

MANAGERIAL NEGOTIATIONS – DROM B8510  
MS & E Program  
Columbia University

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*PRELIMINARY DRAFT:*

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Office hours: After class or by appointment

## Objectives

Opportunities to negotiate constantly arise. These opportunities can range in importance from disputes over a meeting schedule to disputes over the strategic direction of a company. And the way these disputes are resolved can range from casual debates to formal contractual agreements. The main objective of this course is to help students improve their negotiation skills in such scenarios through both practice and knowledge:

To enhance a student's negotiation practice, the course provides students with the opportunity to improve their negotiating skills through participation in negotiation exercises. These exercises provide an environment for both learning about and modifying your negotiation skills and style.

To enhance a student's negotiation knowledge, the course investigates 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.

A secondary objective of this course is to provide students with an appreciation of the philosophical assumptions that underlie modern approaches to negotiation. Students will develop an understanding of how these assumptions have informed modern 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. As a result, **attendance is required for all class sessions**. 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.)

### ***Role-playing Responsibilities***

Having a constructive learning environment is essential to this course's effectiveness. Everyone plays a part in this. Here are some ground rules for our role-play exercises:

- (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 (or email) your confidential role instructions to other parties during a negotiation, nor should you directly read them aloud.** At your discretion, you can choose to speak about your interests to the other side. Once the negotiation is complete, you should *still* keep your instructions private, unless instructed otherwise. We will debrief most of our cases collectively in class.
- (2) 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.
- (3) The exercises are an opportunity to experiment. Remember, you are trying to figure out an approach to negotiation that works for you. However, please avoid any behavior that is not consistent with professional, business behavior.

### ***Learning Responsibilities***

This is very much a 'learning by doing' course. You will be expected to be properly prepared for every class and to participate in class discussions. Additionally, you will be expected to stay engaged during every class. This implies the following professional behavior:

Arriving on-time for class

No leaving during class

**No laptop or device usage that distracts you from class**

**NOTE:** If you have difficulty showing up for class on time, you should **not** take this course.

### **Textbooks**

There is no textbook that covers all of the course content, though *Bargaining for Advantage* (BFA) is a good, comprehensive book. Additionally, *Getting to Yes* will be assigned.

1. Fisher, Roger and Ury, William, *Getting to Yes: Negotiating Agreement Without Giving In*.
2. Shell, G.R. 2006. *Bargaining for Advantage*. NY: Viking (BFA)

*Getting to Yes* should be read by **Class 4**. In *Bargaining for Advantage*, only selected chapters will be assigned, but the remaining chapters are highly recommended.

Strictly optional: For those students interested in how negotiation theory has informed modern business strategy, the Introduction, Chapter 1, and Chapter 2 of the following book are recommended:

Stuart, 2016. *The Profitability Test: Does Your Strategy Make Sense?*. Cambridge: MIT Press.

## Requirements and Grading

Grading will be based on four factors:

Attendance	Required (see below)
Class Participation & NameCoach	30%
Surveys	20%
CPC Chart	5%
Party Diagram	5%
Journal or Paper	40%

### 1. Attendance

**Attendance is required in all sessions.** It is essential that you participate in the negotiation cases. 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. Additionally, **if you miss a class without notifying me in advance, your final grade will be lowered. Unless you are missing class due to illness, you must notify me by Thursday, 9pm, the week before class.**

“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 sign into class on time. **If you are late more than once, your final grade will be lowered.**

### 2. Class Participation & NameCoach

Class Participation comprises 30% of your grade. **You should plan to participate regularly in class discussions.** 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.

The results of the negotiation exercises are not graded. However, if it is apparent that you did not prepare properly for a negotiation exercise, **your participation grade will be reduced.**

It is important that everyone in the class know how to pronounce your name correctly. Consequently, it is a **course requirement** to enter a recording of your name in the NameCoach tool in Canvas. Also, **please bring your tent (name) card to every class.**

### 3. Surveys

For most classes, there will be a survey due **10:00am** the day of class. They will be on Canvas (under ‘Quizzes’) and must be completed by **10:00am** on the day of class. **Late submissions will not be accepted.** Collectively, these comprise 20% of your grade.

### 4. CPC Chart & Party Diagram

We will discuss currently-perceived choice (CPC) charts in class 4 and party diagrams in class 7. (*Getting to Yes* covers the former, the *Map the Players, Change the Game* note discusses the latter.) These are useful tools for a pre-negotiation analysis. The assignment is to create both a CPC chart and a party diagram for a real-world negotiation. You can use the same negotiation for both exercises or a different negotiation for each exercise. Each exercise counts 5% towards your grade, and each will be graded pass/fail (unless a submission is particularly weak or particularly strong). The CPC chart is due **Monday, 10/11, at 10am**. The party diagram is due **DATE**. (Note: party diagrams are especially useful for negotiations in which it appears that you are in the weaker position.)

### 5. Journal *or* Paper

The remaining 40% of your course grade will be based on a journal *or* a final paper. Each option is described below. It should be submitted by **DATE**.

#### *Journal*

A journal should contain at least one entry per class. Ideally, it will 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, whether 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. (The file *Journal Tips* on Canvas provides good, general advice for keeping a journal. The file

*Journal Ideas* provides specific advice for this course.) Because a journal is especially useful for those students who use the course as a workshop for refining their approach to negotiating, the end of the journal 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.

### *Paper*

A paper should be relatively short, approximately 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 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.

## COURSE SCHEDULE

### Class 1: Introduction

**Preparation:** Read the syllabus carefully, paying special attention to the *Requirements and Grading* section. Be sure to enter a recording of your name in the NameCoach tool on Canvas. (The recording should be of the name you want to be called in class.)

- **Management of the Class & Logistics**
- **Negotiation Exercise:** *Mapletech-Yazawa* (892-003) and (892-004) (distributed in class)
- **Class Discussion**
  - De-brief of negotiation
  - Defining Value

**After Class Reading:** *Bargaining for Advantage*, Chap. 1, 2, and Appendix A.

**After Class Assignment:** Do the style survey in Appendix A, and record your results. You'll need them to answer the survey questions for the next class.

### Class 2: Negotiations and the Perceived Game

**Preparation:** Prepare your role and think carefully about the Pre-Negotiation questions at the end of your case. You will need the answers to these questions, as well as the results of your style survey, for this week's survey. Please remember that surveys are under 'Quizzes' on Canvas and must be completed by **10:00am on the day of class.**

- **Negotiation Exercise:** *Patriot National Insurance Co.* (394-095) and *Byrnes, Byrnes & Townsend* (394-096) (distributed before class)  
NOTE: In preparing for the PNI-BBT negotiation, both sides should assume that the appeal from the summary judgment will be granted. In other words, the summary judgment will be thrown out.
- **Class Discussion**
  - De-brief of negotiation
  - Managing Uncertainty
  - Differences and Value Creation

### Class 3: Analytics of Value Creation

**Preparation:** In addition to this week's negotiation, read the beginning of Chap. 11 in *Bargaining for Advantage*, up to (at least) the section titled "The Ethical Schools in Action." The survey questions for this week will ask you for your ethical style. Be prepared to discuss what you believe to be ethical behavior in a negotiation.

- **Negotiation Exercise:** *Working Moms* (distributed before class)  
NOTE: There are two spreadsheets on Canvas to help you with the NPV calculation in Working Moms. The password for the Taylor NPV Calculation worksheet is the last word on page 4 of the Kim Taylor case. Similarly, the password for the Schiller NPV Calculation worksheet is the last word on page 4 of the Terry Schiller case. If you have the Schiller role, you should not be looking at the Taylor worksheet. Similarly, if you have the Taylor role, you should not be looking at the Schiller worksheet.  
NOTE: If you agree to a deal that gives you a net present value lower than your reservation value, your participation grade for the class will be penalized.
- **Class Discussion**
  - Analytics of Value Creation
  - Tactical Implications
  - *Mapletech-Yazawa* comparisons

### Class 4 : Introduction to the Value Creation Mind-set

**Preparation:** Be sure you have completed reading Fisher and Ury's *Getting to Yes* before starting this class's exercise, the *Powerscreen Problem*.

- 1) Read the general instructions and the private information for your side.
  - 2) View the PowerScreen Fight video (on Canvas)
  - 3) Decide whether you want to be the principal or the lawyer. (This is a two-on-two negotiation.) With your partner, prepare your strategy for the negotiation. Make sure you identify your interests, your BATNAs, and some options; be prepared to share what these were during our class debrief.
- **Negotiation Exercise:** *PowerScreen* (distributed before class)
  - **After Class Reading:** *Bargaining for Advantage*, Chaps. 3-5

Note: After this fourth class is a good point in the course to read Chapters 7-10 in *Bargaining for Advantage*. This part of the book looks at the process of negotiation. It should be interesting to compare the book's advice with what you actually did in your first four negotiations.

## **Class 5 : Structured Procedures in Negotiations**

**NOTE:** CPC is due: **Monday 10/11, 10am.**

**Preparation:** For the Commitment Exercise, work through the problem and answer the survey questions. Prepare to negotiate the *Leckenby Company*. We will assign roles and do the negotiation in class. The actual negotiation will take no more than 15 to 20 minutes but preparing an effective strategy for the negotiation should take much longer.

- **Exercises:** *Commitment Exercise* (on Canvas)
- **Negotiation Exercise:** *Leckenby Company* (186-141) (in class)
- **Class Discussion**
  - Analysis of exercises
  - Discussion of applications
  - Implications of procedural restrictions
  - Defining rationality

## **Class 6: More Complicated Contexts, Part 1**

**Preparation:** In this week's negotiation, you will be either a buyer or seller of real estate. You will be encouraged to act just as you would if this were a real-world negotiation. Your role and instructions will be emailed to you.

- **Negotiation Exercise:** *Windham Negotiation*
- **Class Discussion**
  - De-brief of negotiation
  - Comparison with previous negotiations

## **Class 7: Introduction to Multi-Party Negotiations**

### **Preparation**

- 1) Read the *Final Offer Background Note*. (As an aside, you'll see how the costs of the strike differ for labor and management, just as in the Leckenby case.)
- 2) Read the *Map the Players, Change the Game* note
- 3) View the *Final Offer* movie
- 4) Try to create a party mapping for Bob White

In class, we will discuss, among other topics, the reason for or impact of the following situations:

- The wildcat walkout
- White sending Ducharme as his bargaining agent
- Bieber's threat to withhold funds
- The public negotiation session called by Rod Andrews



- The White vs. Clout confrontation during the discussion about ratifying the deal
- **Movie:** *Final Offer*
- **Class Discussion**
  - Movie comments
  - Managing multiple coalitions

### **Class 8 : Introduction to Coalitional Bargaining**

**NOTE:** Party Diagram is due: **Monday 11/8, 10am.**

- **Negotiation Exercise:** *WAMAYC* (to be distributed in class)
- **Negotiation Exercise:** *The Merger Game* (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 : Managing Internal and External Negotiations**

**Preparation:** Read and make sure you understand the *Scoring a Deal* note. You will be assigned your role for *Edgewood Electric* at the beginning of class. (The Edgewood case uses a scoring system.)

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

### **Class 10 : Introduction to Fair Division**

#### **Preparation**

- 1) Suppose it is your job to help two people divide some assets fairly. What criteria for fairness would you use to help them figure out a fair division of the assets? Be prepared to discuss your answer in class.
- 2) Read *A Bargaining Problem from the Talmud*. Be prepared to discuss how you personally would divide the estates (or share the project costs). Can you identify a unifying principle behind the three situations? (You can find this

problem analyzed on-line, but these analyses tend to confuse more than they explain. *Decide for yourself* whether or not the three situations seem consistent to you.) Answer the survey question.

- **Exercises** TBD
- **Class Discussion**
  - Criteria for a fair division of goods
  - Procedures for achieving a fair division

### **Class 11: Managing a Multi-Party Process**

**Preparation:** Read the general information carefully (distributed in the prior class). Your role will be distributed in class.

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

### **Class 12 : More Complicated Contexts, Part 2**

**Preparation:** Bring \$3.00 to class. (Three one dollar bills, please—no coins, and we won't be making change for larger bills.)

- **Negotiation Exercise:** *Coalition Bargaining*
- **Class Discussion**
  - De-brief of negotiation
  - Effects of structure on coalitional bargaining
  - Toward a Broader View of Negotiation
  - Course Review