

teaching note

The Art of Negotiation: A Hospitality Industry Case Study

Summary

This is a two-party, five issue negotiation between the Parents Against Drunk Driving (PADD) and the El Camino Real Lodge and Golf Resort (Hotel). The case scenario is found in the general instructions for both parties referenced above. The main issues are summarized below.

Issue 1: Monetary Payments; Apology and No Admission of Wrongdoing; Training Program

PADD: PADD refunded \$200 to each of the 250 registrants who checked out of the Hotel on the morning after the incident involving Mr. Napier; PADD's goal is not to have to pay any liquidated damages and to recover as much of the refunded fees from the Hotel as possible on the theory that the Hotel should be liable for those losses under the "dram shop" statute; PADD feels that it is important that the Hotel offer an "apology" and implement a policy requiring that all of its employees who serve alcoholic beverages must first complete a training program focusing on responsible practices in selling and serving alcoholic beverages; if the Hotel agrees to these provisions, PADD "is certainly more than willing to reach a settlement on reasonable terms"; PADD's representatives have been given "wide authority to negotiate the best possible settlement" and are expected "to be able to justify the result of this negotiation in light of PADD's overall interests.

Hotel: The Hotel is anxious to reach a quick settlement with PADD; while it wants to get the best deal possible, it has authorized the payment of up to \$50,000 to settle any "dram shop" claim, if necessary, provided the Hotel "makes no specific admission of wrongdoing"; however, the Hotel feels that the liquidated damages (\$32,375) should help offset part of the \$50,000. payment to settle PADD's potential "dram shop" claim; the Hotel's representatives have no direct instructions as to a training program; however, they are told that the Hotel is very concerned about the conduct of its employees who served the alcoholic beverages to Mr. Napier, this type of conduct should not have occurred, and the Hotel is certainly anxious that this type of incident doesn't happen again; in this regard, the Hotel has given its representatives complete discretion to propose or agree to other minor terms so long as they don't significantly impede the Hotel's interests.

Issue 2. Possibly Adverse Confidential Information

PADD: PADD expects to lose only a few (probably around 10) members as a result of this incident.

Hotel: Although PADD failed to meet its room night commitment under the Hotel Contract, the Hotel sold out on the two nights in question.

Issue 3. Publicity and Confidentiality of the Terms of Any Settlement

PADD: Extremely concerned about further adverse publicity that might be generated if the Hotel and PADD get involved in litigation; PADD wants this matter settled quickly and quietly; to this end, PADD has given its representatives complete authority to craft as favorable a settlement as possible with the Hotel; PADD, however, will reluctantly resort to litigation if it has to defend itself against the Hotel's claim under the attrition clause; no direct instructions on confidentiality concerning the terms of any settlement; however, the representatives for PADD have complete authority to handle all the details and craft as favorable a settlement as possible with the Hotel.

Hotel: Very concerned about further adverse publicity; the Hotel is anxious to reach a quick settlement with PADD; "prefers" that the terms of any settlement be kept confidential.

Issue 4. Future Relations

PADD: PADD might be willing to consider having another conference at the Hotel at some point if the Hotel can take corrective action and demonstrate a "turn around" in its current practices.

Hotel: The Hotel wants to repair relations with PADD; the Hotel needs to stay on good terms with customers like PADD and especially SMP; the Hotel hopes that PADD can be "mollified" enough to encourage it to return to the Hotel at some point in future conferences or meetings.

Issue 5. Legal Arguments

PADD: Expects its representatives to have consulted with PADD's legal counsel in order to be knowledgeable on how the applicable law applies to this situation. PADD expects its representatives to be able to make sound legal arguments on its behalf. The principal arguments are likely to focus on the meaning of "any damages caused" in the "dram shop" statute and the reasonableness of the liquidated damages provision.

Hotel: Expects its representatives to be able to make sound legal arguments on its behalf with respect to the liquidated damages provision in the contract as well as the "dram shop" statute. The principal arguments are likely to focus on the meaning of "any damages caused" in the "dram shop" statute and the reasonableness of the liquidated damages provision.

Teaching and Learning Objectives

This case study is designed to meet the following teaching and learning objectives.

1. To Increase Participants' Awareness about Negotiations
 - a. The pervasiveness of negotiation

- b. The importance of process – how we negotiate
 - c. Our own negotiating behavior and the implicit working assumptions that underlie it
2. To Provide “Theory” Some Concepts and Tools for Thinking about Negotiations
 - a. Basic variables that can serve as organizing concepts
 - b. Diagnostic tools
 - c. A common vocabulary to enhance preparation, negotiation, and review
 3. To Offer Some Rules of Thumb
 - a. There is no single “best” way to negotiate in all circumstances, but some conceptual and practical guidelines may be worth following, absent good reasons not to do so.
 4. To Enhance Participants’ Skills.
 - a. To assess the skills you have as a negotiator and as a third party
 - b. To broaden your repertoire
 - c. To practice and experiment with your skills in relative safety
 - d. To develop practical ways to apply useful concepts to daily negotiations
 - e. To discover effective techniques others use
 - f. To work on bridging the gap between theory and practice, between what preach and what we do
 5. To Learn from Experience, and from Each Other, So We Will Keep Getting Better.
 - a. To learn to welcome surprises
 - b. To practice a cycle of plan, act and review

Target Audience

The target audience for this negotiation exercise would be both undergraduate and graduate students enrolled in various hospitality and business courses including service operations, strategic management, organizational behavior, and hospitality law. Ideally, these students will be in their last semester. The case study presumes that the students have completed courses in hospitality law, lodging and meeting planning. This case study could be used in a hospitality law course to reinforce concepts learned in the contract portion of the course. It could also be used in a leadership course. This case study provides students an opportunity to deal with a real-life conflict situation by using appropriate negotiation strategies. This case study is useful for training future hospitality employees and leaders about effectively resolving conflicts through negotiation strategies. This case will benefit students and hospitality leaders in developing their negotiation skills, and understanding how to adapt their negotiation strategies based on situations.

Teaching Approach

Prior to discussing the case study, students should know about negotiation strategies. This case study may be best suited for students that have taken a basic hospitality law course. However, it is not necessary. Before beginning the case study, the instructor should review the different negotiation strategies and basic contract provisions with the class. Once students understand the concept of negotiations and when people negotiate, begin the discussion with examples of negotiations the students have experienced. The instructor may ask questions like: “Think about a conflict situation at workplace as an employee or manager of a hospitality organization. Who was the other party (could be employee, manager, customer, or client)? How did the situation arise? Which negotiation approach did either of you use? What was the end result? Could the outcome have been better? How?” Through discussions, the students will have the opportunity to hear about various workplace conflicts and how negotiations were conducted to resolve the conflict.

Next, the students should be split into two groups. One group should be asked to apply the integrative negotiation strategy and the second group the distributive negotiation strategy. As an entire class, the instructor should then discuss the pros and cons of each strategy and the questions from the discussion questions section.

Bloom’s Six levels of Learning

In order to allow a thorough understanding of the material, Bloom’s six levels of learning should be applied. The first two levels are knowledge and comprehension, where students are required to define and memorize concepts; and explain, identify, and discuss the information in their own words. They can begin the case study by learning the definitions of the negotiation strategies. Also, after reviewing the basic contract provisions, the student should be able to state the relevant law. The instructor can ask the students to explain the concepts using their own words to the class. The instructor can also give short scenarios about workplace conflict and the negotiation process, and then ask students to identify which negotiation technique was used. The third level is application, where students understand what they have learned and they can apply the skill/concept in a real situation. Students can be asked to provide examples of workplace conflict and negotiation techniques used to resolve the conflicts based on their personal experiences.

The fourth level is analysis, where students can look at a concept and break it down into its parts. They can also see the relationship of different bodies of knowledge. The narratives from the case study will be used at this level of learning. Once students have read the case study, they will be asked to break the specific negotiating strategy (assigned) into parts. That is, students should ask and answer “what kind of impact could this negotiation strategy have? Or would using this negotiation strategy increase outcomes?”

The fifth level is synthesis. At this level, students assemble different

sections of the case study to build a unique concept of their own; they can also unite different bodies of knowledge. Students should be able to suggest how to use a negotiation strategy effectively depending on the situation. The students should unite their knowledge from hospitality law, hotel operations, meeting planning, and the current topic on negotiation strategies. The final level is evaluation, where students can judge the value or quality of the concept. In this stage, the students will critique each negotiation strategy, compare the two strategies, and justify the effectiveness of each strategy based on the situation.

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Additional Readings

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