

## NEGOTIATION

Universitat Pompeu Fabra – Fall 2001

Llicenciatura en Administració de Empreses (ADE) - Llicenciatura en Economia

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Negotiation is the art and science of creating agreements between two or more parties. We will discuss and apply theories developed as guides to improving negotiations (the science). We will also develop and sharpen negotiating skill by participating in realistic negotiation simulations (the art). While the analytic theory is important, we will mainly focus on the art of negotiation.

There will be a number of cases presented, in which you will make actual choices about actions and tactics within the negotiation - choices with actual consequences. You will see how other people behave and what tactic they choose in various situations. You will have feedback and be able to evaluate the effectiveness of differing tactics. You will experience many different roles and will gain insights as to what skills are needed to negotiate effectively with others. In particular, you should learn to understand how characteristics of negotiations affect what kinds of tactics are appropriate.

The lectures will present relatively non-formal bargaining theory, which will draw on aspects of economics, game theory and the psychology of decision-making. Much of the lecture time will also be taken up with running, discussing, and debriefing the different negotiation exercises in which you will participate.

### Cases

Since negotiations occur in all kinds of organizations, we will confront a wide variety of examples. Most of these examples are cases that you will actually negotiate. These cases are the heart of the course. Many cases will be negotiated in class; you should come thoroughly prepared for these. Other cases will be conducted outside of class. For these, you and your partner(s) are responsible for arranging times outside of class to negotiate.

Lectures will be related to readings that will be specified (most of the books are in the library-see below-often both in English and Spanish). These readings will help you gain a greater appreciation for the subject matter and thus prepare you better for the case negotiations.

Several of the cases will be graded. Here's how: Typically a student will play one of two or more roles in a case. The numerical performance of a student who is assigned

to a role will be compared with that of the other students in that role. If X is the measure of performance, then the student's graded score for X is given by:

$$\text{Score (X)} = [(X - \text{Average X}) / (\text{Standard deviation X})]^2 + 6$$

Adding a student's scores across the graded cases will determine their aggregate case grade.

### **Negotiation notes**

At the end of each exercise, it is important that you reflect on what you have learnt. We shall help you do this in two ways. First, at the end of each exercise, we shall require all parties to give each other feedback on the process of the negotiation so that you may better assess your strengths and weaknesses, mistakes made, and so on. Second, each student is required to keep a negotiation diary in which you record what you have learnt from each negotiation. A copy of this diary must be handed in at three specific times during the course-see syllabus, below.

### **Grades**

Your grades will be determined by three components:

1. 30% of your grade depends on your performance in the case exercises. Note, this means that if you miss an exercise or exercises, you will get no mark for that exercise or exercises.
2. 20% will depend on the quality of your comments in the negotiation notes.
3. 50% will depend on your final examination.

### **Syllabus**

#### Week no. 1 – January 7 & 8

Topic: Distributive bargaining –1  
Case: The Antique Carousel Horse  
Reading: Thompson, Chs. 1&2; Bazerman and Neale, Chs. 1&9;  
Raiffa, Ch. 1.

#### Week no. 2 – January 14 & 15

Topic: Distributive bargaining –2  
Case: Lot Number 21  
Reading: Thompson, Ch. 3; Dixit and Nalebuff, Chs. 2&6;  
Raiffa, Chs. 3&4.

#### Week no. 3 – January 21 & 22- Negotiation diary number 1 due

Topic: Integrative Bargaining -1  
Case: Buy-out  
Reading: Thompson Ch. 4; Fisher, Ury and Patton (whole book)

#### Week no. 4 – January 28 & 29

Topic: Integrative Bargaining -2  
Case: El-Tek

Reading: Thompson Chs. 5&6&7; Bazerman and Neale Chs. 4&5&6&8;  
Raiffa Chs. 10&11.

Week no. 5 – February 4 & 5

Topic: Integrative bargaining –3

Case: Working Moms

Reading: Thompson Chs. 5&6&7; Bazerman and Neale Chs. 4&5&6&8;  
Raiffa Chs. 10&11.

Week no. 6 – February 11 & 12

Topic: Integrative bargaining –4

Case: CP France-Megamarché

Reading: Thompson Chs. 5&6&7; Ury (whole book).

Week no. 7 – February 18 & 19 *Negotiation diary number 2 due*

Topic: Escalation

Case: Sudden Impact

Reading: Dixit and Nalebuff, Chs.8&11; Raiffa Ch. 6.

Week no. 8 – February 25 & 26

Topic: Emotions, fairness and creativity

Case: The Janesville Dispute

Reading: Thompson, Ch. 8; Bazerman and Neale Ch. 13;

Week no. 9 – March 4 & 5

Topic: Multy-party Negotiations –1

Case: Federated Science Fund

Reading: Thompson, Ch. 9; Dixit and Nalebuff Chs. 9&10;  
Raiffa, Ch 17.

Week no. 10 – March 11 *Negotiation diary number 3 due*

Topic: Multy-party Negotiations –2

Case: Harborco

Reading: Thompson, Ch. 9; Bazerman and Neale Ch. 14;  
Raiffa Ch. 23.

**Bibliography (referred to in syllabus)**

BAZERMAN, Max; NEALE, Margaret. *Negotiating Rationally*. New York: The Free Press, 1992.

DIXIT, Avinash; NALEBUFF, Barry. *Thinking Strategically*. New York: Norton, 1991.

FISHER, Roger; URY, William. *Getting to Yes*. Nova York: Penguin, 1991.

RAIFFA, Howard. *The Art and Science of Negotiation*. Cambridge (Mass.): Harvard University Press, 1982.

THOMPSON, Leigh. *The Mind and Heart of the Negotiator*. Upper Saddle River (New Jersey): Prentice Hall, 2000.

URY, Roger. *Getting past No*. New York: Penguin, 1993.