

A Framework for Facilitating Acquisition and Improvement of Negotiation Skills by Business Students

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Abstract

In this paper, we present a framework for facilitating the acquisition and improvement of a certain type of skill critical for success in business management: negotiation skill. We then proceed to provide evidence of the effectiveness of our framework, with data from a large public university's business program. We examined the performance of negotiators in dyads on negotiation exercises. Results indicate that the framework we used for training was associated with "getting to yes," as well as the quality of negotiated agreements, when comparing a randomly selected sample of trained business student dyads with a separate, comparable sample of dyads without formal training.

Keywords: *Negotiation; training; business students; integrative behavior.*

1. Introduction

Negotiation has been defined as a process in which two or more parties seek agreement on what each shall give to, and take from, the other (Rubin & Brown, 1975). Done well, the process can lead to high-quality agreements and positive relations. Done poorly, low quality agreements result, and relationships suffer. Fisher and Ury (1981) claimed that too often negotiators arrive at less-than optimal agreements, damage relationships, and create barriers to working together successfully. They advocated for a “win-win” negotiating approach in which the parties sought to uncover the true interests (rather than stated positions) of each other, and creatively devise options in which both could satisfy true interests (rather than seeking to divide a “fixed pie”). Barry & Friedman (1998: 348) defined integrative bargaining situations as “non-zero sum encounters in which there is the possibility for joint gain from the negotiation.” In other words, integrative or “win-win” bargaining allows negotiators to increase the size of the pie by generating alternatives that satisfy the underlying interests of the two parties. Alternatively, distributive bargaining is characterized by attempts by one or both parties to capture value under the assumption that the total to be gained is zero-sum; what one party gains, the other party must give up. In practice, business educators have learned, training students to seek to increase the size of the pie so that all get more – rather than try to get the biggest piece of a smaller pie – is a challenge in business schools.

2. Training Framework

While numerous approaches have been developed to teach negotiation skills (lectures, case studies, observation of others, videos, etc.), one useful technique is the role-playing exercise. Exercises serve at least three purposes: 1) they reveal students’ naïve theories of negotiation, which can later be contrasted with evidence from the research and the experiences of experts; 2) they provide an opportunity to practice new skills; and 3) they illustrate the application of underlying principles and themes. We developed 3 negotiation exercises that incorporate some distributive and some integrative aspects. The exercises permit the generation of creative alternatives that potentially satisfy both parties’ underlying interests, allowing for a win-win deal. Moreover, they permit crafting solutions that meet one party’s needs at low cost to the other. The goals of our training were for students to acquire and/or improve negotiation skills, particularly in integrative bargaining situations. Evidence of learning

should be found in (1) the number of students who actually arrived at a negotiated agreement in situation where integrative bargaining is possible, and (2) the quality of those agreements.

2.1. Step 1

Step 1 involved students completing a conflict management preference questionnaire and two personality self-assessments. At this point, students were not provided with any feedback.

2.2. Step 2

Step 2 placed students in dyads to negotiate with only minimal instructions, using the “Sasha Greatvoice” exercise (all exercises and surveys are available from the authors upon request). The “Sasha Greatvoice” exercise provides an opportunity to generate joint gains: an opera singer who is experimenting with a new sound and an empty calendar negotiates with the manager of a newly opened, small opera house with a very small budget.

2.3. Step 3

Upon completion of the timed (17-minute) exercise, students indicated if they had come to an agreement, and if so, jotted down a “Statement of Negotiated Agreement” and initialed it.

2.4. Step 4

Students individually and confidentially indicated their satisfaction with the results of the exercise, rated their own and the other party’s style as exhibited in the negotiation, and assessed the other party’s behavior. (Rating forms available from the authors upon request.)

2.5. Step 5

The instructors then debriefed the exercise, and introduced the first principles of negotiation. Considerable class time was spent on the debriefing. Reilly (2005) described a debriefing of an emotionally-charged negotiation exercise with students. While a PowerPoint presentation with the professor’s suggestions might serve to convey information about how one establishes rapport in negotiation, Reilly found that real learning occurred when, in the debriefing, students described “the specific behaviors [. . .that] led to the creation of a safe, rapport-filled environment where all information could be shared” (Reilly, 2005: 306).

In the debriefing, students reported to the class how the process went and what (if anything) they had agreed, and answered follow-up questions. The instructors’ role was to use the students’ experiences to introduce principles of negotiation to the class. In this debriefing, students learned what deals other dyads had reached, and sometimes concluded that their agreements were poor compared to others.’ Typically, the debriefing emphasized bargaining over interests, not positions, and looking for creative ways to increase the potential area of agreement, rather than focusing exclusively on price. Dyads who had focused primarily on

money for a certain number of concerts became aware that they may have missed opportunities for joint gains through creative thinking, when compared with what other dyads had achieved. Following the debriefing, to exemplify how price obsession can get in the way of a quality agreement, instructors played a YouTube video with a Jaguar commercial featuring the artist Sting singing “Desert Rose.” Reportedly, Sting agreed to do the commercial for no fee in order to boost sales of his music, a new sound poorly received, initially, by the market.

2.6. Step 6

Student teams prepared and delivered a presentation on one of six persuasion techniques: (1) Appeal to Authority, (2) Reciprocity, (3) Social Validation, (4) Liking, (5) Need for Consistency, and (6) Scarcity (Cialdini, 2001). This step had a dual purpose: developing team presentation skills, and acquiring knowledge of techniques that could be useful in negotiation.

2.7. Step 7

Instructors gave a lecture on conflict management preferences, accompanied by a handout to each student with his/her scores on each of five styles: competing, compromising, avoiding, accommodating, and collaborating (Thomas, 1976). Students’ scores were compared with percentile scores from our database of nearly 7,000 business students, a comparison with mean scores from the student’s country of origin, and a team conflict profile with data from all team members. Students were asked to reflect upon their results, and consider whether – and under what circumstances – their preference for dealing with conflict would facilitate or hinder negotiating. Shell (2001: 156) remarked: “Knowledge of bargaining styles is critical to negotiation success and ought to occupy a central place in negotiation training. Such knowledge helps student gain perspective on their own actions, interpret others’ behavior, and use feedback more constructively.”

2.8. Step 8

We assigned practitioner-friendly readings on negotiation which students completed prior to the next class.

2.9. Step 9

We lectured on principles of win-win negotiations, including: (a) establishing a goal for the negotiation; (b) determining one’s BATNA (Best Alternative to the Negotiated Agreement) and estimating the other side’s BATNA; (c) focusing on underlying interests, not positions; (d) being creative so as to generate options for mutual gain, that is, increasing the size of the pie; (e) using objective criteria, standards and benchmarks; (f) staying rationally focused on

the issue; (g) not making price the sole or primary content of the negotiation; (h) listening actively and asking many questions; etc.

2.10. Step 10

We put students in a new dyad for a second exercise: “Standard Airlines and Superior Aviation,” which allowed for joint gains and avoiding a lawsuit over a trademark violation in a dispute between Southwest Airlines and Stevens Aviation.

2.11. Steps 11, 12, and 13

The next steps were identical to steps 3, 4, and 5 respectively. In the post-exercise debriefing, the instructors attempted to reinforce principles of win-win negotiations in response to the students’ agreements. The debriefing was followed by the short YouTube video “Malice in Dallas,” in which the CEOs of Southwest Airlines and Stevens Aviation arm-wrestled to settle a trademark dispute, a humorous way to emphasize that creative solutions can be found to meet underlying interests and create joint gain, and once again to emphasize that price does not have to be the primary content of a negotiation.

2.12. Step 14

New dyads were formed for the third negotiation exercise, “Urban Fire Department.” In this exercise, the fire chief negotiates a pay increase with a recently promoted rising star, who happens to be a member of an under-represented group. Both parties are interested in increasing the diversity of the fire department, but may want to go about it in different ways. The introduction of a third exercise was done to allow students to improve skills in integrative bargaining. Thompson (1990) found that as negotiators completed more transactions, they reached more integrative agreements.

2.13. Steps 15, 16, and 17

The final steps in our training framework were parallel to Steps 3, 4, and 5 respectively. The three debriefing sessions (Steps 5, 13, and 17) were likely when the most learning occurred. Nadler et al. (2003: 537) found that experience alone is insufficient: “Contrary to popular intuition, simply having experience – in the absence of information revelation, principles, observation, or drawing analogies to other cases – is largely ineffective.”

3. Method

We randomly assigned 168 business students in the same program to either a training or a no-training group (84 students each). Chi-square and t-tests of differences detected no significant differences between the groups on gender composition, age, level of education, grade point average, and country of origin. We therefore had 42 dyads each for the first (pre-

training), second (post-training), and third negotiation exercises. We examined the effectiveness of the training framework by looking at the data from the second exercise. Although the data from the third exercise revealed similar results to the second exercise, we have excluded these data from the present paper.

Agreement was reported by dyads in the “Statement of Negotiated Agreement” form. Satisfaction was calculated as the average of the dyad members’ ratings on a single item, “How satisfied were you with the outcomes of the negotiation?” The quality of agreement was determined by three independent raters looking at the “Statement.” Raters were consistent: $AD_{M(J)}$ ranged from 0 to 1 ($M= 0.26$) (Burke & Dunlap, 2002), and $r^*_{wg(J)}$ scores ranged from 0.71 to 0.96 ($M=0.87$), above the 0.7 suggested by Biemann et al. (2012).

4. Evidence of Effectiveness

We were interested in three potential outcomes. The first outcome was the percentage of dyads who got to an agreement in the time allotted, and the degree to which both parties were satisfied with the agreement reached. Pre-test (Exercise 1, Experimental group) to post-test (Exercise 2, Experimental group) revealed significant increases in the percentage of students who arrived at a deal as well as the quality of the agreements reached. Nonetheless, in order to examine the effectiveness of our framework, we needed to compare the results of the Experimental group after training (Exercise 2) with the Control group that had not undergone training but had some experience (also Exercise 2). We expected that training would enhance the quality of the negotiated agreements. We defined high-quality agreements as being characterized by four aspects. First, high-quality agreements include creative, non-standard ways to meet the interests of the parties and allow for or joint gains. Second, high-quality agreements fully meet the underlying interests of both parties (rather than being one-sided). Third, while the commercial transaction (price for a service) should be covered, it would not be the sole or dominant aspect of the deal. Fourth, high-quality agreements are practical, realistic, and easy to monitor compliance.

4.1. Agreement

We found that 32 dyads (76%) achieved a negotiated agreement in the control group while 40 (95%) did so in the experimental group for the second exercise. The Chi-square test reviewed a significant difference between the two groups ($\chi^2_{(1, N = 82)} = 6.22, p = .013$). Because agreement is a dichotomous categorical variable, we used logistic regression to calculate the odds of reaching agreement given training, controlling for average age of the dyad, age gap between negotiators, same country, and same sex. Training correctly predicted 88.3% of agreement with a significant effect (Cox and Snell $R^2 = .199, p = .004$; $B_{\text{training}}=2.53, p = .005$). Compared to those without training, dyads with training were 25% more likely to reach agreement.

4.2. Satisfaction

Using a one-tailed t-test, we found that dyad satisfaction with the negotiation was significantly higher in the experimental group ($M = 4.10$, $SD = .906$) than in the control group; $t_{(82)} = 1.75$, $p = .042$. However, when controlling for age, age gap, same country, and same gender, we failed to find that training predicted satisfaction. Although the change in R^2 of .07 was significant ($p = .020$), the equation with training and the control variables overall did not predict satisfaction ($R^2 = .14$, $F_{(5, 71)} = 2.22$, $p = .061$; $\beta_{\text{training}} = .27$, $p = .020$).

Quality of Negotiated Agreements. We tested whether or not the quality of the agreements could be attributed to the training. Independent-samples t-test were conducted to compare the quality of agreements in the control and experimental groups. We found significant differences in the scores for Creativity (Exp. $M = 2.86$, $SD = .980$; Contr. $M = 1.96$, $SD = .994$; $t_{(70)} = 3.84$, $p < .001$), Win-Win (Exp. $M = 2.83$, $SD = 1.004$; Contr. $M = 2.17$, $SD = .973$, $t_{(70)} = 2.78$, $p = .007$); Price Prominence (Exp. $M = 3.35$, $SD = 1.150$; Contr. $M = 2.18$, $SD = .958$; $t_{(70)} = 4.63$, $p < .001$), Practicality (Exp. $M = 2.75$, $SD = 1.032$; Contr. $M = 1.89$, $SD = .870$; $t_{(70)} = 3.78$, $p < .001$), and Overall Quality (Exp. $M = 11.79$, $SD = 3.559$; Contr. $M = 8.20$, $SD = 3.195$; $t_{(70)} = 4.45$, $p < .001$). These results indicated that training explained the difference in the quality of the negotiated agreement as we measured it.

We controlled for alternative explanations with multiple regression tests of the effect of training on quality controlling for average age, age gap, same country, and same gender. Training explained differences in 3 of the 4 measures of quality, as well as overall quality. Training predicted Overall Quality ($R^2 = .26$, $F_{(5, 59)} = 4.16$, $p = .003$; $\beta_{\text{training}} = .51$, $p < .001$), Creativity ($R^2 = .23$, $F_{(5, 59)} = 3.55$, $p = .007$; $\beta_{\text{training}} = .48$, $p < .001$), Price Prominence ($R^2 = .27$, $F_{(5, 59)} = 4.42$, $p = .002$; $\beta_{\text{training}} = .523$, $p < .000$) and Practicality ($R^2 = .18$, $F_{(5, 59)} = 2.64$, $p = .032$; $\beta_{\text{training}} = .434$, $p = .001$), but not Win-win scores.

5. Conclusion

This paper describes an approach to facilitating the learning of negotiation skills by business students. We provide evidence that our training framework helped student dyads “get to yes” and achieve high-quality agreements. Agreements after training, as rated by our judges, were of significantly higher quality overall and for three of four measures: Creativity, Price prominence, and Practicality. It was not established that training explained improvement in Win-win outcomes (one measure of quality), nor in students’ satisfaction with results. We interpret that to mean that our framework facilitated students’ improvement in three of the aspects of quality we measured, but not in avoiding lopsided agreements wherein one party got a better deal than the other. Additional practice, feedback, and reflection may have been needed to transfer principles learned in one context to another context in order to improve “Win-win” outcomes. Moreover, in order to reach a win-win outcome, both parties may need

to frame the situation as one with integrative potential; if one or both negotiators characterize the situation as distributive, a win-win solution will not likely be reached.

In the debriefing, students were able to hear what other dyads had achieved and compare others' results to their own. Dyads who were obsessed with tangibles (price for services), learned that some colleagues had managed to go beyond price and meet both parties' interests. Dyads who saw that other classmates had generated more options thus "expanded the pie" learned that allowing creative ideas into the negotiation can improve the outcome. Dyads who arrived at agreements that might be difficult to implement and/or monitor compliance learned to pay more attention to the practicality of their solutions.

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