

Teaching interdisciplinary negotiation simulations: The *325 Superior Street* role-play

ABSTRACT

Although many negotiation simulations have interesting contexts, they are meant to be used in negotiation courses and usually do not have context-specific learning objectives. Our interdisciplinary negotiation simulation, *325 Superior Street*, teaches not only the foundational concepts of negotiation typically taught in a management or organizational behavior course but also key concepts in residential real estate. Specifically, it helps students apply proven negotiation techniques to a real estate transaction component of a finance or law-based real estate course. During the session, participants will try the simulation, and we will discuss the process of constructing and running interdisciplinary role-plays.

Keywords: experiential exercise, negotiation, interdisciplinary collaboration

Teaching interdisciplinary negotiation cases

Introduction

Several university-based consortia, including Northwestern University's Dispute Resolution Research Center (DRRC) and Harvard's Program on Negotiation (PON), have an extensive collection of negotiation simulations on a variety of subjects. However, although many simulations have interesting contexts, they are meant to be used in negotiation courses, and few simulations have specific learning objectives beyond typical negotiation topics. Our exercise, *325 Superior Street*, combines the learning objectives of a management-based negotiation course with those of a finance or law-based residential real estate course. This negotiation simulation brings together the expertise of two scholars from different disciplines: a management scholar with a PhD in organizational behavior, and a real estate finance and law scholar and practitioner with a J.D. and licenses as a real estate broker and attorney.

325 Superior Street teaches not only the foundational concepts of negotiation typically taught in a management or organizational behavior course but also key concepts in residential real estate. The exercise is ideal for a real estate course but can be adapted for use in a management-based negotiation course. Specifically, it helps students apply proven negotiation techniques to a finance- or law-based real estate course. We have utilized this simulation with late undergraduate students, and we will also utilize the simulation with graduate students in future semesters. During the session, the authors will discuss constructing interdisciplinary role-plays and ask participants to share their experiences with negotiation roles-plays.

Theoretical Foundation/Teaching Implications

Our exercise is interdisciplinary. It brings together the concepts of negotiation traditionally taught in a management or organizational behavior course with the concepts of residential real estate transactions traditionally taught in a finance or law-based course.

To build our exercise, we use both traditional negotiation research as well as real estate research. To support the learning objective, students read content from *Negotiation Genius* and *Getting to Yes*. These books set up the basic concepts in negotiation that are necessary to be successful in the negotiation, such as first offers and objective standards. For the real estate concepts, which draw on a multitude of disciplines, students read content from real estate textbooks including *Real Estate Principles, a Value Approach* by David C. Ling and Wayne R. Archer and *Real Estate Finance and Investments*, by William B. Brueggeman and Jeffrey D. Fisher, as well as real estate contracts and real estate finance instruments utilized in the residential real estate markets.

Learning Objectives

Depending on the course material, this exercise can be tailored for use in a negotiation course or a real estate course. During the debriefing sessions of the exercise, instructors can choose which learning objectives to highlight.

Students should be able to meet the following real estate context-specific learning objectives:

- Identify and apply techniques for analyzing the housing market including economic factors, interest rates and mortgage financing, supply and demand factors, price appreciation, and regional and local factors including positive and negative externalities to the property's location;

- Apply valuation methodologies, including the sales comparison approach to valuation, to assess the potential market value of the property (the land and improvements, fixtures and personal property potentially included in the sale);
- Apply contract drafting principles and techniques to structure real estate contracts to achieve business objectives;
- Identify potential financial, legal and property-specific risks in the real estate transaction and describe risk management strategies to mitigate those risks including conducting effective due diligence and including specific contingencies in the purchase and sale agreement; and
- Assess the implication of relevant laws and regulations regarding real estate sales and brokerage and analyze potential legal liabilities regarding property disclosures.

Additionally, after completing this exercise, students should be able to meet the following negotiation-specific learning objectives:

- Identify and evaluate the characteristics of a negotiation situation;
- Describe how to prepare constructively for a 1-on-1 negotiation;
- Identify and apply the three key negotiation parameters: BATNA, Resistance Point, and Aspiration Value;
- Identify and apply objective standards;
- Describe and evaluate the role of offers and concessions in the negotiation process;
- Apply negotiation preparation and execution concepts in a multiple round negotiation;
- and

- Employ and assess skills and tactics in an integrative negotiation in a residential real estate context.

Exercise Overview

The simulation includes two roles: a buyer and a seller. An alternative version allows students to play the roles of the buyer's agent and the seller's agent. Briefly, a prospective buyer has amassed the finances to purchase a residential property. A prospective seller would like to put a residential property on the real estate market. The buyer is interested in the seller's property. The buyer and seller work through the purchase property from first offers through a purchase and sale contract.

The complete exercise requires 30 minutes of preparation, 30 minutes of negotiation for round one, 30 minutes of negotiation for round two (if using), and 60 minutes of debrief. The exercise debrief has two parts: real estate concepts and negotiation concepts. Instructors can allocate discussion time based on which concepts are most germane to the course. For the authors, in an organizational behavior course, few real estate concepts are emphasized beyond an acknowledgement that negotiations occur within a specific context. Participants are instructed on how to incorporate context-specific data into their negotiations. In a real estate course, on the other hand, students focus on the real estate context with debrief questions that emphasize how to operate within the context. In such a course, only the most basic negotiation concepts are covered. The authors recommend outside readings and a separate negotiation course for students who want to dig more into the negotiation-specific concepts. The exercise is one-on-one, and each participant needs a role sheet for either the buyer or the seller.

At the beginning of the exercise, participants are assigned roles with half the class receiving each of the two roles. The exercise materials contain background information as well as supporting documents, such as market comparables and a market overview. The seller's role has some confidential information, including a flood in the basement and an offer from another buyer. These supporting documents have been disguised but are taken directly from actual real estate transaction documents.

Students should spend 30 minutes of time preparing their role. This preparation can be done in class or prior to the class session. We recommend out of class preparation given the complexity of the simulation. If preparing during class, students can prepare in small groups of the same role, e.g., a group of four sellers might be assigned to prepare as a group.

At the start of the class session, and placed into groups of two participants with opposing roles. In the case of an odd number of participants, playing an observer role can help the student understand the dynamics of the negotiation and allow the student to participate in the debrief session. In round one, participants discuss an initial offer and collect data to present a final purchase and sale agreement. We have used an official Massachusetts version utilized by real estate brokers and attorneys to increase the external validity of the exercise. After round 1, buyers are presented with an inspection report. During round 2, buyers present a final purchase and sale contract complete with contingencies and requests based on the inspection report. The buyer and seller and negotiate this final contract.

After the conclusion of both rounds of negotiation, participants engage in a debrief session. The authors designed the suggested debrief questions to cover a wide range of negotiation and real estate concepts. The instructor can use specific debrief questions to guide the discussion in a way that matches the learning objectives for the session.

There are several variations to the exercise that can be used to emphasize the specific learning objectives of the course. If the instructor would like to emphasize negotiation-specific context, a more basic version is available that reduces the real estate-specific concepts and vocabulary by reducing and simplifying the supplementary material. Similarly, for real estate students, there is an advanced addendum that requires additional skills, such as a valuation task.

Session Description

During the MOBTC session (60 minutes requested), we will present a scaled back version of the simulation with a discussion at the end. The timeline for the session will be as follows:

- Introduce exercise and form pairs – 5 minutes
- Participants prepare for exercise – 10 minutes*
- Pairs negotiate – 10 minutes*
- Participants debrief exercise – 10 minutes*
- Discussion of how a team of authors can create an interdisciplinary role-play – 35 minutes

*These activities will be cut for time while still giving session participants a chance to get a feel for the activity.