

**College of Business  
University of Montana**

**SYLLABUS**

**NEGOTIATIONS  
MBA 694**

**Course Overview:**

Negotiation is something we do every day. In business, it comes up with our boss, peers, subordinates, customers, vendors, stakeholders and others with whom we must interact and persuade. The issues may be price, compensation packages, deal terms, budgets, product features, courses of action, or dispute resolution. All can have much at stake. In our personal lives, we negotiate big and small issues regularly with spouses, partners, parents, kids, service providers and associates in our outside activities and organizations. With couples, simply deciding where to have dinner, what movie to see or what vacation to take often requires a negotiation. Many of us shy away from negotiations because we see them as adversarial and don't like conflict. This will often result in not achieving our desired objectives. In contrast, learning about the basic principles, strategy and psychology of negotiations can equip us with skills that can improve the outcomes in all areas of our lives. With this foundation, we can often use cooperation instead of confrontation and develop a solution that is viewed positively by both parties ("win-win").

Negotiation is the process of securing agreement between two or more independent parties through back-and-forth communication when some of their interests are shared and others are opposed. Quite simply, it is how most of the decisions in our lives are made. Even in hierarchical organizations where the superior could dictate a course of action, such one-sided decision making cannot assure willing and enthusiastic compliance and will most likely miss out on subordinates' contributions that could have improved the outcome.

Through the assigned reading and lectures, this course will present the foundational principles that have evolved out of extensive body of research in the field of negotiations. Students will then develop their own skills through practice, with a negotiation exercise or "simulation" taking place in each of the four class sessions and in the final course project, due two weeks after the last session. You will be negotiating either in pairs or in teams, with each student assigned a different role and given a 1-3 page set of confidential instructions. A preparation sheet will be required for each exercise, prepared in class, which will be submitted afterward and will contribute to your overall course grade. After each negotiation exercise, we will compare the results of the different teams, providing you with immediate feedback on your growing skills as a negotiator. We will then draw out the key lessons to be learned from that simulation. Some of the exercises will have financial elements that require calculating returns and trade-offs, building on work you may have done in other classes, so be sure to bring a calculator or smart-phone to class.

**Course Objectives:**

Students who approach this course with diligence and complete the required work should have learned how to:

- Understand concepts and frameworks that help you analyze each negotiation situation.

- Develop a strategic plan and preparation documents in advance of each negotiation.
- Master a toolkit of useful negotiation skills, strategies and tactics.
- Improve your ability to predict and understand the other party's behavior during negotiations.
- Gain valuable experience and confidence in your own negotiating skills.
- Improve future outcomes whenever you enter into a negotiation or are engaged in a dispute.

### **Negotiation Exercise Format:**

The course is built around the five simulations as the primary learning vehicle, since the goal is that you acquire skills rather than just gain theoretical knowledge about negotiating. For each exercise, you will draw randomly a key tag that indicates your participant identity (A or B) and your pairing (the academic term is “dyad”) number, e.g., 1A, 9B, 14A, 18B. You will have been given your Confidential Role Instructions the night before, except for Friday's exercise, which will be handed out in class. You will have to read these instructions, understand the issues and prepare a handwritten “Prep Sheet,” following a format to be provided. During the class session, everyone will break into negotiating dyads, with 1A paired with 1B, 2A with 2B, etc. You will attempt to negotiate a resolution of the issues in the case within the allotted time (20-45 minutes). Once you have completed the exercise, you will hand in your results and Prep Sheets, and each team's results will be tabulated and posted for all to see. Finally, there will be a “Debrief” discussion with the entire class. The key issues will be reviewed and students will share what they learned (or perhaps should have learned), connecting their experience to the concepts presented in the course. The benefit of this format is that you can experiment with different styles and strategies without real dollars at stake, developing skills and gaining confidence each time.

A. **Simulations.** The negotiation exercises we will use are the following (in sequence):

1. **Parker-Gibson:** This case is a two-party, single-issue negotiation for the purchase of a vacant lot that is situated between two neighbors, the Parkers, who own it, and the Gibsons, who are considering buying it. The Parkers have sold their house and will be moving out of state, so it is unlikely there will be any ongoing relationship between the two families. Thus, this is an example of a “distributive” negotiation, with one side gaining in price what the other side loses.
2. **Texoil:** This is a two-party, quantified transactional negotiation for the purchase of a family-owned service station by a major oil company. It has integrative potential, meaning that value can be created for either or both parties by using a creative, cooperative approach.
3. **New Recruit:** This is a negotiation between a job recruiter and a job candidate regarding a new managerial position. There are eight different issues that would be part of the offer letter, if they can be successfully resolved (job assignment, location, salary, bonus, start date, etc.) This introduces the possibility of trade-offs based on each side's priorities.
4. **Windy City Theater** This exercise involves a cross functional team of five managers (operations, finance, marketing, etc.) who are trying to evaluate a new product idea and agree on a recommendation to the general manager. The issue is whether a prestigious theater company located in an elegant downtown Chicago venue should begin offering a matinee performance, which would entail upside revenue possibility but with financial risk.

5. **Sally Soprano:** Sally Soprano is a distinguished older soprano singer who is being considered as a substitute in the leading role in the Lyric Opera's upcoming production of the opera *Norma*, after the star who had been booked became ill only three weeks before the opening. The negotiation is between the singer's Agent and the Lyric Opera's Business Manager and involves issues such as salary, publicity, and ongoing relationship. It also brings in the issue of "standards" or objective criteria that may be commonly used in an industry to resolve financial or other issues. This exercise will be conducted by the student pairs within 2 weeks after the course ends, and the written assignment will be due one week after that. The negotiation can be conducted either in-person or via Skype, if more convenient.

**B. Policies Regarding Negotiation Exercises:**

- You must enter into these negotiations relying solely on the basis of the facts provided in the case. It is unethical to research these cases in advance, attempt to secure your counterparty's confidential information, or find the published results from earlier simulations. That will undermine the benefits of the exercise for you and your negotiating partner.
- Do not show your role materials to anyone during the exercises. Even after completing the negotiation, do not reveal your confidential information to the other party before returning to the classroom. We will discuss everything together as a class.
- Never assume your role materials are identical to everyone else who has been assigned that role. Sometimes these instructions will vary, e.g., in order to demonstrate the effect of changes in alternatives on the negotiation results.
- You may use any tactics, short of physical violence, to reach an agreement, including misrepresentation. However, you must be willing to discuss these tactics in class.
- You may not create facts that substantially change the basic situation of the parties. For example, you must abide by the preferences the role assigns to you and should not attempt to change the power dynamics between the parties.
- Remember that all lecture and case materials are copyrighted and may not be used for purposes other than this class without appropriate permissions.

**Course Requirements:**

You will be expected to complete the following course requirements:

- A. **Textbook:** You must purchase and read before the first class the paperback book *Harvard Business Essentials: Negotiation*, Harvard Business School Press, Boston, MA 2003). It is available from Amazon.com for \$12.99 new and \$7.99 used. This book (141 pp.) presents the key principles in the art and science of negotiation that have been developed in the literature over the last thirty years. Additional readings you may want to consider for your library are:
- *Getting to Yes*, Fisher, Ury & Patton (1991)
  - *Getting Past No*, Ury (1993)
  - *Negotiating Rationally*, Bazerman & Neale, (1992)
  - *Negotiation*, Sixth Edition, Lewicki, Barry and Saunders (2010).
- B. **Negotiation Exercises:** The five simulations involve confidential information sheets for the participants that will be handed during each class session. These are copyrighted, licensed materials that must be purchased by the University in order to be made available to students. **In order to participate in this class, you must go to the University Bookstore and purchase an access card at a cost of \$25.** You will be given or emailed a certificate that you must hand

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in to me at the beginning the Friday class in order to receive the materials for the five simulations.

- C. Class Participation.** Every student will receive a participation grade for each of the four class sessions. Active engagement by all students in class discussions is critical to the success of the course. It is also good training for your careers, as the world of business does not reward the meek. Remember, however, that it is quality, not quantity that counts. Did your contribution add a valuable insight, challenge the thinking of others, or turn the discussion in a positive new direction? It's important to make a point of contributing each class session if possible, as it's hard to make up in session 4 for complete silence in session 1 or 2.
- D. Final Project:** For the final project, the Sally Soprano case, after you have completed the negotiation with your classmate you must submit the following two documents:

- (1) **Prep Sheet:** A 1-2-page planning document, with format to be handed out in class that you will follow in preparing for the negotiation.
- (2) **Postmortem Analysis:** Analyze what happened in your negotiation by addressing the following issues, assuming the reader already knows the key facts of the case:
  - a. What was your strategy as you approached this negotiation?
  - b. What techniques did you use applying ideas from the course, and how effective were they? What other issues did you introduce into the bargaining mix besides salary? What was the result of this?
  - c. Evaluate the style, behavior and techniques used by your counterparty. Which of these were most, and least, effective?
  - d. What were your lessons learned from this exercise and how will your negotiating tactics change in the future as a result.
  - e. Summarize the most important ideas you learned in the course that you think will serve you well in your future negotiations.
- (3) **Format:** The Prep Sheet (provided on line on Moodle) should be completed as a Word Doc (i.e., typed, not handwritten) prior to the negotiation. The Postmortem should also be a Word doc, double spaced using 12 pt. font. Your papers will not be returned.

### Course Grading:

Your course grade will be determined by weighting the factors shown in the table below. You will get three participation point for attending each class session and an additional 1 or 2 points based on your contributions to the discussion. The Prep Sheets will be handed in at the end of each class, with only the last three negotiations counting toward your grade (maximum of 10 points for each one).

<b>Grading Factor</b>	<b>Points</b>	<b>Points</b>
Class Participation (sessions 1-4)		20
Simulation Prep Sheets (cases 2-4)		30
Final Project (Sally Soprano):		
Prep Sheet	10	
Postmortem Analysis	40	
Project Total		50
Course Total		100

**Class Website:**

Lectures and handouts for the course, along with other general announcements, will be posted on the class website on Moodle under MBA 694, Negotiations.

**Class Absences**

You must complete the planning documents and engage in the negotiation simulations with your classmates in order to get credit for the course. If you are forced to miss a class session, you will be required to do a make-up simulation before the final paper is due. You will be provided with a new exercise and will have to recruit a classmate to be the counter party and negotiate with you to resolution. You can then email me your Prep Sheet and the negotiation results. **Note:** You will receive an **Incomplete** unless you complete the five simulations (or their substitutes) that form the heart of this course.

## Lecturer Biography

**Richard H. Chandler,  
President, R. H. Chandler Co.**

Richard Chandler heads his own management consulting firm, R. H. Chandler Company, specializing in strategic redirection, new venture start-ups and organizational development. He also serves as an adjunct professor at UC-Irvine's Merage School of Business and at the University of Montana School of Business Administration, teaching courses in strategy, M&A, entrepreneurship, negotiations and CEO leadership.

Chandler's 35 year career in management began with functional experience in marketing, finance, and business development, followed by 28 years in general management positions, the last 23 as a CEO of three growth companies. Most recently, he formed Freedom Scientific in early 2000 by raising \$65 million in venture capital and debt financing and acquiring four assistive technology companies. He served for three years as CEO of this Florida-based manufacturer of hardware and software for people who are blind or have learning disabilities. He remained on the Board until the company was sold to a private equity firm in 2007.

From 1983 to 1999, Chandler served as chairman and CEO of Sunrise Medical, which he founded with venture backing in early 1983 and took public later that year. Sunrise grew to become one of the world's leading manufacturers of rehabilitation and home care products, with sales of \$700 million and a NYSE listing. Sunrise had company-owned operations in 22 countries and sold its products in over 100 countries.

Chandler was CEO of Abbey Medical, a nationwide retail supplier of rehabilitation and home health care products, from 1979 to 1982. He and co-investors acquired Abbey from Sara Lee Corporation in July, 1979 and sold it to American Hospital Supply Corporation (now Baxter International) two years later. Abbey subsequently became part of Apria, Inc. (NYSE)

From 1974 to 1979, Chandler held various executive positions at Sara Lee, including vice president of corporate development and planning, president of the Abbey Medical/Abbey Rents division, and group vice president of diversified products, responsible for eight divisions and five thousand employees. He began his career with Bell and Howell Company in Chicago, where he moved through a variety of management positions including vice president of marketing of DeVry Inc., its education subsidiary.

Chandler's outside activities have included the founding in 1971 of Chicago Community Ventures, an investment company (SBIC) devoted to minority-owned enterprises that was funded by 17 major Chicago corporations. He is a former member of the American Business Conference and Young Presidents' Organization, and is a current member of World Presidents' Organization. In 1972, Chandler was selected as one of the Ten Outstanding Young Men of Chicago. He was recognized as San Diego's Entrepreneur of the Year in 1995.

Chandler earned his B.A. degree magna cum laude from Princeton University in 1964, an MBA with honors from the University of Chicago in 1966, and a Masters in International Economics with distinction from the University of Louvain, Belgium in 1967. He currently resides in Rancho Santa Fe, California and also has a vacation home in Hamilton, MT. He has been married for 52 years to his wife, Linda Boerner Chandler. They have three adult daughters.

**TENATIVE COURSE SCHEDULE**  
**MBA 694, Negotiation**

Class 1: Friday	Fundamentals & Terminology
1A. Foundational Principles	
<ul style="list-style-type: none"><li>• Types of Negotiations: Distributive vs. Integrative</li><li>• Positions, Interests and the Iceberg Principle</li><li>• BATNA, Reservation Price, and ZOPA</li><li>• The A-B-C approach to Preparation</li></ul>	
1B. <u>Simulation</u> : Parker-Gibson	
<ul style="list-style-type: none"><li>• Hand in Prep Sheet at the end of class.</li></ul>	
Class 2: Saturday	Strategy & Tactics
2A. Strategy & Tactics	
<ul style="list-style-type: none"><li>• Preparing, Framing and External Standards</li><li>• Anchoring and First Offers</li><li>• Extracting and Making Concessions</li><li>• Psychological Warfare: Are You Ready</li></ul>	
2B. <u>Simulation</u> : Texoil	
<ul style="list-style-type: none"><li>• Hand in Prep Sheet at the end of class.</li></ul>	
Class 3: Saturday	Value Creating Negotiations
3A. Value Creating Negotiations	
<ul style="list-style-type: none"><li>• The Negotiation Process</li><li>• Building Trust through Information Sharing</li><li>• The Negotiator's Dilemma</li><li>• Closing the Deal</li></ul>	
3B. <u>Simulation</u> : New Recruit	
<ul style="list-style-type: none"><li>• Hand in Prep Sheet at the end of class.</li></ul>	
Class 4: Sunday	Negotiation Complexities
4A. Negotiation Complexities	
<ul style="list-style-type: none"><li>• Barriers to Agreement &amp; Mental Errors</li><li>• The Winner's Curse</li><li>• Contingency Contracts and Multiple Issues</li><li>• Ethics in Negotiating</li></ul>	
4B. <u>Simulation</u> : Windy City Theater	
<ul style="list-style-type: none"><li>• Hand in Prep Sheet at the end of class.</li></ul>	
Monday	Final Paper Deadline

Email your Sally Soprano negotiation assignment (Prep Sheet and Postmortem) to me. It will not be returned. Course grades will be posted on Moodle in early November.