

The Dynamics of Bargaining Games  
Northwestern University  
Kellogg Graduate School of Management  
Winter 1997 J. Keith Murnighan

This course is designed to help you become a professional negotiator, professional in the sense that you should be able to conscientiously and effectively choose among a limited set of potential strategies.

The notion of being professional is very important. This is a professional school; you are likely to return to being a professional when you return to the world of work. I'd like you to accelerate that process and start acting professionally now. (This does not assume that you don't already.) This course should provide you with the skills and intuition necessary to negotiate in a variety of contexts in a very professional way. To do this, we need to teach you about negotiation and about how to negotiate. Both parts will be emphasized. Thus, we will play strategic games most classes, but we will also read and discuss theory and research on bargaining. So, if you enjoy games, you will enjoy the classes. At the same time, if you enjoy doing student stuff, you will like the reading and other assignments.

To emphasize the professional nature of the class, I would like all of you to assume that you are already working in an organization. Your firm has sent you for additional training this spring, and part of your training is this course. Your company has hired me to direct your negotiations training. Your task is to learn as much as you can about bargaining so that you will be well equipped when you return to your normal duties.

So don't simply act like a normal, brilliant student. Instead, assume that you are already on the job, that you are an aspiring young executive, and that this is part of it. By treating this course professionally, you can learn a lot.

Our text will be J. Keith Murnighan, *The Dynamics of Bargaining Games*. Prentice Hall, 1991.

This is a relatively recent book that I find both readable and informative (!). I hope you agree. About using my own book in this class: I think it would be unethical to receive royalties by requiring that you buy something I've written. Thus, we will calculate the royalties I would receive from this class's purchases and you will decide as group, later during the semester, what you would like to do with the money.

An updated chapter is included in the course packet, and other readings will also be assigned throughout the semester.

These will generally be made available when the time comes for you to have them.

Each week, you should NOT do the readings on the syllabus prior to class. Instead, read them after we have covered the related topic in class. This will fit the format of the course better. In essence, each week we will (1) experience a negotiation, (2) discuss it and analyze it in class, and then finally (3) read about it for greater understanding. All readings, then, should be completed after the class exercise, prior to the next week's activities. This way we can discuss the reading material during our follow-up discussions.

### Grades and Journals

I hope that your focus in this class will be on learning rather than on the grade you will receive. If you learn a lot, you can pretty much count on your grade coming along well, too. And now that I've tried to deemphasize grades, let me dwell on them for awhile!

Your most important course activity outside of class meetings will be your journal--a recording of your thoughts about the classes and readings and the negotiations you have everyday. The journal gives you a chance to think and reflect on bargaining, which will help improve your understanding about your negotiations, your actions, and yourself. Your journal is both for you and for me. You will turn in a journal entry almost every class; I will read them and give you feedback on many of them, especially early in the term. Early feedback will concentrate on how to improve your journal if it needs improvement. A consistent string of excellence and outstandings on your journals will certainly merit a high grade; lots of poorlies will mean that you won't get a wonderful grade and that your job is probably in jeopardy. Not doing the journals, or doing them without thought or effort will put you in line for an even lower grade. They will account for 45% of your grade. (The work load in this course is not excessive. And there are no exams. So I expect excellent work on both the journals and your collective bargaining reports, described below).

You should think of your journals as a cross between a business report and a personal diary. They should be complete enough so that you can go back to them in the future and remember the important points in a negotiation. They should also provide me with an indication of how analytically you are thinking. Each week, they should include a discussion of a previous class's interactions (including reactions to the exercise itself, the class discussion, and/or the readings from the text) AND a discussion of an outside-class negotiation that's related to the

class material. The typical format will be a short, nickname description of the previous class's exercise, followed by analysis and discussion, and then a second section describing one of your own everyday or unusual bargaining interactions, followed by analysis and discussion. They should range from one to two pages total. (All journal entries should be typed in 12 point font and spaced at 1.5 lines with Times Roman or some other condensed font.) They should not reiterate discussion that we've already had in class (unless you want to keep that for yourself - in which case you should indicate that I don't need to read that part.) As we will see, bargaining happens all the time, so you should have no shortage of negotiations in your everyday life.

In a typical journal analysis, you would briefly describe the negotiation you are talking about and then respond to some or all of the following questions:

- what tactics did I use? Did they work? Why?
- how do I feel about my strategies and tactics? Would I change them if I could do it all over again? How could I have done better?
- who controlled the negotiation? How?
- did I read the other party or parties accurately? Were they happy with the outcome? Was I??
- what were the critical factors here, for me and for the other person?
- can I apply this to other interpersonal interactions I have had or might have? If so, what subtleties in the situation might be most important?

Should you want to meet with me outside of class, please see me before or after class, and we can make an appointment that's convenient for both of us.

When we get to the collective bargaining exercise, you and the members of your negotiating team will submit, in detail, a write-up of your strategies prior to negotiating, an update during the middle of the negotiation process, and a report when the negotiations are over. These papers will focus on your strategic analyses of the situation as it develops and your reflections on why it went right or wrong. These reports will account for 45% of your final grade.

One other central element in the course will be the production of new information about bargaining. What this really means is that some of our classroom exercises will double as new research studies. This also fits the philosophy of the course: Almost all of the exercises we will experience have been studied in previous research projects with previous classes, like yours. As a result, students from those classes have contributed to your

learning experience. In the same way, by participating in new research projects, you will be contributing to the experiences of future students. In every case, these new exercises will also be designed to maximize both learning value and research potential. We've had a lot of practice satisfying both these criteria in the past, so don't worry about experiencing new exercises. They help keep the course fresh.

Finally, an essential contribution I ask each of you to make to this course is to be professional in your actions in the class and your interactions with me and your classmates. In particular, treat our exercises and games seriously. If you are at all frivolous about what we do in the class, you will learn less and provide less opportunity for others to learn. This does not mean you have to be stern and not enjoy the bargaining we do in class. Instead, it means that you should take your roles seriously, and take the exercises seriously. You should try to do well and you should never demean either the exercises or the people you are bargaining with after the negotiations are over. You should think about your strategies and work hard to make sure they are appropriate and effective. You should consider the consequences of your actions within the framework of the exercise and what they might be in other situations. You should do as well as you can within the constraints of the situation--this is the best you can do in any situation, whether it be one of the games we play in class or one of the many games you play in other arenas.

One final thing. After each exercise, we will discuss what happened and why it happened. We'll discuss strategies that worked and strategies that didn't. If you should use a strategy that didn't work, I will ask you about it and expect you to be open and willing to discuss it in class. These exercises will probably be new to everyone. Thus, people will make mistakes and use inappropriate strategies. By delving into the thinking that led to a particular strategy, we can correct the thinking and not let it interfere with future negotiations. So I'm really not picking on you when I ask you about your strategies. To learn as much as we can in this class, we need to discuss not just what happened but why. Hopefully, you will all learn a lot--about bargaining and about yourselves.

Tentative Syllabus  
The Dynamics of Bargaining Games  
Professor J. Keith Murnighan  
Winter 97

Reminder: The Walton and McKersie readings should be completed before you begin the collective bargaining exercise. In fact, it's a good idea to start reading them now.

Week One	Jan 7	Introduction and Overview of the Course Exercises: DILEMMAS Assignment: First Journal Due Next Class
	Jan 10	Debrief/Discussion
Week Two	Jan 14	Markets, Bargaining Structures, and Information I
		Exercises: A QUIZ, A RACE, and A GAME Chapter Readings: 3 and 4 Assignment: Second Journal Due Next Class
	Jan 17	Debrief/Discussion
Week Three	Jan 21	Competitive Negotiations
		Exercises: TAKE-IT-OR-LEAVE-IT Chapter Readings: 11 Assignment: Third Journal Due Next Class
	Jan 24	Debrief/Discussion
Week Four	Jan 27	The Use and Misuse of Information
		Exercise: THE INFORMATION GAME Chapter Readings: 8, 9 Assignment: Fourth Journal Due Next Class
	Jan 31	Debrief/Discussion
Week Five	Feb 4	The Use and Abuse of Power
		Exercise: THE INTERDISCIPLINARY RESEARCH GAME Chapter Readings: 15 Assignment: Fifth Journal Due Next Class
	Feb 7	Debrief/Discussion
Week Six	Feb 11	The Dynamics and Structure of Non-
		Dominant Choices
		Exercises: THE VOLUNTEER DILEMMA Chapter Readings: 6 & 12
	Feb 14	Intro to Collection Bargaining Exercise Assignment: First Collective Bargaining Group
Strategy Report		
Due Next Class		

