

DRAFT:
Any changes will be made prior to Oct 26th and posted.

Negotiations MGT887

Fall 2, 2020 (starts October 27th)

ON ZOOM:

Section 1: Tuesdays 1:30-4:30pm

Section 2: Thursdays 1:30-4:30pm

NEW Section 3: Thursdays 8:30-11:30am

No pre-requisites - all Yale students are welcome if they can get a seat.

There is some light reading due for the first class. See page 2.

Course Blurb: This crash course will help you better negotiate with your investors, clients, bosses, and perhaps most formidable of all, friends and family. Through practice cases negotiated during class, you will come away with a set of tools (e.g., how to discover and execute efficient trade-offs) to improve the way you create and claim value. The class is fun and super practical.

Unlike the CORE MBA negotiations class, which focused on game theoretical foundations and how to “calculate the pie,” this course will be more on the psychology and techniques of negotiating (i.e., expanding the pie and grabbing the pie).



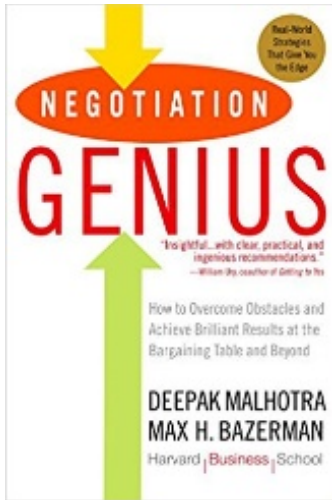
BIO: Prof. Daylian Cain teaches Negotiations in the Core MBA/eMBA programs at the Yale School of Management. He also teaches electives such as “Advanced Negotiations” and “Business Ethics Meets Behavioral Economics.” Cain won the “Yale MBA Elective Teacher of the Year” and a national “Master Teacher” award. His research focuses on conflicts of interest and the reasons “why smart people do dumb things.”

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Education:

- Russell Sage Fellow in Economics, Harvard University
- PhD, MS, Carnegie Mellon University
- MA, UNC-Chapel Hill
- BA, MA, Dalhousie University



TEXT: Negotiation Genius (on Amazon and Audible Audiobooks)

Reading the text will provide a significant advantage over your classmates when you negotiate against them. You may want to read the whole book, but at least read the first three chapters as suggested in the schedule below. Your final journal should provide proof that you read these three chapters. As a result, you might as well use this incentivized opportunity to invest in your negotiations skills ahead of time.

Class Schedule

| | Topic | Case | |
|------------|--------------------------------|--|--|
| Session #1 | Introduction Claiming Value | Haggling Case (negotiate during class—in ZOOM breakout rooms) | This is a simple, ungraded case where you haggle on price. Prior to first class: Read chapter 1 (pp. 15-49). Non-SOM students: Watch Intro Videos (next page). |
| Session #2 | More haggling | Sweet Deals (negotiate during class) | Prior to class: Read chapter 2. (pp. 50-82). Optional but probably helpful: Think through a planning document (see last page) for any case that you want to do well on. |
| Session #3 | Value Creation | Broadway (negotiate before class) | Prior to class: Read chapter 3 (pp. 83-102). Video comments (see page 4) are due Friday, Nov. 13th. If you want to read ahead or explore other sources, future topics will include “logrolling,” “contingent agreements,” “post-settlement settlements,” “deception and lie-detection,” “coalitions,” “concessions,” “threats,” “integrative bargaining,” and more. |
| Session #4 | Job Negotiations | Job Case (negotiate before class) | This case counts <u>double</u> , so prep wisely. |
| Session #5 | Coalitions | Coalition Case (negotiate before class) | Optional reading: Google “Shapley value,” or Wikipedia’s “Airport problem,” or “Shapley Shubik Power Index.” |
| Session #6 | Principals/Agents | Houses Case TBA | This case counts no more than half the usual, because it is complicated and has high variance in outcomes. |
| Session #7 | Buying a Car | Car Case (negotiate during class) | After the last class, there is a reflection case to negotiate and write about. More info TBA. |

Just for Non SOMers, or anyone who missed Core Negotiations with Barry and Daylian:

Intro Videos to watch before session #1...

These videos were created by Barry Nalebuff, a negotiation genius who I often co-teach with at Yale. He offers a nice framework for the course:

1. Watch "[Introduction](#)" video (5---minutes).

Depending on your comfort and familiarity with the material, this and other videos might be watched at 1.25x or 1.5x speed.

2. Watch "[BATNA](#)" video (7---minutes).

3. Watch "[Why You Should Ask](#)" video (8---minutes).

- a. How much was Shuang risking when he turned down the initial \$500/day offer?

\$500/day

\$300/day

\$200/day

Nothing

- b. How much did Shuang improve his result though his negotiation (both in dollars and in percentage terms)?

A Framework for Negotiation

4. Watch video "[What is the Pie](#)" (6 minutes).

Takeaway: The pie is how much more two parties, A and B, can achieve by working together than they can obtain if they don't reach an agreement. In more technical terms, the pie = net benefit from working together – (A's net benefit on its own + B's net benefit on its own) where net benefit is the benefit leftover after costs.

5. Watch "[Things go better with Coke](#)" video (7 minutes).

Course Requirements:

Negotiation Performance (50% of grade)

For the scorable negotiations, we will compute your standardized score into a grade that represents how well you did in comparison to others in your same role. The first case will not count.

Reflection Case (25% of grade)

After the last class, you will be given a case to negotiate with a partner, and instead of the case results being scored, you will hand in a short journal of your experiences. The journal should prove that you read the first three chapters of Negotiation Genius and that you paid attention in class. More info TBA.

Class Reputation (15% of grade)

Your class reputation is built from the professor's perception of your participation, preparation, and attendance as well as what your negotiation partners think of you. On most of the negotiation cases, your partner will rate your performance and how professional you were during the cases. Students will also elect classmates for "Most Prepared," "Most Ethical," and other categories that can improve this grade. Finally, at the end of the course, classmates will have a handful of reputation bonuses/penalties to distribute to prior partners. Lying about your alternatives in the case (e.g., fabricating outside offers) is strongly discouraged; although, you may refuse to reveal your alternatives. Liars are often punished by peers in reputation scoring, but I also reserve the right to punish liars through this reputation score.

Video comments on negotiation expert's tips (10% of grade, due on Canvas by Nov 7th)

1) Watch this 45-minute video on "Deepak's 22 Negotiation Tweaks"

<https://tinyurl.com/22tweaks-negotiation>

One page: List your favorite five negotiation tweaks and write a paragraph on your most favorite. (If you disagree with something, write a sentence or two about that also.)

2) **OR:** Watch this 60-minute video on "HBS Negotiating your job offer"

<http://tinyurl.com/deepak-neg>

One page: List your favorite five job negotiating tips and write a paragraph on your most favorite. (If you disagree with something, write a sentence or two about that also.)

Other items:

Contact Prof. Cain at least 48 hours before the class if you must be late for the negotiation (we may need to rearrange negotiator pairings).

Don't do things that would get you fired if the case were real life. Limit the dishonesty (we will discuss this at length), and don't go beyond your budget limits.

Settling a deal that is worse than your BATNA (best alternative to a negotiated agreement), i.e., going beyond your case-stated bottom line, **will cost you an automatic 10% course-grade penalty**. Doing this will probably put you into the lowest part of the curve and may risk incurring severe problems for your grade. In turn, always have a clear sense of your bottom line before you negotiate, and never go beyond your limits. If your maximum budget in a case is 50K, do not pay 51K (e.g., not 50K today and 1K in the future); it is just that simple. Even smart people sometimes suffer "brainlock" in the heat of battle, so make sure this isn't you.

FOR YOU OWN USE: BASIC NEGOTIATION PLANS

Wherever unsure below, make some estimate (if possible) and describe how you can get better intel.

What are the issues in the negotiation? Quantify their value to you and then order them from biggest to smallest. Label them as "C" (common interests) or "WL" (pure win-lose interests) or "T" (wise tradeoffs: valuable to one side, cheaper to the other).

What is your BATNA (Best Alternative To a Negotiated Agreement with this partner)?

Your reservation price (i.e., your hard-line walk-away price/terms)?

Your reasonable but optimistic target price/terms?

What does an ideal deal look like to you?

What issues are probably most important (top-3) to your opponent?

Estimate: What is your opponent's BATNA? Reservation price? Target?

What are your sources of power?

What are your opponent's sources of power, and how can you neutralize them?

What are likely problems that you might face? How can you avoid them? How can you recover if you fail to avoid them?

What is your opening move/initial strategy?

What are things that might be "valuable to you but cheap to them" (and vice versa)?

What are issues that might tempt either side to compromise their own ethical values? Can you protect against this?

What is the pie is here? What does getting half the pie look like to you... to them? How can you expand/claim pie?