

OB 115
Games, Decisions & Negotiations

Spring 2016

Graduate School of Business
Stanford University

Professor Nir Halevy

Office: E 219; Phone: (650) 723-8525

E-mail: nhalevy@stanford.edu

Faculty Assistant: Malinda Summers

Office: E 224; Phone: (650) 725-9874

E-mail: malindas@stanford.edu

COURSE INFORMATION & OBJECTIVES

Human thinking is geared toward understanding and mastering social interactions. In OB 115 we will explore cognitive, affective, behavioral, social and organizational processes that shape how we manage interactions and relationships. Hence, a first aim of the course is to develop your ability to analyze social interactions. We will use concepts and research findings from decision theory, behavioral game theory, negotiation research, and other relevant streams of investigation in the social sciences to inform our discussions. By the end of this course you should have a better understanding of the structural and psychological factors that underlie competition and cooperation, bargaining, contracting, social influence, dispute resolution, and other types of social and organizational interactions.

In addition to understanding how to analyze human thinking, feeling, and action in interactive contexts, you will have opportunities to develop your behavioral skills through our in-class exercises and simulations. Therefore, a second aim of the course is to allow you to experience various bargaining situations by playing a role in simulated conflict. Our exercises will allow you to try out tactics that might feel uncomfortable trying in an actual situations, get constructive feedback from other participants, and learn how you come across. You will have an opportunity to see how the effectiveness of particular tactics is moderated by aspects of your situation.

Finally, I hope that the course readings, which are aimed to complement our in-class exercises, debriefs, and discussions, will stimulate your interest in human cognition, emotion, and behavior in interactive contexts.

COURSE FORMAT

You are expected to be present and prepared for our exercises and for the discussions that follow the exercises. Your active and conscientious participation in our in-class activities are crucial for the success of this seminar. How much you learn depends upon how well you play your assigned roles in our exercises. Similarly, how much other seminar participants learn depend significantly on your behavior and feedback. To learn from the exercises, we need all participants to make choices and negotiate diligently. Thus, I ask that

you treat our exercises and games seriously. You should try to do well and you should never demean either the exercises or the people you are bargaining with after the simulations 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. Thus, you should never justify your tactics by saying “it was just a game”.

In our debriefs, 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 varying degrees, to everyone. Thus, people will make mistakes and use inappropriate strategies. By delving into the thinking that led to a particular strategy, we can all learn from it. 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. These discussions will show how important post mortems are to future decision making. They also provide us with an opportunity to not only learn a lot about bargaining but also about ourselves.

COURSE REQUIREMENTS AND EXPECTATIONS

I expect that you will attend each class, on time (we will often start our classes with an exercise), and notify me in advance if you must miss a class. Because our class sessions are experiential, and because we often must assign you to bargaining pairs/teams in advance, even an excused absence can cause a problem. This is all the more reason for alerting me in advance. Thus, please email me as soon as possible if you must miss a class. Certainly unusual situations can arise in which it will be impossible to forewarn us that you will miss a class. These instances, however, should be quite rare. Because repeated absences will diminish the impact of the course, they will result in grade reductions. Thus, each class that you miss following early notification (12 hours or more before class) will decrease your grade by **5** points (out of a possible maximum of 100 points in the course; see grading policies below). Each class that you miss without early notification will decrease your grade by **10** points (out of a possible maximum of 100 points; see grading policies below).

COURSE MATERIALS AND READINGS

Readings for our course will be available in the *Modules* folder on Canvas. Students are expected to do all of the assigned reading. It is important that you do not read ahead in the online course reader. The concepts will be more comprehensible if you have already experienced them directly and foreknowledge of the concepts could interrupt with our learning from the in-class exercises.

COURSE REQUIREMENTS AND GRADING

Your grade will consist of:

1. Attendance (Mandatory – Absences Impact Grade)
2. Active class participation (20%)
3. Two written assignments (40% each)

1. Attendance. (Mandatory – Absences Affect Final Grade). Students are expected to participate in all exercises and class discussions. As noted above, failure to participate in an exercise will result in a reduction of points, and failure to notify me will double the points subtracted.

2. Active participation. Class participation plays a pivotal role in students' learning process in this course. I will monitor and evaluate your contributions to in-class discussions and debriefs based on both quantity and quality. The quality of your participation will be judged based on its relevance to our topic, your ability to integrate in-class events and relevant out-of-class experiences to course concepts, and introduce novel insights that advance our discussion and facilitate fellow students' learning. We expect you to use your best judgment with regard to the frequency of comments (neither too few nor too many). To receive all 20% of the grade for active participation, you should demonstrate consistent enthusiastic participation in our exercises and substantive contributions to our debriefs and discussions.

3. Written assignments: Two Application Stories.

The application stories will be strategic analyses of real-world interactions. **Your first application story** should be based on one of your own past interactions outside of class (taken from social, business, or other contexts). You should use the material from this class (the readings, our exercises, and our discussions) to analyze why and how things happened the way they did in that interaction. **Your second application story** should be based on a real world interactive event or phenomenon. Again, your assignment is to integrate the information you gathered about this real world event/phenomenon with our class materials and analyze it critically to provide insights about how and why things happened the way they did. Make sure you choose stories so that you can apply class material to them. Feel free to consult with me during the selection process.

The application stories give you a chance to think and reflect on interactive phenomena, which will help improve your understanding of your own and others' behavior in different situations. You will turn in the two application stories by submitting them online using the *Assignments* folder on Canvas. I will read them and give you feedback on both of them. I will give you a particularly detailed feedback on the first one, to allow you to know how to improve your second application story if improvement is required.

Your application stories should demonstrate how analytically you are thinking about interactive phenomena. Each application story should first describe important aspects of the situation you wish to analyze (note, however, that we care about analysis more than descriptive detail). In essence, you should tell a short, but complete story about a past interactive event/phenomenon and analyze how it could have gone differently/better, using the material from the class. You can use any of the course's previous reading or classroom material, but you should choose different events and tell a new story in each application story. Each of the two assignments should be 3 pages long, typed in 12 point Times Roman font, spaced at 1.5 lines, with 1 inch margins. Your application stories should include **at least 5 class concepts**: simple stories with simple solutions will not be as good as more complex stories with more complex analyses and solutions. These application stories should focus on critical analysis (why things happened the way they did) rather than merely describe what happened. Also, a thorough analysis

using several class concepts is better than a shallow discussion of too many concepts.

To help you structure these submissions, please consider the following points. Based on past experience, most application stories benefit from addressing the following issues:

- Who were the parties in this negotiation? (e.g., their roles, relationships, shared past/future)
- What role did perception / misperception play in the interaction?
- Who controlled the negotiation? How?
- What role did uncertainty and risk play in this negotiation?
- How effective were your strategies? Their strategies? Why did they (not) work?
- Given what you know now, what would you do differently if you had to repeat the interaction?
- What takeaways are most important for future interactions?

Your task is likely to be easier if your application stories analyze failed rather than successful decisions or negotiations: it's easier to identify how to change something that went wrong. In addition, these kinds of negotiations don't require you to congratulate yourself (which doesn't always come across well). At the same time, if you can describe what turned out successfully and show how it could have been even better, that would work, too. Thus, I recommend that your outside class stories concentrate on decisions or negotiations that were not optimal. Be assured that all of the material you turn in will be completely confidential.

Each of the two written assignments will be graded on a 41-point scale from 0 to 40. After each written assignment is graded, I will post on Canvas information about the class mean and standard deviation of the grades.

The following section includes specific information about our standards of evaluation.

Standards of Evaluation (for both application stories):

Insightful = 36-40 points

- Description of the course concepts demonstrates reflection and learning beyond just summarizing what was discussed in class.
- Application to the situation demonstrates real ownership of the ideas.
- Tight logical link between the description of the situation, the concepts from the course, and the conclusions or implications drawn.
- Conclusions are a logical outgrowth of applying the concepts to the description of the situation.
- The conclusions/implications go beyond the boundaries of our classroom discussion, and show some initiative in exploring the learning opportunity.
- Focus of the paper is depth of understanding, rather than breadth of coverage.
- May tie several disparate ideas from class together into a central concept, or find some insightful connection to an apparently unrelated issue.

Competent = 30-35 points

- Paper demonstrates correct and complete (but not insightful) analysis and application of the course concepts to the described situation.
- It is clear from reading the paper that the student understands what was communicated and discussed in class, but probably has not necessarily learned something more from the analysis/application and reflection/write-up of what happened.
- Paper's link between description, concepts, and applications is not tight.
- Not clear how the concepts relate to the description, or how the description and concepts logically lead to the conclusions or implications.
- Paper touches on several concepts on the surface, rather than exploring them in any useful depth or identifying a theme that ties them all together.
- Paper missed some of the subtleties of the featured concept(s).

Needs Improvement = 29 points or less

- Description of the course concepts is incomplete or incorrect.
- Application of the concepts to the situation is flawed.
- Paper does not link the situation description, course concepts, and application.
- **Paper describes the situation without really using the concepts to analyze it.**
- Paper bounces around among a variety of concepts without fully explaining or applying any of them.
- Paper uses words/terms from the class without communicating a sense of understanding their real meaning.
- Paper doesn't make clear what the student learned, or that the student learned anything.

Late submissions will be penalized by 5 points per day.

Failure to submit a paper will result in a grade of 0 for that paper.

COURSE OUTLINE AND SCHEDULE

Class	Date	Topics and Activities	Read after class
1	3/31	Coordination Schelling's Quiz; Matching Pennies; Minimal Effort Game.	Schelling (1980), <i>The Strategy of Conflict</i> , chapter 3; pp, 53-58.
2	4/5	Mind Reading P-Beauty Contest; 11-20 Money Request; LUPI.	Camerer et al. (2015). A psychological approach to strategic thinking in games. <i>Current Opinion in Behavioral Sciences</i> , 3, 157-162.
3	4/7	Partner Selection Number Market Game	March (1994). <i>A Primer on Decision Making</i> . Chapter 1; pp. 1-24.
4	4/12	Final Offers Dictator; Ultimatum; Alternating Offer Bargaining.	Pillutla & Murnighan (2003). Fairness in bargaining. <i>Social Justice Research</i> , 16, 241-262.
5	4/14	Cheap Talk & Nonverbal Behavior Golden Balls	(1) Slovic et al., (2007). The affect heuristic. <i>European journal of operational research</i> , 177(3), 1333-1352. (2) Van Kleef, G. A. (2009). How emotions regulate social life the emotions as social information (EASI) model. <i>Current directions in psychological science</i> , 18(3), 184-188.
6	4/19	<u>Paper Discussion</u> Emotion, Choice, & Interactive Behavior	---
7	4/21	Surprise Attacks Preemptive Strike Game	Simunovic, D., Mifune, N., & Yamagishi, T. (2013). Preemptive strike: An experimental study of fear-based aggression. <i>Journal of Experimental Social Psychology</i> , 49(6), 1120-1123.
8	4/26	Fear, Greed, & Rivalry: Gas Station Game; Price Competition between Teams	Malhotra, D., Ku, G., & Murnighan, J. K. (2008). When winning is everything. <i>Harvard Business Review</i> , 86(5), 78-86.
9	4/28	What Games Do People Think They Are Playing? Fill-in-the-numbers; Perspective taking challenge	Halevy, N., & Katz, J. J. (2013). Conflict templates thinking through interdependence. <i>Current Directions in Psychological Science</i> , 22(3), 217-224.
10	5/3	Power & Coalition Bargaining Interdisciplinary Research Grant	Galinsky et al. (2012). The far-reaching effects of power: At the individual, dyadic, and group levels. <i>Research on Managing Groups and Teams</i> , 15(1), 81-113.
11	5/5	Debrief: Power & Coalition Bargaining	

COURSE OUTLINE AND SCHEDULE (continued)

Class	Date	Topics and Activities	Read <u>after</u> class
12	5/10	Turn-taking, Trust & Reciprocity Centipede; Decisions from description vs. experience	
13	5/12	Deliberation, Discontinuity & Deception Advice between Individuals and Groups	Start reading detailed cross-cultural negotiation case:
14	5/17	Dilemmas, Noise, and Cheater Detection Asymmetric Social Dilemmas	Wyoff & China-LuQuan: Negotiating a Joint Venture (parts A & B).
15	5/19	The Value of Information in Negotiation Biopharm-Seltek Negotiation	
16	5/24	Debrief: Information in Negotiation	HBS cases (9-908-046 & 9-909-014)
17	5/26	<u>Case Discussion:</u> Inter-organizational, Cross-cultural Negotiation	
18	5/31	Conclusion: The Appropriateness Framework	March (1994). <i>A Primer on Decision Making</i> . Chapter 2; pp. 57-76.

Submission of Application Stories:

- Application story #1: Upload to Canvas by 2pm on Wednesday, May 11
- Application story #2: Upload to Canvas by 2pm on Wednesday, June 1