

Topic: Negotiation

By: Jared Curhan (Dan Ariely – out of town)

Lots of people doing research on negotiation. I didn't have an opportunity during undergrad. I wish I had. Today, you will have a taste of this important skill

Next semester, I'll be teaching a double session on negotiation and there's a chance undergrads can get into the course. If you have interest, send me an email.

Negotiation is taught by giving you an experience and then you discuss how to improve that experience.

First, I'll play a video clip of a movie.

(Clip: The Negotiator. Scene where father negotiates with wife and daughter.)

You may have not imagined I was going to show you this situation. When we hear the word negotiation we tend to think of hostage negotiation, bizarre negotiations, buying a car, or buying a house. Negotiation is something we do day in day out, and we may not realize.

Some of skills learned today will not only apply to formal negotiations but also informal ones.

Now, Mara is going to introduce a negotiation case.

(PPT slide: Negotiation Exercise)

- 1) You will receive instructions (packet of 4 pages).
- 2) You will be A B or C (three-person groups).
- 3) You have 30 mins. to reach an agreement.

Triad	A	B	C
1	41	40	40
2	63	29	29
3	60	40	21
4			
5			
6	41	40	40
7			
8	55	55	11
9			

C might look very weak but can make a coalition with B. Coalitions are big part of these negotiation games.

You had an idea of fairness that is very clear. You presented that as a fairness criteria.

Reason to argue about fair split ($1/3 - 1/3 - 1/3$)

We are equal people and suddenly we are given power and assign letters. Let's be fair and split it equally.

Sometimes when you come with an attitude you might get punished back. If you come in saying: "I deserve some money", people might team up against you.

Seems like the fate of C depended on A and B's choice.

How many people think party A has the most power in the negotiation?
(Everyone but 2 people raised hand)

Party B (2 people raised hand)

(Slide – what is power)

A can threaten to leave the negotiation. A has reward power. A doesn't have legitimate power. When C raises issues about fairness, C has legitimate power. C will benefit from a fair split. B has least variance.

One can make more negotiations in the future, so you might want to take into account that fact of future negotiations.

(Slide – Source of negotiation)

Power of:

- Skill and knowledge
- Good relationship
- Good alternative
- Elegant solution - (solutions that are almost axiomatically correct)
- Legitimacy
- Commitment - (stick to agreements)

(Slide – Coalitions)

Coalitions in a sense trap you. You can exclude a group at the beginning, but later on you would realize that you can benefit by including that group.

(Slide – Fairness in Negotiations)

Lots of studies care about being treated fairly. In fact, we are willing to punish on unfair behavior. For example, in a game of only parties A and B, party A is offered to split up \$100 between A and B in any way. Party B can either accept it or reject A's decision. If B accepts, each party takes their share. However if B rejects, parties A and B go empty handed. Ideally, party A will give \$1 to party B. If B rejects, he goes with \$0. If B accepts, goes out with \$1. B has a profit of \$1 if he accepts. However, the most common outcome turns out to be an equal split (i.e. \$50 - \$50), because B might reject proposition for being treated unfairly.

Remember: Use fairness criteria as shields and swords.