

**COURSE INSTRUCTOR**

Luís Miguel Tavares De Almeida Costa  
Docente Teste

**SHORT BIOGRAPHY**

Luís Almeida Costa is a Professor and the Vice-President of the School Council at Nova School of Business and Economics. He is also a board member at Alfredo de Sousa Foundation. Luís Almeida Costa also teaches at INSEAD, at Solvay Brussels School of Economics and Management (Université Libre de Bruxelles) and at Tias School for Business and Society (Tilburg University). He taught for almost ten years at IMD, where he launched and was a Director of the Negotiating for Value Creation (NVC) program. Luís Almeida Costa holds PhD and MSc degrees in Management from INSEAD and an undergraduate degree in economics from Católica Lisbon School of Business and Economics. His research, teaching and consulting focus on Negotiation and Competitive Strategy. His research has been published in *Strategic Management Journal*, *Journal of Economics and Management Strategy*, *Journal of Business*, *International Journal of Industrial Organization*, *Organization Studies*, etc. Luís Almeida Costa was responsible for numerous consulting projects and conducted hundreds of executive programs for companies and governmental agencies in several countries, such as Belgium, Cape Verde, France, Germany, Great Britain, Hungary, India, Italy, Luxembourg, the Netherlands, Norway, Portugal, Singapore, Spain, Switzerland, Turkey, and United Arab Emirates.

**INSTITUTIONAL EMAIL**

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**OFFICE HOURS**

By appointment

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Scientific Area/Área Científica:	Gestão		
Frequency/Periodicidade:	Trimestral		
Number of Contact Hours/ Número Horas Contacto:			
(T) Teóricas/Theoretical:	0000:00	(TP) Teórico-Práticas/Theoretical-Practical:	0018:00
(P) Práticas/Practical:	0000:00	(OT) Orientação Tutorial/Tutorial Orientation:	0005:00
(PL) Práticas Laboratoriais/Practical Labs:	0000:00	(S) Seminário/Seminar:	0000:00
Horas Dedicadas/Dedicated Hours:	0075:00		
Total Horas/Total Hours:	0098:00		

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**PREREQUISITE(S) / PRÉ-REQUISITO(S)**

NA

**COURSE UNIT AIMS**

This course offers a strategic and integrated perspective about how to prepare and how to deal with different types of negotiating situations. The first part of the course focuses on competitive bidding. The remainder of the course deals with bargaining proper. Building from simple to complex negotiations, the course develops an analytical framework that helps participants to understand their negotiating situation, the tactics that are available given the situation, and the array of moves that can be employed to improve their prospects by changing the situation.

## COURSE UNIT CONTENT

# PROGRAM

### IMPORTANT: NEGOTIATION EXERCISES - DUE DATES

*Except for the games discussed in Sessions 2-4, which will be played in class, results are due on the weekday before the date on which the game has been scheduled for discussion (at 17:00). Participants should hand in their results in the Library.*

#### **Session 1 (February 1, 14:30-15:50):**

##### **Course Overview**

#### **Session 2 (February 1, 16:00-17:20):**

##### **Introduction to Competitive Bidding (1)**

Game to be Discussed:

- Bidding for A Dollar (Instructions distributed in class)

Readings:

- R. P. McAfee and J. McMillan, "Auctions and Bidding", *Journal of Economic Literature* , 25, June 1987, pp. 699-738 (available online).
- P. Klemperer, "What Really Matters in Auction Design " , *Journal of Economic Perspectives* , 16 (1), Winter 2002, pp. 169-189 (available online).

#### **Session 3 (February 8, 14:30-15:50):**

##### **Introduction to Competitive Bidding (2)**

Game to be Discussed:

- Simplified Maxco-Gambit Variations (Competitive Bidding with Asymmetric Information) (Instructions distributed in class)

#### **Session 4 (February 8, 16:00-17:20):**

##### **Introduction to Competitive Bidding (3)**

#### **Session 5 (February 15, 14:30-15:50):**

**Distributive Bargaining (1)**

After focusing on auctions and bidding processes in classes 1 through 3, we now start with bargaining proper, albeit in a highly simplified context.

Game to be Discussed:

- Lot # 21, Sect. Y, Episy (Confidential Instructions distributed in advance)

Readings:

- I. Dierickx, *Price Negotiations - The Distributive Dimension of Bargaining*, 2008, mimeo (distributed in class).

- T. Schelling, "An Essay on Bargaining" and "Bargaining, Communication and Limited War", in *The Strategy of Conflict*, pp. 21-52 and 53-80, respectively (available online).

- H. Raiffa, *Negotiation Analysis*, Part II, chapters 6 and 7 (optional).

**Session 6 (February 15, 16:00-17:20):**

**Distributive Bargaining (2)**

**Session 7 (February 22, 14:30-15:50):**

**Integrative Bargaining (1)**

Game to be Discussed:

- CP France-MégaMarché (Confidential Instructions distributed in advance)

For purely pedagogical reasons this exercise is highly structured and your objectives are crystal clear: You want to score as high a payoff as possible. The aim of the game is not to beat your opponent - this is not a zero sum situation - but to get the best outcome you can. There are elements of cooperation as well as conflict.

Readings:

- R. Fisher and W. Ury, *Getting to Yes*.

- H. Raiffa, *Negotiation Analysis*, Part III (optional).

**Session 8 (February 22, 16:00-17:20):**

**Integrative Bargaining (2)**

**Session 9 (March 1, 14:30-15:50):**

**Integrative Bargaining (3)**

Reading:

- J.K. Sebenius, "Six Habits of Merely Effective Negotiators", *Harvard Business Review*, April 2001, pp. 87-95 (available online).

**Session 10 (March 1, 16:00-17:20):**

**Bargaining under Uncertainty**

Game to be Discussed:

- Woburton Steel - Cryogenic Technologies (Confidential Instructions distributed in advance)

**Session 11 (March 8, 14:30-15:50):**

**Asymmetric Information**

Game to be Discussed:

- Walkenhorst Chemical vs. Lakeland Industries (Confidential Instructions distributed in advance)

Reading:

- I. Dierickx and M. Koza, "Information Asymmetries - How Not to Buy a Lemon in Negotiating Mergers and Acquisitions", *European Management Journal*, 9(3), September 1991, pp. 229-234 (available online).

**Session 12 (March 8, 16:00-17:20):**

**Asymmetric Information (2). Conclusion**

**LEARNING OBJECTIVES**

On completion of this course participants should be able to:

A. Knowledge and Understanding:

- Identify and understand different types of negotiating situations;
- Know how to prepare a negotiation;
- Know how to deal with different types of negotiating situations.

B. Skills - The course has several objectives:

- Develop the participants' negotiation skills;
- Develop the participants' ability to work in teams;
- Develop the participants' ability to apply the different concepts, models and frameworks to the analysis of real life situations.

**DEMONSTRATION OF THE COHERENCE OF THE SYLLABUS WITH COURSE UNIT AIMS**

See the detailed description of the Program in the "Course Unit Content" section.

**TEACHING AND LEARNING METHODS**

The course develops the negotiation skills of participants through a carefully controlled combination of lectures, class discussions, negotiation exercises, individual exercises and a negotiation Write-Up.

**DEMONSTRATION OF THE COHERENCE OF THE TEACHING METHODS WITH COURSE LEARNING OBJECTIVES**

**Lectures / Class Discussions**

Lectures / Class Discussions have four main objectives:

- Provide an integrated perspective of the main concepts and tools in Negotiation Analysis;
- Give a comprehensive view of the different topics discussed;
- Explain the relevant concepts, models and frameworks;
- Introduce the practical tools participants need to analyze the negotiation exercises and to apply the conceptual models to real life situations;
- Constitute the basis for discussing how to deal with specific real life negotiating situations;
- Provide a forum for knowledge and experience sharing among participants.

**Negotiation and Individual Exercises**

There are two types of exercises: games with statistical interactions and with personal interactions. In games with statistical interactions, namely the bidding exercises, participants are asked to record their strategy, which will then be pitted against the strategy of all other students in the course. In games with personal interactions, participants are told which role they are to play in a given situation and are given the name(s) of the other player(s) with whom they will negotiate; participants will then have to interact face-to-face (or, for example, by phone or email). For each exercise, the relative performance of participants is recorded.

Participants should learn a great deal from the out-of-class exercises. A major requirement of the course, therefore, is to carry out the exercises and to share the insights with others. In general, the aim should not be to do "better" than the counterpart; "better" is often meaningless in games which are not strictly competitive and where players start in very asymmetric positions. The aim of each participant is to maximize his or her own score tempered with a concern to do what is right.

The score of participants in any game is only partly a measure of their own skills. As in real life, it also depends on their partner, and on luck. On balance, these effects on participants' overall scores are likely to be minor, however. In addition, to avoid that a single game could completely ruin the overall average of a given participant, his or her worst score is deleted.

While negotiated outcomes obviously matter, the process by which these outcomes have been achieved is often equally (if not more) important. Consequently, performance on the process dimension is measured as well. Participants will be asked to rate each of their partners negotiating behavior. The score of a participant on the process dimension depends on the ratings given by his or her negotiating partners. Again, to avoid any rating from too adversely affecting the participant's overall average, the worst rating is deleted.

A final note. Participants should always respect the "rules of the game". The instructions for the games are typically self-explanatory. In many of the exercises, participants will receive confidential instructions. During the negotiations, participants may wish to share information with their counterpart. However, the "rules of the game" do not permit participants to show their actual confidential instructions to the other side. In actual negotiations, we cannot refer to a set of confidential instructions to authoritatively convince our negotiating partner about our values, beliefs or capabilities. In fact, one of the major problems in actual negotiations is to convince a skeptical counterpart of the truth.

It is easy to defeat the purpose of the games. Participants could, for example, find out how other students played in a given game before they "officially" play. Participants could pick up clues from former participants. Participants could deviate from the specified rules and collude with their opponents when it is prohibited. Some of this behavior will undoubtedly occur, but I trust not very often. Such behavior is especially inappropriate in a sequence like this because it can spoil things for others, deaden discussion, and distort the information in the scores. It certainly defeats the purpose of the exercises.

The exercises used in the course are mentioned in the detailed Program. The exercises have three main objectives:

- Allow participants to understand how to deal with different types of negotiating and competitive bidding situations;
- Give participants the opportunity to gain a better understanding of how the different concepts and tools fit together;
- Give participants the opportunity to apply the different concepts, models and frameworks to real situations.

**Negotiation Write-Up**

The object of the Write-Up is the analysis of a real-life negotiating situation using the concepts, models and frameworks discussed in the course. The Write-Up should have 5-7 pages. Each participant chooses his or her own topic. The Write-Up has several objectives:

- Give participants the opportunity to deepen their knowledge of a given topic;
- Give participants the opportunity to apply the conceptual tools to a real life situation;
- Constitute an additional opportunity for participants to reflect on their own experience and to analyze how to deal with a specific negotiating situation.

### **DEMONSTRAÇÃO DA COERÊNCIA DAS METODOLOGIAS DE ENSINO COM OS OBJETIVOS DE APRENDIZAGEM DA UNIDADE CURRICULAR [PT]**

#### **ASSESSMENT**

Negotiation exercises:

- Negotiated outcomes: 20%
- Negotiating process: 20%

Negotiation Write-Up: 10%

Final exam (closed book): 50%

Independently of the grades obtained in the negotiation exercises and in the Write-Up, in order to pass this course participants must have a grade of at least 8 out of 20 in the final exam.

Course grades are final and not negotiable.

#### **BIBLIOGRAPHY**

The following book is required for the course:

- R. Fisher and W. Ury, *Getting to Yes*, Penguin Books, Harmondsworth, Middlesex, 2012.

The following book is recommended :

- H. Raiffa (with J. Richardson and D. Metcalfe), *Negotiation Analysis - The Science and Art of Collaborative Decision Making*, The Belknap Press of the Harvard University Press, Cambridge MA, 2007.

Cases and additional readings are available online or distributed in class. Confidential instructions for different players required in some of the negotiation exercises will be distributed throughout the course.

#### **ADDITIONAL INFORMATION**

##### **Acknowledgements:**

I wish to thank Professor Ingemar Dierickx, whose teaching materials are used in this course with his kind permission.