotiation, we will often ask you to complete confidential questionnaires. The information you provide is confidential. If you do not want your responses used for research purposes, please inform the instructor. By participating in new research projects, you contribute to the experiences of future students.

Grading

There are 6 components of grading:

- Attendance and participation in class discussions
15%
- Planning documents
20%
- Post-negotiation analysis
15%

- Scoring System for *Outside Offer* negotiation
5%
- Real-world negotiation project (One Paperclip
Exercise) 20%
- Final exam
25%

1. Attendance and Participation in Class Discussions (15%)

Because negotiation exercises are critical to the learning process in this course, you should be fully prepared for every negotiation. Thus, you must plan for every exercise; this requires that you come to every class with a written planning document that will help guide you through the negotiation. You should try your hardest to get the best possible outcome for yourself or your group. You are not graded on the outcomes of your negotiations, but rather on the quality of your preparation prior to the negotiation and your participation in post-negotiation discussions.

Your participation in class discussion will be evaluated on the quality of your contributions and insights. After each negotiation exercise, a debriefing session will include sharing information about results, sharing information about strategies attempted, and sharing reactions to the process. Quality comments possess one or more of the following properties:

- Offer a different, unique, but relevant, perspective based on analysis and theory.
- Contribute to moving the discussion and analysis forward.
- Build upon the comments of your classmates.
- Transcend the "I feel" syndrome; that is, include some evidence or logic.
- Link relevant concepts to current events or past class discussions.

In addition to your participation in the classroom, you will also be required to complete an online survey outside of class. The survey will ask about topics relevant to negotiations and many of the topics we will discuss throughout the quarter. The survey will be emailed to you during the first week of class and you will be asked to complete it before the next class. You will lose participation points for failure to complete the online survey by the due date.

2. Planning Documents (20%)

Together, the planning documents and post-negotiation analysis will help you structure your negotiation experience. Preparation and reflection will help instill the thoughts and behaviors you need to negotiate successfully. Planning documents will enable you to fully understand the nature of the particular negotiation exercise and develop strategies that will maximize your outcomes. Specifically, they will help you prepare fully for the role you will play in each negotiation exercise. **You are required to submit a negotiation planning document before each negotiation. All planning documents you prepare outside of class time must be typed.** You or your team (if you are negotiating in a team) should **bring 2 copies** of your planning document to class so that you can turn one copy in at the beginning of class and use the other as a reference during your negotiation. We will grade at least two planning documents during the quarter, typically more.

3. Post-Negotiation Analysis (15%)

The post-negotiation analysis will allow you to reflect on successful and failed strategies and should allow you to better prepare for and respond during subsequent negotiations. Specifically, you will evaluate your behavior and your classmates' behavior in a negotiation exercise. Your task is to describe your perceptions and significant insights gained from your participation one of the negotiation exercises. The paper should not be a detailed report of everything that happened in the negotiation. Briefly, describe what happened in the negotiation, providing only a short overview of the key events. Rather, the paper should focus on *analysis and insights*. Although not an exhaustive list, here are a few examples of the type of issues that you could address:

- Who controlled the negotiation and how did they do it?
- What were the critical factors that affected the negotiation situation and outcomes and what can you say about these factors in general?
- How did the negotiation context differ from other exercises, and what new factors did this context highlight?
- What did you learn about yourself from this experience?
- What did you learn about the behavior of others?
- What did you learn about bargaining and conflict from this situation?

- What would you do the same or differently in the future, or how would you like to behave in order to perform more effectively?

A high quality analysis is one that tries to step back from a negotiation, identifies key events and processes, uses course concepts to help structure the analysis, and is well written. Typically, people focus too much on narrative (i.e., what happened) and not enough on analysis (i.e., why it happened).

The analysis should be 2 double-spaced pages in length (use 1" margins, Times New Roman 12-point font). You may choose to write about either *Biopharm-Seltek* or *Grand Strand*. Your analysis is **due at the beginning of class on 4/13/2009**.

4. Scoring System for *Outside Offer* Negotiation (5%)

You will be asked to turn in a scoring system you develop for the *Outside Offer* negotiation exercise. We will talk more about scoring systems in class. The scoring system is **due at the beginning of class on 4/20/2009**.

5. Real-world Negotiation Project (*One Paperclip Project*) (20%)

To encourage you to think about the many everyday opportunities you have to negotiate, and to improve your negotiation skills, you are being asked to go out and negotiate! The goal of this exercise is for you to negotiate a series of five or more trades over the course of several weeks starting with a paperclip and ending with something substantially more valuable. For example, you may be able to trade your paperclip for a pencil, the pencil for a pen, the pen for a book, the book for a CD, the CD for a DVD, the DVD for a rocking chair, and so forth. We will go over the specific instructions for this project and you will receive a paperclip later this academic quarter.

On the day of our debriefing of this exercise (**6/1/2009**), you will bring to class the last item that you acquired or a picture of it, if it is too big. The class will vote on the most valuable object. During class we will discuss the negotiation strategies that led to obtaining the most valuable objects, as well as those strategies that did not generate value.

After each trade you must complete an entry in a negotiation log in which you provide comments about the trade. After you

have completed all your trades you must write an analysis of the project in which you discuss which negotiation strategies worked best for you across the entire series of negotiations. **The analysis should be 1 double-spaced page in length** (use 1" margins, Times New Roman 12-point font). More specific instructions about the negotiation log and analysis will be given in class.

Your grade for One Paperclip exercise will be determined by the quality of your negotiation log and analysis. The negotiation log and analysis for the one paperclip project will be **due at the beginning of class on 6/1/2009**.

6. Final Exam (25%)

The final exam will cover the concepts discussed in class and in the readings, with an emphasis on in-class discussions. The exam will ask you to apply the course concepts, which means you need to know, not only the definitions of various concepts, but the pros and cons of using various concepts strategically. Remember that you cannot stop a negotiation in the middle of its flow to go check your notes or a book - you must have access to this knowledge on the fly. As a result, this will be a closed book test. You will receive more details about the final exam later in the quarter.

7. Extra Credit (1-2 points)

You can earn up to two extra credit points in the course by bringing in articles in the popular press on negotiations or examples of interesting negotiations from movies, newspapers, television shows, comic strips, etc. To receive two points, the references need to come from different mediums (e.g., if one is fiction, the other should be non-fiction). The references must illustrate a concept from the course and you must write a few sentences describing it and how it relates to the concepts discussed in class.

• Comments About Grading

1. I standardize each element of the grading. You will receive a raw and standard score on the graded elements (e.g., papers, exam).
2. I weight each element according to the weights published in the syllabus.

3. I add your weighted standard scores to compute a total score for you in the class. I then rank the class from the top.

Keep in mind that a standard score is your raw score minus the class mean divided by the standard deviation. This places all elements of your grade on the same scale (mean zero, standard deviation 1). Weights are applied to the standard scores. The reason for this is as follows. An element's standard deviation acts as a natural weight when making a linear combination. If, for example, one element of the grade worth only 10% had a great deal of variance, that variance would increase the weight of that element in the linear combination making it more important than the 10% weight it was supposed to have.

A Note About Professionalism

You are expected to conduct yourselves in a professional manner, as in any business setting. The quality of the course is greatly enhanced by students who are professional in their in-class behavior and in their interactions with faculty and other students.

Important aspects of professionalism include:

- i. *Appropriate use of laptop computers.* You are expected to bring your laptop to every class (as we may conduct on-line surveys following exercises). You may take notes using your laptop, but you may not open up your email function or internet function during class unless it is instructed to do so for the purpose of the class. All of the following will be considered violations: email; preparing for another class; web surfing; shopping, etc. This policy will be strictly enforced.
- ii. *Appropriate use of cell phones.* It is best to not bring your cell phone to class. All cell phones turned off at all times. Any ringing from your cell phone will seriously imperil your professionalism grade.
- iii. *Arriving to class on time.* If you are more than 5 minutes late, you are treated as absent.
- iv. *Preparing for class.* If you are not prepared for the case, you are treated as absent. It is your responsibility to get the case before the class session. We do not provide "courier" service, so don't ask for it unless you want your grade lowered.

Rather, you need to arrange for a friend to pick up your case for you the week you are absent.

v. *Refrain from complaining* or whining about projects, workload, and due dates.

vi. *Engaging in ethical behavior*, which means that you do not ask the professor to make "special exceptions" (i.e., bend the course rules) for you.

vii. *Respect others' time*: please do not ask questions that are readily answerable via the course syllabus/web site. If you have a question about something on the syllabus/website after the first day of class, please approach me about it before or after class.

| Week | Date/Topic | Negotiation Exercise | Due Today | To Read - after class | To Do - after class |
|------|---------------------|---|--|--|--|
| 1 | Monday, March 30 | <i>Biopharm-Seltek</i> (15 min. prep in class, 45 min. negotiation) Pick up materials for <i>Grand Strand</i> | <ul style="list-style-type: none"> • Getting to Yes (Fisher, Ury, & Patton, 1991) | <ul style="list-style-type: none"> • Winning at the Sport of Neg. (Aronson, 1989) • Should You Make the First Offer? (Galinsky, 2004) • Reservation Points, Resistance, and BATNAs (White & Neale, 1991) • <i>Optional. Why Things Cost \$19.95</i> (APS Observer, 2008) | <ul style="list-style-type: none"> • Complete online survey by 4/6/09 • Prepare <i>Grand Strand</i> (planning doc) |
| 2 | Monday, April 6 | <i>Grand Strand</i> (40 min. negotiation) Pick up materials | <ul style="list-style-type: none"> • Online survey • Planning document for <i>Grand Strand</i> | <ul style="list-style-type: none"> • The View from the Other Side of the Table (Galinsky et al., 2006) • Power Plays (Galinsky & Magee, 2006) | <ul style="list-style-type: none"> • Write post-negotiation analysis of <i>Biopharm</i> or <i>Grand Strand</i> • Prepare <i>Moms.com</i> (planning doc - one per team) |

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| | | for <i>Moms.com</i> | | <ul style="list-style-type: none"> • Six Habits of Merely Effective Negotiators (Sebenius, 2001)--link | |
| 3 | Monday, April 13 | <p><i>Moms.com</i> (90 minute negotiation)</p> <p>Pick up materials for <i>Outside Offer</i></p> | <ul style="list-style-type: none"> • Post-negotiation analysis of <i>Biopharm</i> or <i>Grand Strand</i> • Planning document for <i>moms.com</i> | <ul style="list-style-type: none"> • The Negotiator's Dilemma (Lax & Sebenius, 1986) • Tradeoffs and Concessions (Raiffa, 1982, ch 11) • How to negotiate when you're far apart (Swaab & Galinsky) • <i>Optional. Mimicry is a Big Plus in Negotiations (AOM, 2007)</i> | <ul style="list-style-type: none"> • Negotiate <i>New Recruit</i> over SkypeChat (by start of class 4/20/09) • Prepare <i>Outside Offer</i> (planning doc) • Create scoring system for <i>Outside Offer</i> |
| 4 | Monday, April 20 | Negotiate <i>Outside Offer</i> (45 min. negotiation) | <ul style="list-style-type: none"> • Planning document for <i>Outside Offer</i> • Scoring | <ul style="list-style-type: none"> • AMPO versus City (Raiffa, 1982, ch. 10) • Putting more on the table | <ul style="list-style-type: none"> • Prepare <i>Bullard Houses</i> (planning doc) |

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| | |) Debrief <i>New Recruit</i> and <i>Outside Offer</i> Pick up materials for One Paperclip project Pick up materials for <i>Bullard Houses</i> | system for <i>Outside Offer</i> | (Medvec & Galinsky, 2005) <ul style="list-style-type: none"> • Why Negotiations Go Wrong (Bazerman, 1986) • Post-Settlement Settlements in Two-party negotiations (Bazerman et al., 1987) • Post Settlement Settlements (Raiffa, 1985) • Win-win negotiations: Expanding the Pie (Thompson, 2009) | |
| 5 | Monday, April 27 | <i>Bullard Houses</i> | <ul style="list-style-type: none"> • Planning document for <i>Bullard Houses</i> | <ul style="list-style-type: none"> • When should we use agents? (Rubin & Sander, 1988) • Three ethical issues in | <ul style="list-style-type: none"> • Prepare <i>Galbraith & Company</i> (planning doc) |

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| | | | | negotiations (Lax & Sebenius, 1986) <ul style="list-style-type: none"> • Truthfulness, Deceit, and Trust (Bok, 1989) • <i>Optional. A Crooked Path Through B-School</i> (BusinessWeek, 2006) | |
| 6 | Monday, May 4 | <i>Galbraith and Company</i> (60 minute negotiation) Pick up materials for <i>Viking Investments</i> | <ul style="list-style-type: none"> • Planning document for <i>Galbraith and Company</i> | <ul style="list-style-type: none"> • Getting things done through coalitions (Vanover, 1980) • Negotiating group decisions (Brett, 1991) • What happens on the way to yes (Ancona et al., 1991) | <ul style="list-style-type: none"> • Prepare <i>Viking Investments</i> (planning doc, one per team) |
| 7 | Monday, May | <i>Viking Investments</i> | <ul style="list-style-type: none"> • Planning document | <ul style="list-style-type: none"> • Three approaches to | <ul style="list-style-type: none"> • Prepare <i>Telepro</i> (no planning doc) |

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| | 11 | <p>in teams (90 minute negotiation)</p> <p>Pick up materials for <i>Telepro</i></p> | <p>for <i>Viking Investments</i> - one document per team</p> | <p>resolving disputes (Ury et al., 1989) - link</p> <ul style="list-style-type: none"> • How to defuse threats at the bargaining table (Liljenquist & Galinsky, 2006) • Putting on the pressure (Galinsky & Liljenquist, 2004) • Are Two Heads Better Than One? (Harvard Business Review, 1993) - link • <i>Optional. Angry People Can Gain More (APA Monitor, 2004)</i> | <p>required)</p> |
| 8 | Monday, May 18 | <p><i>Telepro</i> (60 minute negotiation)</p> | | <ul style="list-style-type: none"> • Third parties and dispute resolution | <ul style="list-style-type: none"> • Prepare <i>Buying a House</i> (planning doc required) |

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| | | Watch <i>Mediation in Action</i> (35 min. video) | | (Brett, 2007) <ul style="list-style-type: none"> • The secrets of successful mediators (Goldberg, 2005) • -When negotiations fail (Downie, 1991) | |
| 9 | Wednesday, May 27 Memorial Day Makeup | <i>Buying a House</i> -Bring your cell phone, laptop, and/or blackberry to use to communicate with your agent-principal | <ul style="list-style-type: none"> • Planning document for <i>Buying a House</i> | <ul style="list-style-type: none"> • Nice girls don't ask (Babcock et al., 2003) • Lessons from abroad (Brett & Gelfand, 2005) • When culture counts (Morris, 2005) • <i>Optional. Gender Stereotypes Contradicted (ScienceDaily, 2005)</i> • <i>Optional. Flirting is a Money Loser in</i> | |

| | | | | <i>Negotiations (AOM, 2008)</i> | |
|----|---|-------------|--|---|--|
| 10 | Monday, June 1 One Paperclip presentations & Debrief Course wrap up | | <ul style="list-style-type: none"> • One Paperclip negotiation log and analysis | <ul style="list-style-type: none"> • Optional: The One Straw Millionaire | |
| 11 | Week of June 8-12 Final Exam | Finals week | | | |