NEGOTIATION AND CONFLICT RESOLUTION

Negotiating effectively is a skill. As with most skills it can be learned. This class is therefore a skills course: it is designed to make this learning faster and less painful than is real world trial and error. That it’s less painful is obvious: making mistakes in an exercise clearly won’t hurt nearly as much as making them in a real negotiation. That it’s speedier than real life is also obvious: you’ll be doing exercises in every session, so the lessons can come thick and fast.

Extensive research on the acquisition of expertise tells us that learning and practicing a skill is best done by starting with simple exercises and gradually building up to more complex ones. Don’t worry: even the simplest exercises will give you plenty to think about --- largely because you’ll be working with an intelligent person --- a partner or opponent (how you think about them matters) --- whose interests aren’t the same as yours. They overlap, of course: a buyer wants to buy (at some price); a seller wants to sell (at some price). But these interests aren’t identical: the desired prices aren’t the same. This disagreement is central to negotiations, so the bargaining dance can get complicated even in simple exercises.

Of course, these interests aren’t completely opposed either: if the situation is truly zero-sum then there’s nothing to negotiate about. Nevertheless, some students enter OB381 implicitly or explicitly believing that negotiation is basically a matter of win-lose. Others believe that it’s basically a matter of win-win. Both groups see part of the picture --- either the conflict (the zero-sum perspective) or the cooperation (the win-win perspective) --- but not all of it. So much of what happens in this course is learning how to think about negotiation in a more rounded way: learning to see the potential for cooperation, if one starts from the win-lose perspective, or learning to see the reality of conflict, if one starts from the win-win perspective.

This can be challenging, emotionally as well as cognitively. It can also be exciting.

Course Requirements

1. PARTICIPATION

(45%)

You are expected to be present and prepared for negotiation exercises and for the discussions that follow the exercises. Your active and conscientious participation in the negotiations is a crucial part of the course in three ways. First, how much you learn about negotiation depends upon how well you play your assigned role. Second, how much your negotiating partner learns also depends significantly on your behavior: s/he will benefit from the exercise only if you take your role seriously. Third, as class discussions will focus on analyzing the
exercises, your classmates will have interesting data to examine only if you carry out your roles diligently.

All this means that a major part of participation involves conduct in the exercises. Accordingly, half of the participation grade (22.5% of the course grade) will be based on your participation in the exercises. Two components are especially important: (1) being present for an exercise, obviously (your partner can’t negotiate if s/he has no one to negotiate with!), and (2) negotiation performance—how well you did compared to other students in the class who played the same role. (You will not be compared to your negotiating partner; this would impart a zero-sum bias to the games.)

The other half of the participation grade will be based on the quality of your participation during class discussions.

2. NEGOTIATION LOGS
(40%)

You must write careful, legible logs of each negotiation exercises. This serves two purposes. First, the logs provide data about the outcomes of exercises. My TAs and I will record and analyze these data and they’ll become the foundation for the discussion and debriefing of the exercise. (This discussion occurs in the session after the one in which the exercise was done. This gives my TAs and me the time we need to analyze the data.) Second, writing the logs gives you an opportunity to reflect on and think about the experience. This both accelerates and deepens learning. For each negotiation there will be a link in Canvas Assignments to a Qualtrics survey. The survey will serve as your log to capture the information from each exercise. Each survey will be open and available until midnight after the Monday class, and for 24 hours after the Friday class.

3. TOURNAMENT: Creating versus Claiming Value
(7.5%)

It’s clear that if negotiators resolve their differences in a principled way (e.g., if they follow the approach recommended in Getting to Yes) then usually they’ll all be better off than if all play hardball. However, following the advice of Getting to Yes can be risky: what if one’s partner plays hardball---aggressively claims value---while you’re hard at work trying to create value?

This computer-based tournament gives you an opportunity to try out your skills in a setting of repeated interaction with your classmates. You’ll submit a strategy, programmed for the computer, which makes a choice in every period: either to be principled or to play hardball, which can be thought of as creating value or claiming it, respectively. At the end of the period, your strategy will find out what your partner did and what your payoff was. Your strategy may then use this knowledge to make a new decision in the next period, and so on. The computer will match your strategy against every strategy submitted by your classmates, and also against a few that I submit. The strategy that gets the highest per period average payoff, against all of its partners, wins the tournament.
4. ANALYZING AN OUT-OF-CLASS NEGOTIATION
(7.5%)

Although exercises and practice are absolutely vital in improving skills, ultimately we want to use them in real life. Hence this assignment. Pick an important negotiation that you’ve been part of and analyze it. Explain why certain aspects (outcome and process) went well and why other aspects didn’t go well.¹ I’ll provide more details on this assignment later in the quarter. It will be due on the last class session; it should be roughly 2-4 pages, double-spaced.

Logistical Information

Since this an online course, some of the following information may not very useful. We can always hope however.

- My office location: 211 Faculty Building East
- My phone: 723-4480
- My email address: jonathan.bendor@stanford.edu
- Assistant’s name: Sophia Rivera
- Assistant’s email: sophias1@stanford.edu
- Assistant’s office: 272 Faculty Building East
- Assistant’s phone: 721-5334

I read my email regularly, so this is a good way of reaching me. Until things improve, it’s also the best way of reaching me.²

Readings

Textbooks

¹ Of course it’s possible that everything went well. That would be intriguing, especially for a complex problem, so there’ll be plenty to explain. Alternatively, it’s possible that everything went badly; again, there’ll be much to explain. The main criterion is that the issues were important to the participants. (I prefer that you select an internally heterogeneous case---some things went well while others didn’t---but this isn’t a requirement.)
² We may have optimal (best) alternatives even when there are no good ones. We’ll discuss this possibility in class: it’s often important for negotiations.
SCHEDULE

I. Introduction

Session 1: Monday, September 21


Exercise: Texoil

II. Two-Party Negotiating: fundamentals

Session 2: Friday, September 25


Exercise: Recruit

Session 3: Monday, September 28


Exercise: Ultimatum

Session 4: Friday, October 2


Exercise: Demand Games

Session 5: Monday, October 5

Reading: Neale and Lys: p.36-42; chapter 4; p.94-97.

Exercises: El Tek
Session 6: Friday, October 9

Exercises: The Gas Station Game
The Diamond Game

III. Two-Party Negotiations: complexities

Session 7: Monday, October 12

Readings: Neale and Lys, chapter 8.
Exercise: Strike

Session 8: Friday, October 16

Reading: Getting to Yes, chapters 3-4.
Exercise: Buyer-Seller

Session 9: Monday, October 19

Readings: Getting to Yes, chapter 6.
Bazerman & Neale, Negotiating Rationally, chapter 5.
Neale and Lys, p.79-89.
Exercise: Perception Game

Session 10: Friday, October 23

Readings: Getting to Yes, chapter 7.
Neale and Lys, chapter 5.
Camerer & Fehr, “When Does `Economic Man’ Dominate Social Behavior?”
Exercise: AMPO
IV. Multiple-Party Negotiations

Session 11: Monday, October 26


Exercise: Final Offer Arbitration

Session 12: Friday, October 30

Reading: Neale and Lys, chapter 13.

Exercise: Auctions

Session 13: Monday, November 2

Reading: Neale and Lys, chapter 11.

Exercises: Majority Rule Game

Session 14: Friday, November 6


Exercise: Merger Game

Session 15: Monday, November 9

Reading: Bazerman & Neale, chapter 17.

Exercise: Common Pool Resource Game

Session 16: Friday, November 13

Reading: Neale and Lys, chapter 9.
Exercise: Harborco

Session 17: Monday, November 16

Reading: Neale and Lys, p.183-191.

Exercise: Jordan Electronics Company

V. Wrap Up

Session 18: Friday, November 20

Reading: Neale and Lys, chapter 14.
Bazerman & Neale, chapter 18.
McMillan, Games, Strategies, & Managers, p.179-181.