Negotiations is the art and science of creating agreements between two or more parties. This course has two purposes. First, we will discuss and apply theories developed as guides to improving negotiating. (That's the science.) Secondly, students will develop and sharpen negotiating skills by negotiating with other students in realistic cases. (That's the art.)

Since negotiations occur in all kinds of organizations, and in many functional areas within an organization, we will discuss a wide variety of examples. Most of these examples are cases students will actually negotiate. The cases are the heart of the course. Many cases will be negotiated in class; you should come thoroughly prepared to do so. You will be randomly assigned with a partner(s).

I urge you to read the cases in advance and think about them before negotiating. Preparation will generally get you a better deal (though not always, of course). Furthermore, when you are negotiating in a large group, failing to prepare can hurt the entire group.

Several of the cases will be graded. Here's how: Typically a student will play one of two or more roles in a case--buyer or seller, for example. The numerical performance of a student who is assigned to be a buyer will be compared with only the performances of other buyers. Let x denote the numerical measure of our buyer's performance. The buyer's score for x is given by the following formula:

\[
    \text{score}(x) = \frac{x - \text{low score}}{\text{high score} - \text{low score}}
\]

The lowest buyer score will be assigned a value zero and the highest buyer score will be assigned a one. All other scores are between zero and one. Adding all of your scores across the graded cases will determine your aggregate case grade. Your aggregate case grade will constitute 15% of your course grade.

It is absolutely crucial that you participate in the negotiation cases. Missing a case costs you an opportunity to learn, and disrupts the careful balance and pre-assignment of negotiation
partners. If you miss a case without having a good excuse in advance, you will earn a score of -.25. Participating and doing poorly is always better than not participating at all.

There are three additional rules about the cases: (1) The written background you will receive in each case is meant to represent the preferences and knowledge of real people. You should not show anyone else your written material because in natural settings you could not show people the things the written material represents. (2) You should not make up facts which are not in the case. People make up facts in real negotiations, of course, but facts that are made up in these cases are hard for others to check up on. We also have found that people who made up facts do not learn to negotiate. Lying gives them a strategic advantage (of debatable ethicality) which enables them to do well without facing the risk of severe legal and reputational penalties, and without facing up to the more fundamental and difficult aspects of negotiating. (3) Many of the cases will involve multiple issues. The number of points a participant receives for each issue will depend on his or her role in the case. You should never reveal your point structure to the other participants in the negotiation. This rule will be made clearer when we get to the relevant cases in the course.

Deliverables

1. Journals

The journal is a record of your thoughts both before and after each case you negotiate. Ask yourself what you learned, what surprised you, what you might have done differently after learning what others did, how theoretical predictions are helpful or obvious, and so forth. You should also write about events that happen outside of the course which are relevant—current events, books you read, things that happen in your work or personal life or in other courses. The negotiation cases for which you can write journal entries are highlighted in bold face, see the class schedule below. There are a total of 11 such cases.

You should be diligent about writing in your journal because it is much easier to record fresh observations than to remember stale ones. Journal entries must be typed. They only need to be two pages or so for each negotiation, but feel free to write more.

2. Term paper

The term paper should be relatively short, 10-15 pages. Feel free to work in groups of two, 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.

Reading

There are three required texts:

1) Roger Fisher and William Ury, Getting to Yes. (Houghton Mifflin Harcourt, 1992)
You should read *Getting to Yes* as soon as possible; it contains insights and lessons that permeate the course and are worth learning early on. While we will cover only five of the ten chapters in Bazerman, you might find the other chapters interesting. They are relatively short and should help improve your general decision making skills. McMillan clearly and intuitively explains game theory’s most important concepts. It contains many interesting examples that illustrate the benefits of strategic thinking and analysis. These books are available at the Columbia University Bookstore. Copies of these books are also on reserve in the Business School Library.

**Breakdown of Grades:**

- Class participation 20%
- Cases 15%
- Assignment 5%
- Journal & Paper* 60%

*Recall that there are 11 negotiation cases on which you can write a journal entry. The term paper counts as 5 journal entries. If you decide to do all these, then your submission is worth 16 journal entries, of which we will choose the best 10 for determining your Journal & Paper grade. If you choose to submit any subset of these, then the best-10 rule still applies.*

**Schedule of classes:**

**Class 1** (Friday, Jan 25, 3:45-6:45)

**Session 1:** Introduction

Prepare: Nothing.
Class activity: Course overview, logistics, and handouts. Judgment questionnaire.
Negotiate exercise #1, Salty Dog.

**Session 2:** Distributive negotiations

Prepare: Nothing.
Class activity: Discussion of Negotiation #1 Salty Dog (journal entry).

**Class 2** (Saturday, Jan 26, 12:30-3:30)

**Session 1:** More on distributive negotiations

Prepare: Prepare to discuss "When is it legal to lie in negotiations?" by R. Shell.
Class activity: Negotiate exercise #2, Appleton-Baker (graded). Discussion of Negotiation #2 Appleton-Baker (journal entry) and Shell’s article.

**Session 2:** Negotiator judgment
Prepare: Read chapters 2 and 3 of Bazerman and chapters 11 and 12 of McMillan on Olympic Games.
Class activity: Discussion of negotiator judgment topics. In-class exercise.

Class 3 (Friday, Feb 8, 8:30-11:30)

Session 1: **Noncooperative game theory**

Prepare: Read chapters 1, 2 and 3 of McMillan. Do assigned exercises.
Class activity: Game theory concepts. Discussion of the exercises.

Session 2: **Cooperative game theory**

Prepare: Read the Social Services case.
Class activity: Negotiate and discuss Social Services.

Class 4 (Friday, Feb 22, 12:30-3:30)

Session 1: **Cooperation and conflict: Practice**

Prepare: Read exercise #3, Oil Production.
Class activity: Negotiation #3, Oil Production (graded).

Session 2: **Cooperation and conflict: Theory**

Prepare: Nothing.
Class activity: Discuss **Negotiation #3 Oil Production (journal entry)**.

Class 5 (Saturday, Feb 23, 12:30-3:30)

Session 1: **Bargaining under time pressure: Practice**

Prepare: Read exercise #4, Leckenby, and chapter 5 of McMillan.
Class activity: Negotiation #4, Leckenby.

Session 2: **Bargaining under time pressure: Theory**

Prepare: Nothing.
Class activity: Discuss **Negotiation #4, Leckenby (journal entry)**.

Class 6 (Saturday, Mar 9, 3:45-6:45)

Session 1: **Auction and bidding**

Prepare: Read Exercise #5, Maxco Inc. and Gambit Company, and submit bids (graded).
Class activity: Discuss **Negotiation #5, Maxco and Gambit (journal entry)**.
Session 2: Signaling what you know

Prepare: Read chapter 6 of McMillan. Prepare a one-page answer to the question posed at the end of the Walkenhorst Chemical case.
Class activity: Submit the one-page write up. Discuss Walkenhorst Chemical.

Class 7 (Friday, Mar 22, 8:30-11:30)

Session 1: Coalitions and value-sharing: Practice

Prepare: Read exercise #6, Coalition Bargaining.
Class activity: Negotiation #6, Coalition Bargaining.

Session 2: Coalitions and value-sharing: Theory

Prepare: Nothing.
Class activity: Discuss Negotiation #6, Coalition Bargaining (journal entry).

Class 8 (Saturday, Mar 23, 12:30-3:30)

Session 1: Integrative negotiations: Practice

Prepare: Read chapter 8 of Bazerman. Read exercise #7, DEC vs. Riverside.
Class activity: Negotiation #7, DEC vs. Riverside (graded).

Session 2: Integrative negotiations: Theory

Prepare: Nothing.
Class activity: Discuss Negotiation #7, DEC vs. Riverside (journal entry).

Class 9 (Friday, Apr 5, 3:45-6:45)

Session 1: Principled negotiation: Practice

Prepare: Read exercise #8 Texoil.
Class activity: Negotiation #8, Texoil (journal entry).

Session 2: Principled negotiation: Theory

Prepare: Read Fisher and Ury. Getting to Yes. Read the PowerScreen case.
Class activity: Watch PowerScreen video.

Class 10 (Saturday, Apr 6, 8:30-11:30)

Session 1: Agents and third parties: Practice
Prepare: Read chapters 4, 8 and 9 of McMillan, and read exercise #9, House sale. 
Class activity: Negotiation #9, House Sale (graded).

Session 2: Agents and third parties: Theory
Prepare: Nothing.
Class activity: Discuss Negotiation #9, House Sale (journal entry).

Class 11 (Saturday, Apr 20, 8:30-11:30)

Session 1: Multi-party negotiations: practice
Prepare: Read chapters 9 and 10 of Bazerman. Read exercise #10, Harborco.
Class activity: Negotiation #10, Harborco (graded).

Session 2: Multi-party negotiations: theory
Prepare: Nothing.
Class activity: Discuss Negotiation #10, Harborco (journal entry).

Class 12 (Friday, Apr 26, 12:30-3:30)

Session 1: Ethics in negotiations
Prepare: Read exercise #11, Bullard Houses.
Class activity: Negotiation #11, Bullard Houses (journal entry). Debrief.

Session 2: Course Summary

Please submit the following (or any subset thereof) by May 10 (Friday):

1) Journal entries for Negotiations #1 to #11.

2) Term paper (counted as 5 journal entries).
INTRODUCTION FOR ROLE-PLAYERS

1. Study both the background statement and your specific role instructions very carefully. This is an acting assignment.

2. Empathize with the character you have been assigned. Try to imagine how he or she thinks about the situation, and act accordingly.

3. Make sure you do not discuss anything concerning your specific role instructions with any other participant prior to the role-play. As in real life, you have information that is known only to you, and you will be at a disadvantage if you disclose this before the role-playing session begins. It would also interfere with others' learning experience, so please resist the temptation.

4. When you begin role-playing, make a special effort to stay in role. Don't joke around. If another person gets out of role, ignore rather than encourage this digression: give him or her a baffled look, and continue in role.

5. Remember that this is an essentially fictitious case. Therefore, don't find data not found in the case materials: specifically, please don't bring in real data concerning the company or its products.

6. You will probably need to make up some information (i.e. "ad lib"). This is fine as long as you do not add any "facts" that will improve your power position (examples from past simulations include claiming your family holds most of the stock, having incriminating evidence to blackmail the other person, and many similar imaginative yet counterproductive ideas.)

7. If you finish your role-play early, you may observe other groups--to see if they are taking a quite different approach, for instance--so long as you do not disturb them in any way. Conversely, ignore other people observing your negotiating performance.
Journal Guidelines

Each student must keep a journal that identifies their negotiation opponent(s) and the level of their opponent(s)'s apparent preparation (poor, adequate, or excellent). Regarding each negotiation exercise, ask yourself:

Pre-negotiation entry

- What kind of situation am I facing? What are my goals and expectations for this negotiation? What uncertainties do I confront? What strategy should I adopt? What skills will I try to exhibit and/or test?

Post-negotiation entry

- What did I learn about negotiation from this exercise?
- What did I learn about myself in this exercise? Others?
- What surprised me about my behavior and the behavior of others?
- What would I do differently if I had to do it again?
- What readings apply to this exercise? Were they useful? If not, why not? In what ways do these readings help me understand what happened? Do the readings suggest how I might have done better in this negotiation situation?

Avoid entries that simply relate the sequence of offers and responses and report a final result. Your journal will be kept confidential. Therefore, you may (and should) be specific in identifying others.

Journal entries will be graded on the basis of effort put into the journal, including intelligent application of the readings and lectures to the exercises and personal frankness and reflection. A "check-minus" is awarded for making an entry that addresses what happened to you. A "check" is awarded for both pre- and post-negotiation entries that address your planning and what happened, apply the readings and lectures in an intelligent manner, and display an honest attempt to be reflective and self-critical. A "check-plus" is awarded for really outstanding effort, including all of the above plus an attempt to describe and reflect on real world negotiating experiences both past and present that bring the course materials to life for you.
NONDISCLOSURE AGREEMENT

In order to make the course effective and to make grading fair for this and for future sections of this course, it is essential that participants

- keep role-specific, confidential information to themselves except as they may choose to disclose it in the actual negotiation exercises,

- make no efforts, other than in the course of negotiations, to discover the private information given to their opponents, and

- refrain from discussing the exercises and results of negotiations with other students unless they are certain that the person with whom they are speaking has completed the exercise. Under no circumstances should students discuss the exercises with students who are not currently enrolled in this class.

Registration in this class implies that you agree to the above conditions.