

BARGAINING GAMES

Northwestern University
Kellogg School of Management

Professor J. Keith Murnighan

This course is designed to help you become a professional negotiator, professional in the sense that you should be able to conscientiously and effectively choose among a limited set of potential strategies.

The notion of being professional is very important. This is a professional school; this course should provide you with the skills and intuition necessary to negotiate in a variety of contexts in a very professional way; and you will probably be in a professional position very soon. I'd like to accentuate that in this class. To do this, we need to teach you about negotiation and about how to negotiate. Both parts will be emphasized. Thus, we will play strategic games most classes, but we will also read and discuss theory and research on bargaining. So, if you enjoy games, you will enjoy the classes. At the same time, if you enjoy doing student stuff, you will like the reading and other assignments.

To emphasize the professional nature of the class, I would like all of you to assume that you are working full time and your firm has sent you for additional training this winter. Part of your training is this course. Your company has hired me to direct your negotiations training. Your task is to learn as much as you can about bargaining so that you will be even better equipped to handle all of your normal, critical duties.

Most of our readings will come from my text, The Dynamics of Bargaining Games. Prentice Hall. This book has gone out of print and the copyright has reverted to me. This means that I can include all of the chapters that we will be reading in the case packet, without a need for you to make royalty payments.

Each week, you should NOT do the readings in the syllabus prior to class. Instead, read them after we have debriefed the class exercise. This will fit the format of the course better. In essence, each week we will (1) experience a negotiation, (2) discuss it and analyze it in class, and then finally (3) read about it for greater understanding. All readings, then, should be completed after the class exercise, prior to the next week's activities.

An essential contribution I ask each of you to make to this course is to be professional in your actions in the class and your interactions with me and your classmates. In particular, treat our exercises and games seriously. If you are at all frivolous about what we do in the class, you will learn less and provide less opportunity for others to learn. This does not mean you have to be stern and

not enjoy the bargaining we do in class. Instead, it means that you should take your roles seriously, and take the exercises seriously. You should try to do well and you should never demean either the exercises or the people you are bargaining with after the negotiations are over. You should think about your strategies and work hard to make sure they are appropriate and effective. You should consider the consequences of your actions within the framework of the exercise and what they might be in other situations. Thus, anyone who justifies their tactics by saying “it was just a game” will be asked to leave the room for the rest of that class. You should do as well as you can within the constraints of the situation--this is the best you can do in any situation, whether it is one of the games we play in class or one of the many games you play in other arenas.

One final thing about our classroom sessions: in our debriefs, we will discuss what happened and why it happened. We'll discuss strategies that worked and strategies that didn't. If you should use a strategy that didn't work, I will ask you about it and expect you to be open and willing to discuss it in class. These exercises will probably be new to everyone. Thus, people will make mistakes and use inappropriate strategies. By delving into the thinking that led to a particular strategy, we can correct the thinking and not let it interfere with future negotiations. So I'm really not picking on you when I ask you about your strategies. To learn as much as we can in this class, we need to discuss not just what happened but why. These discussions will show how important post mortems are to future negotiation strategies. They also provide us with an opportunity to not only learn a lot about bargaining but also about ourselves.

Other Expectations

As this is a professional school, I expect that you will all act professionally in this class. Thus, I expect that you will attend each class, on time, and notify me in advance if you must miss a class. If you think of our meetings as work meetings, i.e., as if you were working full time and our meetings are an important part of your job, you'll have an idea of what I expect.

Because our class sessions are experiential, and because we often must assign you to bargaining pairs/teams in advance, even an excused absence can cause a problem. This is all the more reason for alerting me in advance. Certainly unusual situations can arise in which it will be impossible to forewarn us that you will miss a class. These situations might, for instance, result from a car crash or another unforeseen event. These instances, however, should be quite rare.

Because repeated absences will diminish the impact of the course, they will result in grade reductions. Thus, should you accumulate three absences (all with prior notification), your grade will drop by a full letter. The same is true for every unexcused absence. Absences of four or more classes will lead to additional grade reductions.

Bargaining Games

Syllabus

Winter 2009

Professor J. Keith Murnighan

Reminder: Unlike the other readings, the Walton and McKersie readings should be completed before you begin the collective bargaining exercise. In fact, it's a good idea to start reading them right after I hand them out.

Pre-Readings: Preface and Chapter 1

- Jan 5 Introduction and Overview of the Course
- Jan 8 Exercise: **GAS STATION GAME**
- Jan 12 Debrief/Discussion
Readings for Jan 15: Chapters 2 and 10
Assignment: 1st Application story and Scorecard Due Next Class
- Jan 15 Markets, Bargaining Structures, and Information I
Exercises: **SILENT BARGAINING QUIZ**, A RACE, and **EVERYONE HAS A NUMBER MARKET**.
- Jan 21 Debrief/Discussion
Readings for Jan 22: Chapters 3 and 4
Assignment: 2nd Application story and Scorecard Due Next Class
- Jan 22 Competitive Negotiations
Exercises: **ULTIMATUM GAME**
- Jan 26 Debrief/Discussion
Rdgs. for Jan 29: Chs. 11 + 12;
Pillutla & Murnighan, 'Fairness vs. Self-Interest'
Assignment: 3rd Application story and Scorecard Due Next Class

- Jan 29 The Use and Misuse of Information
Exercise: **INFORMATION GAME**
- Feb 2 Debrief/Discussion
Readings for Feb 5: Chapters 8, 9
Assignment: 4th and 5th Application stories due anytime before or on Feb 23rd
Assignment: 4th Scorecard Due Next Class
Begin reading Walton & McKersie, Chapters 3, 5, 7, & 9
- Feb 5 Auctions
Exercise: AUCTIONS
Assignment: 5th Scorecard Due Next Class
- Feb 9 Intro to Collection Bargaining Exercise
Assignment: Continue working on your Collective Bargaining Strategies
Assignment: Finish reading Walton & McKersie
- Feb 12 Coalition Formation
Exercise: **GAME OF 4-3-2**
Assignment: 6th Scorecard Due Next Class
- Feb 16 Debrief/Discussion
Reading for Feb 23: Chapter 13
- Feb 19 No Class
(Recommendation: Continue working on your Collective Bargaining Strategies)
- Feb 23 Power
Exercise: **EXECUTIVE DECISION MAKING GAME**
Assignment: Continue working on your Collective Bargaining Strategies
Collective Bargaining Group Strategy Report #1 Due Feb 26th
7th Scorecard Due Next Class

- Feb 26 COLLECTIVE BARGAINING EXERCISE, PART I
NOTE: The morning class will meet today from 10 until 1;
the afternoon class will meet from 3 until 6pm
Assignment: Updated Group Strategy Report Due Next Week, March 5th
- Mar 2 No class meeting
- Mar 5 COLLECTIVE BARGAINING EXERCISE, PART II
NOTE: The morning class will meet today from 10 until 1;
the afternoon class will meet from 3 until 6pm
Assignment: Final Group Strategy Report Due March 9th
- Mar 9 Collective Bargaining Debrief
Reading: Chapter 17 as preparation for our discussion on ethics
- Mar 12 The Ethics of Negotiation; Course Wrap-up
Readings: Chapter 14, 16, and 18