

2020 Winter Abroad at Yonsei (WAY) IEE 3000 Negotiation Strategy

Yonsei WAY Student Honor Code: *As a future leader in business and society and as a proud student of Yonsei WAY, I take personal responsibility for emulating the highest values and ethical norms: I will not disclose any confidential course materials: and my work is my own and reflective of my best efforts and abilities.*

2020 Winter Abroad at Yonsei (WAY)

IEE 3000 Negotiation Strategy

Professor Emeritus Dr. Hun-Joon Park

Class Times: Monday-Friday 09:30 am-12:00 pm, Class Room: YSB Business Hall B223

Breakout Rooms: B218, B219, B220, B221, B222, B224

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Course Overview

This course, *Negotiation Strategy*, is particularly valuable to future leaders or business executives who will be involved in the process of advising and/or undertaking a sizeable deal, realigning corporate strategy, settling a major dispute, or juggling multiple constituencies. It provides a rich practical experience for future leaders in business and society who will face challenging negotiations in the course of their future duties—negotiations that go beyond the routine and require special skills to conduct. Future leaders in business and society will have significant involvement in negotiations. Whether launching a new company or keeping an established company at the top, leaders must *negotiate at every turn*—often across national borders—to come to productive terms with potential partners and competitors, investors and board members, customers and suppliers, legislators and regulatory authorities, and employees and labor unions.

This course is designed for those who want to become a better negotiator and deal maker as well as a more intelligent negotiation analyst and strategist. Since many high-level negotiations often involve complex business analyses, participants are assumed to have some familiarity and experience with business and financial analysis. But what is more important to become a more effective negotiator is *having a willingness to prepare and setting high expectations*. Specifically this course deals with negotiation concepts and strategies, complex real world business negotiation cases, and dynamic negotiation simulations

Learning Goals

In this highly interactive course, participants learn to:

- Achieve greater effectiveness at the negotiating table, especially when confronting challenges such as hard bargainers and negotiating across borders via communication skills;
- Craft creative and integrative deals that create maximum value for the parties on a sustainable basis; and
- Effectively handle complexities such as negotiations involving multiple parties, issues, and agendas; and negotiations with evolving time frames.

Participant-Centered Case-Based Action Learning

This course is highly interactive and depends on each participant preparing and participating fully. My management teaching philosophy and pedagogy for providing an interactive case-based session is the participant-centered case-based action learning, which includes simulated negotiation exercises and role-playing exercises based on the real-life business cases. The participant-centered case-based action learning method is not only the most relevant and practical way to learn managerial skills as well as negotiation skills, it's exciting and fun. It calls for discussion of real-life situations that student participants or business executives have faced. The benefit that I seek from the participant-centered case-based action learning method is to reinvigorate the sense of fun and excitement that comes with being a serious real business negotiator. You will sense that being a negotiator is a great challenge—intellectually, politically, and socially.

My job is to facilitate your simulated negotiation and role-playing experiences, to pose questions, prod, draw out your reasoning, play the devil's advocate and highlight issues. A healthy debate and discussion will ensue. You will benefit most if you participate actively in negotiation simulation and role-playing case discussions. Sometimes I will present conceptual frameworks and invite to use them to organize your thoughts to create new insights. Other times I will generalize, summarize, or tell about relevant situations in other deals.

In order to get to know your names and to relate your experience to each other's as well as to conceptual frameworks, I would like you to display your name in class as well as in negotiation simulations and role-playing all the time. You need to write your name in large, dark letters on your

name tent and you are always required to bring your name tent as you move to your negotiation preparation or the actual negotiation table.

Reference Books

All of the following reference books will be reserved at Yonsei Main Library for you and you are encouraged to get hold of some of them through on- or off-line bookstores in advance as you like.

Negotiation Classics

Getting to Yes: Negotiating Agreement Without Giving In, 2nd Ed. Penguin Books, 1991, Roger Fisher, William Ury, & Bruce Patton.

Getting Past No: Negotiating in Difficult Situations, Revised Ed. Bantam Books, 1999, William Ury.

Fundamentals of Negotiation Thinking

Bargaining for Advantage: Negotiation Strategies for Reasonable People, 3rd Ed. Penguin Books 2018, G. Richard Shell.

Getting More: How to Negotiate to Achieve Your Goals in the Real World, Crown Business 2010, Stuart Diamond.

The First Move: A Negotiator's Companion, John Wiley & Sons 2010, Alain Lempereur, Aurelien Colson, and Michele Pekar.

Strategic Negotiation and Deal Making

Negotiating the Impossible: How to Break Deadlocks and Resolve Ugly Conflicts (Without Money or Muscle) Harvard Business School Press 2016, Deepak Malhotra.

Deal Making: The New Strategy of Negotiations, W. W. Norton 2011, Guhan Subramanian.

3D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals, Harvard Business School Press 2006, David A. Lax and James K. Sebenius.

Cases & Simulation Role Sheets

Harvard Business School Coursepack link for the cases will be provided at Yonsei University LMS site. Business negotiation simulation role sheets will be distributed before or in class time depending on the business negotiation simulation structure.

Guide to Your Negotiation (Audio or Video) Recording

It is useful to (audio or video) record your in-class negotiation experiences and to go back and listen or watch them. This exercise will enable you to gain more focused feedback on your own negotiation style and methods during the actual negotiation. After the audio or video recording, you could get or give some critique to each other. Be constructive, but be tough! The purpose is to improve by seeing yourself as others see you. What you should consider for a constructive critique is whether the other party did things that made them more persuasive to you, less persuasive, or had no effect. What could you or they have done to improve your or their persuasiveness? In addition to the style, mannerisms, body language, eye contact, listening, tone of voice, and other personal style issues, also evaluate how each of you used some negotiation tools: standards, relationship, interests, questioning, commitments, creative options, signaling and picking up signals, framing of issues, staying focused on goals, using time effectively, establishing an effective agenda, etc.

- How carefully was I listening to the other party? How much information about the other party's preferences did I miss? Why? What was I doing instead of collecting these data?
- What did I do to develop trust? Did I give a little information? Did I reciprocate information? Did I provide consistent information? Did I try to work to meet the other party's interests?
- Was I sharing information strategically? Did I share information about my preferences? Did I get information about preferences in return? Did I share information about reservation price?
- Was I using proposals strategically? Did I make single-issue or multi-issue proposals? Did I draw appropriate inferences about the other party's preferences from their proposals? Did I anchor my proposals so as to give myself room to make concessions?
- What did I do to claim value? Did I open first and aggressively? Did I turn down offers that were above my reservation price? Did I make threats, or serve ultimatums? Did I reciprocate the other party's talk about BATNA or status? Did I ask for sympathy?
- Do I hear the difference between argument (justification) and bargaining (trading)?

Ethics in Negotiation

Is it possible to bargain with the devil without losing your soul? Ethical dilemmas are at the center of many bargaining encounters. There is no escaping the fact that deception is part of negotiation. And there is no escaping the importance people place on personal integrity in their dealings with others at the bargaining table. One ethical slip and your credibility is lost not just for one but for many deals. Effective negotiators take the issue of personal integrity very seriously. Ineffective negotiators do not.

Learning Contract

Negotiation Simulation Participation (40% of your grade)

For the negotiation simulations in Module I Fundamentals of Two-Party Negotiations, Module II Business Negotiations: Multi-Issues, Multi-Parties, and Entrepreneurial and Module III Strategic Negotiation and Deal Making, you have to read your role sheet and familiarize your role (sometimes before class or other times in class) and do your best as if this is your problem in the real world. Your participation in class case discussion and role playing in negotiation simulations is the utmost important part of your learning contracts and will be evaluated on the quality of your contributions and insights. After each negotiation case simulation, case discussion and role playing exercise, a debriefing session will include sharing information about results, sharing information about strategies attempted, and sharing reactions and insights to your own negotiation and deal-making experiences. 20 percent of your grade will be based on your presence (and tardiness) and another 20 percent will be assigned to those negotiators who would end up creating successful negotiation outcome. Your active participation in each and every session cumulatively counts toward your practical learning and evaluation.

Reflection and Book Chapter Presentation (15% of your grade)

Fundamentals of Negotiation Thinking and Discipline

You are supposed to read any chapter you find most useful to you out of the first book on Fundamentals of Negotiation Thinking and Discipline: *Bargaining for Advantage: Negotiation Strategies for Reasonable People* (3rd Edition, Penguin 2018) by G. Richard Shell. You can relate your reading to your reflection and your presentation should include reflection upon what you have done well or not well in your negotiation experiences in class as well as negotiation examples out of class. You are encouraged to form a four-member team and email me a list of your team

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members and your team's 1st and 2nd choice of chapter preference. In case several teams prefer the same chapter then those teams should negotiate each other which chapter they present. Each team should prepare maximum 12-minute presentation including Q&A and every member should participate as presenter.

Reflection and Book Chapter Presentation (15% of your grade)

Business Negotiations

You are supposed to read any chapter you find most useful to you out of another two books on Fundamentals of Negotiation Thinking and Discipline: *Getting More: How to Negotiate to Achieve Your Goals in the Real World* (Crown Business 2011) by Stuart Diamond and *The First Move: A Negotiator's Companion* (John Wiley & Sons 2010) by Alain Lempereur, Aurelien Colson and Michele Pekar. You can relate your reading to your reflection and your presentation should include reflection upon what you have done well or not well in your negotiation experiences in class as well as negotiation examples out of class. You are encouraged to form a four-member team and email me a list of your team members and your team's 1st and 2nd choice of chapter preference. In case several teams prefer the same chapter then those teams should negotiate each other which chapter they present. Each team should prepare maximum 12-minute presentation including Q&A and every member should participate as presenter.

Reflection and Book Chapter Presentation (15% of your grade)

Strategic Negotiation and Deal Making

You are supposed to read any chapter you find most useful to you out of another three books on Strategic Negotiation and Deal Making: *Negotiating the Impossible* (Harvard Business School Press, 2016) by Deepak Malhotra, *Deal Making* (Norton, 2011) by Guhan Subramanian, *3D Negotiation* (Harvard Business School Press, 2006) by David Lax and James Sebenius. You can relate your reading to your reflection and your presentation should include reflection upon what you have done well or not well in your negotiation experiences in class as well as negotiation examples out of class. You are encouraged to form a four-member team and email me a list of your team members and your team's 1st and 2nd choice of chapter preference. In case several teams prefer the same chapter then those teams should negotiate each other which chapter they present. Each team should prepare maximum 12-minute presentation including Q&A and every member should participate as presenter.

Case Write-ups on Three HBS Cases (15% of your grade)

For module III *strategic* negotiation and deal making, you are required to read the three selected

deal making cases and prepare brief answers to those assignment questions and submit *case write-ups* (2 pages) to Yonsei LMS folder before each class start time. Before coming to class, you need to refresh your memory and understanding of the case and its protagonists as well as its industrial background.

Case Reading in Advance for *Strategic Negotiation & Deal Making*

Vinod Khosla and Sun Microsystems (A) 390049

Double Dealmaking in the Browser Wars (A) 800050

C.K. Claridge, Inc. 894017

Class Schedule

Module I Fundamentals of (Two-Party) Negotiation

Session One—December 28

Introduction and course overview

First meeting with class participants

Sharing their backgrounds and course expectations

Fundamentals of Negotiation Thinking and Discipline

Sally Soprano: Confidential Instructions for Sally's Agent

Sally Soprano: Confidential Instructions for Lyric Opera's Business Manager

(Norbert S. Jucker, 1979, 1985-2004, Program on Negotiation at Harvard Law School)

Sally Soprano is a distinguished older soprano who has not had a lead role in two years. The Lyric Opera has a production of Norma, opening in three weeks, and the soprano who had been engaged in the title role had developed a condition requiring surgery before the performance. Sally Soprano has hired you to negotiate an agreement to sing a lead role with the Lyric Opera.

Session Two—December 29

Hamilton Real Estate: Confidential Role Information for the Executive VP of Pearl Investments (Seller)

Hamilton Real Estate: Confidential Role Information for the CEO of Estate One (Buyer)

(HBS 9-905-052, 9-905-053, 2005)

Hamilton Real Estate is a two-party negotiation in which a buyer and a seller is negotiating over the sale of a piece of property. Executive Vice President of Pearl Investments, a holding company that specializes in real estate investments, is going to meet the CEO of Estate One, a mid-sized real estate developing company that invests primarily in residential properties.

Session Three—December 30

Les Florets: Role of VP (Operations) and VP (Business Development)

Les Florets: Role of Restaurant Owner Couple

(DRRC, Kellogg School of Management, Northwestern University, 1999)

Les Florets, S.A., is a large restaurant management company, with headquarters in Paris. For the most part, Les Florets licenses the use of its name to restaurants across France, contracting with them for the provision of restaurant supplies and food. Increasingly, however, Les Florets has begun to own and operate restaurants itself; having discovered that such an approach is more profitable.

Session Four—December 31

The Fee Dispute: Confidential Information for C. Winger, Bingoware CEO

The Fee Dispute: Confidential Information for Rob Reilly, Managing Director of Bucks Associates

(G. Richard Shell, Wharton School of the University of Pennsylvania)

Carl Winger, CEO and sole shareholder of Bingoware, a high tech startup that just sold for \$10 million worth of Compucom stock to Compucom, Inc., a leader in information technologies. You are meeting with Robert Reilly, the managing director of Bucks, this evening to try to settle the fee dispute before it goes to court.

Session Five—January 4

Reflection and Book Chapter Presentation

Fundamentals of Negotiation Thinking and Discipline

Bargaining for Advantage: Negotiation Strategies for Reasonable People, 3rd Ed.
Penguin Books 2018, G. Richard Shell.

Module II *Business* Negotiation:

Multi-Issues, Multi-Parties, and Entrepreneurial

Session Six—January 5

Alphexo Corporation: Confidential Negotiation Information

(HBS 9-801-418, 2001; Rev. April 7, 2005)

Betonn Corporation: Confidential Negotiation Information

(HBS 9-801-419, 2001; Rev. April 7, 2005)

Alphexo Corp. supplies specialized components to telecom, network, and internet architecture firm. Your deputy has just returned from promising, but inconclusive, joint venture talks with a division of Betonn Corp. over producing and marketing the "alpha-beta gate."

Session Seven—January 6

Sell Phones

(Stuart Diamond, Wharton School of the University of Pennsylvania)

Amtech (A), Bamtech (B), and Camtech (C) are companies involved in different aspects of the wireless phone sector. Amtech, a research firm that have survived largely on government contracts, has developed a new antenna technology that increases by 48% the signal strength of the typical cell phone. Bamtech is a marketing company that specializes in developing markets for wireless phones. Camtech produces cell phones for rugged environments. Each company has unsuccessfully tried to raise venture capital: VCs consider each firm too small, too specialized and not unique enough by itself.

Session Eight—January 7

The Warranty Problem

(Stuart Diamond, Wharton School of the University of Pennsylvania)

You are the regional vice president of a multinational company, CCC, with offices, among other places, in Latin America. CCC sells computer peripherals; it provides cars for its sales reps to visit Latin American clients. A few months ago, CCC picked up 160 new Hondas cheap because of a surplus in Europe at the end of the last model year. A negotiation is to occur between you and the regional director of Honda for South America.

Session Nine—January 8

Icarus Airlines: A Corporate Acquisition

(G. Richard Shell, Wharton School of the University of Pennsylvania)

Carla Chang has worked out the major financial details for the acquisition of Icarus Airlines, a family-owned regional carrier operating primarily in Northern New England and led by the legendary local entrepreneur, "Grandfather Icarus." Final acceptance of the deal by both sides depends on whether both can agree on the details regarding the present nonunion workforce. The family that now owns Icarus is deeply concerned that the terms of any final agreement be fair to employees, to whom the family feels a sense of loyalty. Carla Chang, of course, feels equally strongly that the airline she buys be positioned to be profitable. Each side has appointed a negotiation team to work out these final details. The agreement on each issue will be incorporated

into the acquisition contract.

Session Ten—January 11

Reflection and Book Chapter Presentation

Business Negotiations

Getting More: How to Negotiate to Achieve Your Goals in the Real World, Crown Business 2010, Stuart Diamond.

The First Move: A Negotiator's Companion, John Wiley & Sons 2010, Alain Lempereur, Aurelien Colson, and Michele Pekar.

Module III *Strategic* Negotiation & Deal Making

Session Eleven—January 12

Case Write-Up (Questions 1-3)

Vinod Khosla and Sun Microsystems (A)

(HBS 9-390-049, 1989; Rev. December 14, 1989)

Sun Microsystems faced an apparently impossible marketing problem a year after its launch. Competitor Apollo, the leading workstation manufacturer, is on the verge of signing a contract with Computervision that would effectively lock Sun out of the crucial industrial market.

Assignment Questions

1. Does Vinod Khosla have a real chance at changing Computervision's decision? Does Sun have a better product? Can Sun be regarded as a reliable long-term vendor?
2. How should Vinod Khosla respond to Computervision's president? What should his long-term and short-term objectives be? Specifically, what should he offer to Computervision?
3. What are the consequences of not doing this deal?

Session Twelve—January 13

Case Write-Up (Questions 1-4)

Double Deal Making in the Browser Wars (A)

(HBS 9-800-050, 1999; Rev. September 30, 1999)

For months, the upstart Netscape Communications Corporation had battled the Microsoft Corporation over which browser the accounting giant KPMG would select for its internal use. On June 2, 1997, Netscape CEO Jim Barksdale finally heard the gratifying words that capped the see-saw deal making process. This was a crucial beachhead for Netscape in its quest for corporate market. Netscape had initially won the KPMG contract, but Microsoft's persistence had pried back open. Beating back Microsoft's latest challenge marked a great success for Netscape.

Assignment Questions

1. How did each of Netscape, AOL, and Microsoft see their negotiation in terms of their perceived interests, no-deal alternatives (BATNAs or Best Alternatives to Negotiated Agreement), and a zone of possible agreement? Evaluate Netscape's performance in the negotiations with AOL. Specifically, what did they do well? Poorly? Why? Evaluate AOL's performance in the negotiations with Netscape and/or Microsoft. Specifically, what did they do well? Poorly? Why? Evaluate Microsoft's performance in the negotiations with Netscape and/or AOL. Specifically, what did they do well? Poorly? Why?
2. What broader lessons about deal making should you take from the experiences of each of the protagonists?
3. Now consider the second set of negotiations involving KPMG. Evaluate Netscape's actions so far in the negotiations with KPMG. Specifically, what did they do well? Poorly? Evaluate KPMG's actions so far in the negotiations with Netscape. Specifically, what did they do well? Poorly? Evaluate Microsoft's actions so far in the negotiations with KPMG. Specifically, what did they do well? Poorly?
4. What, if anything, would you advise Barksdale to do now?

Session Thirteen—January 14

Edgewood Electric: General Information and Confidential Instructions for G. Evans, W. Olsen, E. Diamond, and O. Dmitri

(HBS 2-894-020, 2-894-021, 2-894-022, 2-894-023, 1994; Rev. October 28, 1996)

Edgewood Electric, Inc. is a mid-sized electronics firm that manufactures a variety of high-tech and basic equipment. It originally produced motors, radios and televisions, but many years ago gave up those markets to Asian firms and now focus on niches that require engineering ingenuity. Its Medical Products division produces a successful device called the DX4 that is designed for certain specialized biomedical applications. The Medical Products Division is located just outside of Boston.

Session Fourteen—January 15

Case Write-Up (Questions 1-2)

C.K. Claridge, Inc.

(HBS 9-894-017, 2007)

C.K. Claridge has been sued for patent infringement. They have been producing a chemical called Varacil for many years believing, apparently, that it was their own invention. Tolemite Corporation, the patent holder, is now suing for a royalty of 10% on all past sales and future sales over the remaining lifetime of the patent (7 years).

Assignment Questions

1. What are the interests in this case of the various players in the Varacil market?
2. What should Mr. Purcell do? If you think he should propose a settlement, what amount do you recommend, and how should it be communicated?
3. What specific negotiation strategy would you like to pursue if you put yourself in each one of these three main players, i.e., CKC, Tolemite, or BARD?

Session Fifteen—January 18

Reflection and Book Chapter Presentation

Strategic Negotiation & Deal Making

Negotiating the Impossible: How to Break Deadlocks and Resolve Ugly Conflicts (Without Money or Muscle) Harvard Business School Press 2016, Deepak Malhotra.
Deal Making: The New Strategy of Negotiations, W. W. Norton 2011, Guhan Subramanian.

3D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals, Harvard Business School Press 2006, David A. Lax and James K. Sebenius.

Closing Ceremony

Class Photo and Farewell