

GLOBAL
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The Mind and Heart of the Negotiator

Seventh Edition



Leigh L. Thompson

SEVENTH EDITION

GLOBAL EDITION

THE MIND AND HEART OF THE NEGOTIATOR

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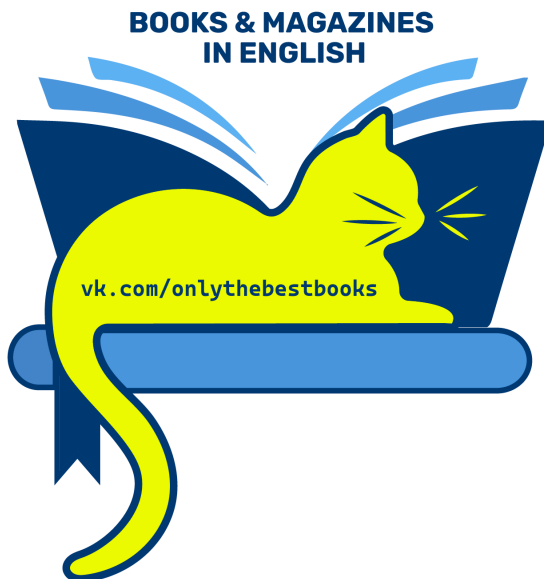
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*To the loves of my life:
Bob, Sam, Ray, and Anna*



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PREFACE

This book is dedicated to students and managers who want to improve their ability to negotiate—whether in multimillion dollar business deals or personal interactions. Yes, it is possible to dramatically improve your ability to negotiate. You can improve your economic outcomes and also your relational outcomes, so that you make more money and feel better about yourself and the people with whom you deal. The book integrates theory, scientific research, and practical examples. This edition contains three key sections: (1) negotiation essentials; (2) negotiation skills; and (3) complex negotiations. New to this edition is a chapter on negotiator personality and motivation; and a chapter on managing emotions in contentious negotiations. The book contains hundreds of real examples from business, politics, and personal life spanning the globe to illustrate effective, as well as ineffective, negotiation skills.

Here is what you can expect when you read this book:

- ***Illustrative case studies.*** Each chapter opens with a case study of an actual negotiation, drawn from business, government, world affairs, community, and personal life. New to this edition are more than 125 examples from the business world, many involving international issues.
- ***Skills-based approach.*** Each chapter provides practical takeaway points for the manager and the executive. A good example is Chapter 4 on integrative negotiation. A series of hands-on principles are described that have been proven to increase the value of negotiated deals.
- ***Self-insight.*** Many chapters contain several self-assessments, quizzes, and examples that readers can use to examine their negotiation attitudes and behaviors. For example, Chapter 5 gives negotiators an opportunity to assess their “motivational” bargaining style and provides suggestions for how to respond to different personalities and styles. In Chapter 8, negotiators can examine their ethical principles in negotiation. Moreover, Chapter 11 provides a deep look at cultural differences in negotiation so that the negotiator can better understand his or her own cultural style and that of others.
- ***Advanced bargaining skills.*** The third section of the book focuses on complex, yet commonly occurring negotiation situations, such as multiparty negotiation, cross-cultural negotiation, and non–face-to-face (virtual) negotiations. These sections have been revised in this edition.
- ***Scientific research.*** New to this edition are the groundbreaking results of more than 175 new scientific articles on negotiation.

I benefit greatly from the advice, comments, and critiques given to me by my students and colleagues, and I hope their advice keeps coming so that I am able to improve upon the book even further. The research and ideas in this book come from an invaluable set of scholars in the fields of social psychology, organizational behavior, sociology, negotiation, and cognitive

Note: Every effort has been made to provide accurate and current Internet information in this book. However, the Internet and information posted on it are constantly changing, so it is inevitable that some of the Internet addresses listed in this textbook will change.

psychology. My research, thinking, and writing have been inspired in important ways by the following people: Wendi Adair, Cameron Anderson, Evan Apfelbaum, Linda Babcock, Chris Bauman, Max Bazerman, Kristin Behfar, Terry Boles, Jeanne Brett, Susan Brodt, Karen Cates, Hoon-Seok Choi, Taya Cohen, Susan Crotty, Jeanne Egmon, Hal Ersner-Hershfield, Gary Fine, Craig Fox, Adam Galinsky, Wendi Gardner, Dedre Gentner, Robert Gibbons, Kevin Gibson, James Gillespie, Rich Gonzalez, Deborah Gruenfeld, Erika Hall, Reid Hastie, Andy Hoffman, Elizabeth Howard, Peter Kim, Shirli Kopelman, Rod Kramer, Laura Kray, Nour Kteily, Terri Kurtzburg, Geoffrey Leonardelli, John Levine, Allan Lind, George Loewenstein, Jeff Loewenstein, Brian Lucas, Deepak Malhotra, Beta Mannix, Kathleen McGinn, Vicki Medvec, Tanya Menon, Dave Messick, Terry Mitchell, Don Moore, Michael Morris, Keith Murnighan, Janice Nadler, Maggie Neale, Kathy Phillips, Robin Pinkley, Ashleigh Rosette, Nancy Rothbard, Catherine Shea, Ned Smith, Marwan Sinaceur, Harris Sondak, Roderick Swaab, Tom Tyler, Leaf Van Boven, Kimberly Wade-Benzoni, Laurie Weingart, Judith White, and Elizabeth Ruth Wilson. Throughout the text of *The Mind and Heart of the Negotiator*, I use the pronoun “we” because so much of my thinking has been influenced and shaped by this set of eminent scholars.

The revision of this book would not have been possible without the dedication, organization, and editorial skills of Larissa Tripp and Ellen Hampton, who created the layout, organized hundreds of drafts, mastered the figures, and researched many case studies for this book.

In this book, I talk about the “power of the situation,” and how strongly the environment shapes our behavior. The Kellogg School of Management is one of the most supportive, dynamic environments I have ever had the pleasure to be a part of. I am particularly indebted to Jeanne Brett, who created the Dispute Resolution Research Center (DRRC) at Kellogg in 1986.

This book is very much a team effort of the people I have mentioned here, whose talents are diverse, broad, and extraordinarily impressive. I am deeply indebted to my colleagues and my students, and I feel grateful that they have touched my life and this book.

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OVERVIEW

This book is divided into three major sections. The first section deals with the essentials of negotiation—the key principles and groundwork for effective negotiation. Chapter 2 leads the manager through effective preparation strategies for negotiation. Chapter 3 discusses distributive negotiation skills, or how to optimally allocate resources in ways that are favorable to one’s self—a process called “slicing the pie.” Chapter 4 is the integral chapter of the book; it focuses

on “win–win” negotiation or, more formally, integrative negotiation. This creative part of negotiation involves expanding the pie of resources in ways that provide more gains to go around.

The second section of the book deals with specific negotiation skills. Chapter 5 focuses on negotiator personality and motivation. Chapter 6 focuses on managing emotions and contentious negotiation situations. Chapter 7 focuses on establishing trust and building relationships. This chapter examines business and personal relationships, and how trust is developed, broken, and repaired. Chapter 8 discusses power, ethics, and reputations in negotiation. In Chapter 9, the focus is on problem solving and creativity. This chapter provides strategies for learning how to think out-of-the-box and provides techniques for using creativity and imagination in negotiation.

The third section deals with complex negotiations. Chapter 10 examines the complexities of negotiating with multiple parties, such as conflicting incentives, coalitions, voting rules, and how to leverage one’s own bargaining position when negotiating with multiple parties. Chapter 11 focuses on cross-cultural negotiation, which addresses the key cultural values and negotiation norms across a variety of global cultures, along with some advice for cross-cultural negotiations. Chapter 12 focuses on information technology and its impact on negotiation and uses a place-time model of social interaction to examine the challenges and opportunities of negotiation as it occurs in the digital era. It includes a section on inter-generational negotiation and e-negotiations.

Two appendices provide a variety of additional material: Appendix 1 provides tips and a checklist for negotiating a job offer. Appendix 2 examines third-party intervention.

FACULTY RESOURCES

Instructor Resource Center

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The following supplements are available with this text:

- Instructor’s Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

ABOUT THE AUTHOR

Leigh L. Thompson joined the Kellogg School of Management in 1995. She is the J. Jay Gerber Distinguished Professor of Dispute Resolution and Organizations. She directs the Leading High Impact Teams executive program and the Kellogg Team and Group Research Center and co-directs the Negotiation Strategies for Managers program. An active scholar and researcher, she has published over 130 research articles and chapters and has authored 11 books, including: *Making the Team* (6th edition); *Creativity and Innovation in Organizational Teams*; *Shared Knowledge in Organizations*; *Negotiation: Theory and Research*; *Creative Conspiracy: The New Rules of Breakthrough Collaboration*; *Stop Spending, Start Managing*; *The Social Psychology of Organizational Behavior: Essential Reading*; *Organizational Behavior Today*; *The Truth about Negotiations* (2nd edition); and *Conflict in Organizational Groups*. Thompson has worked with private and public organizations in the United States, Latin America, Canada, Europe, and the Middle East. Her teaching style combines experiential learning with theory-driven best practices. For more information about Leigh Thompson's teaching and research, please visit leighthompson.com.

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Part I: Negotiation Essentials

NEGOTIATION: THE MIND AND THE HEART

The negotiation did not begin with each party sizing up the other and presenting offers accompanied by PowerPoint decks flanked by attorneys and senior executives. Quite the opposite. Disney chief Bob Iger and 21st Century Fox chairman Rupert Murdoch were drinking wine at Murdoch's Moraga Estate winery in Bel Air, and discussing disruptive internet trends impacting their respective television and film companies. In this meeting, they realized that they shared much in common. A few weeks later, Iger called Murdoch to explore a merger. Given how well the two had connected over wine, Murdoch was interested. The two chiefs met in secret, without PowerPoint presentations, and teams of senior executives at both companies were strategically left out of the loop. The negotiations, like the wine get-together were smooth, cordial and informal. Two months later, Iger and Murdoch stood arm-in-arm atop a London skyscraper to announce their intention to construct a \$52.4 billion acquisition deal.¹

Whereas most of us are not involved in billion-dollar negotiation deals, one thing that business scholars and businesspeople are in complete agreement on is that everyone negotiates nearly every day. *Getting to Yes* begins by stating, "Like it or not, you are a negotiator . . . everyone negotiates something every day."² Similarly, Lax and Sebenius, in *The Manager as Negotiator*, state that "Negotiating is a way of life for managers when managers deal with their superiors, boards of directors, even legislators."³ G. Richard Shell, who wrote *Bargaining for Advantage*, asserts, "All of us negotiate many times a day."⁴ Herb Cohen, author of *You Can Negotiate Anything*, dramatically suggests that "Your world is a giant negotiation table." One business article on negotiation warns, "However much you think negotiation is part of your life, you're underestimating."⁵

Anytime you cannot get what you want without the cooperation of others, you are negotiating. **Negotiation** is an interpersonal decision-making process necessary whenever we cannot achieve our objectives single-handedly. For this reason, *negotiation is your key communication and influence tool* in most relationships.

¹ Littleton, C. (2017, December 14). Disney-Fox deal: How secret, 'smooth and cordial' negotiations drove a blockbuster acquisition. *Variety*. variety.com

² Fisher, R., & Ury, W. (1981). *Getting to yes* (p. xviii). Boston: Houghton Mifflin.

³ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator* (p. 6). New York: Free Press.

⁴ Shell, G. R. (1999). *Bargaining for advantage: Negotiation strategies for reasonable people* (p. 76). New York: Viking.

⁵ Walker, R. (2003, August). Take it or leave it: The only guide to negotiating you will ever need. *Inc.* inc.com

Now, a depressing fact: over 80% of corporate executives and CEOs leave money on the table. In this chapter, we explain why educated, smart, motivated people often do not realize their negotiating potential. The good news is that you can do something about it.

The purpose of this book is to improve your ability to negotiate. We do this through an integration of scientific studies on negotiation and real business cases. And in case you are wondering, it is not all common sense. Science drives the best practices covered in this book. We focus on business negotiations, but the principles in this book will no doubt help you in all aspects of your negotiating life.⁶

THE MIND AND HEART

Across the sections of this book, we focus on the *mind* of the negotiator as it involves the development of rational and thoughtful strategies for negotiation, designed to maximize economic value. We also focus on the *heart* of the negotiator because ultimately we care about relationships and trust. The opening example clearly indicates that the trust developed between Bob Iger and Rupert Murdoch laid the foundation for a successful negotiation deal.

Relationships versus Economics

In virtually any negotiation, two things are at stake: economic value (i.e., money and scarce resources) and people (relationships and trust). This book focuses on how negotiators can be effective in terms of maximizing both economic value and enhancing relationships at the bargaining table. We base our teachings and best practices on scientific research in the areas of economics and psychology, reflecting the idea that both the bottom line *and* relationships are important for successful negotiation.⁷

Many people believe they need to choose between getting what they want or being liked. These negotiators often believe that by “taking one for the team,” they can later maximize their economic gain.⁸ This strategy is not advisable because *we negotiate in long-term relationships with people who have short-term memories*. The relational sacrifice we make today may not be remembered or reciprocated by the receiving party tomorrow. When people make economic sacrifices in hopes of securing or maintaining relationships, they are often disappointed. In this book, we focus on how negotiators can achieve their economic objectives and enhance their long-term relationships, without simply paying more or receiving less.

Satisficing versus Optimizing

In this book, we distinguish between satisficing and optimizing. According to Nobel Laureate Herb Simon, satisficing is the opposite of optimizing.⁹ **Satisficing** refers to doing just enough to reach one’s minimum goals. When negotiators satisfice, they take shortcuts and do not maximize their potential gains. Conversely, when negotiators **optimize**, they capture all of the potential gain in a situation.

⁶ Gentner, D., Loewenstein, J., & Thompson, L. (2003). Learning and transfer: A general role for analogical encoding. *Journal of Educational Psychology*, 95(2), 393–408.

⁷ Bazerman, M. H., Curhan, J. R., Moore, D. A., & Valley, K. L. (2000). Negotiation. *Annual Review of Psychology*, 51, 279–314.

⁸ Thompson, L. L. (2017). *Don’t take one for the team*. Kellogg News and Events. kellogg.northwestern.edu/news_articles

⁹ Simon, H. A. (1955). A behavioral model of rational choice. *Quarterly Journal of Economics*, 69, 99–118.

In negotiation it is important to optimize one's strategies by setting high aspirations and attempting to achieve as much as possible. In contrast, when people satisfice, they settle for something less than they could otherwise have. Over the long run, satisficing (or the acceptance of mediocrity) can be detrimental to individuals and companies, especially when a variety of effective negotiation strategies and skills can be effectively employed to dramatically increase economic gains. We discuss these strategies in detail in the next three chapters.

Short- versus Long-Term Relationships

Another distinction people often struggle with concerns strategies they might use in short-versus long-term relationships. The intuition is that if a person believed the negotiation was a single-shot situation, they might behave differently—perhaps more aggressively—than if they anticipated interacting with the counterparty in the future. In the networked, virtual world, this distinction is nearly irrelevant because most of our interactions are recorded or known to others. Even if a negotiator does not actually *meet* a given counterparty again, by virtue of social media, a detailed account of their interaction would surely be visible for anyone to see. When the ex-CEO of Uber Travis Kalnick got into a heated argument with an Uber driver, he did not realize that Fawzi Kamel had a dashboard recording of the infamous conversation, nor that the recording would be posted online.¹⁰ For these reasons, I encourage all of my students and executives to assume that the details of their negotiation communication and behavior will be accessible for anyone who might be interested, and consequently, to act as though all negotiations have long-term implications.

Intra- versus Inter-organizational Negotiation

Would you imagine that there might be different strategies for negotiating with internal people (i.e., inside one's own organization) versus external people (i.e., people not employed by one's own organization)? At first blush, it would seem that internal negotiations might go more smoothly and collaboratively than external negotiations. However, that is not always the case. Envy and internal competition may in fact loom larger when people negotiate internally versus externally.¹¹

Low- versus High-Stakes Negotiation

On countless occasions, managers and executives in my classroom have commented that they are not concerned that they failed to reach a win-win outcome because the negotiation was “lowstakes.” When I then ask them how many “low stakes” negotiations they are involved in per week, they often say as few as 3 and as many as 15, with an average of about 8 or 9. If we then extrapolate for just 1 year, this totals over 400 negotiations; across a span of 5 years, that is 2,000 negotiations! Even if each negotiation was only \$100, we are now starting to approach a non-trivial economic value. Given that there are no costs for attempting to optimize, I encourage managers and executives to treat each negotiation—however small the stakes may be involved—as a significant opportunity to enhance economic and relational outcomes.

¹⁰ Newcomer, E. (2017, March 3) Uber's taxicab confessions. *Businessweek*. businessweek.com

¹¹ Menon, T. & Thompson, L. (2010, April). Envy at work. *Harvard Business Review*. hbr.org

WIN-WIN, WIN-LOSE, AND LOSE-LOSE NEGOTIATION

Win-win negotiations are situations in which both negotiators optimize the potential joint gains. In this sense, they have captured all the possible value in the relationship. In this book, we will refer to win-win agreements as **integrative** agreements because the outcome is one that creatively combines parties' interests in a way that maximizes the joint economic value. Win-win agreements are typically *variable-sum* as opposed to *fixed-sum* situations. **Win-lose** negotiation refers to situations in which one party prevails at the other party's expense. This may be because one party has threatened the other party or that one party has capitulated to the other party. Whereas win-win agreements are those in which both parties have gained, win-lose negotiations are ones in which one party has gained at another's expense. **Lose-lose** negotiations are situations in which both parties have made sacrifices that are ultimately unwise or unnecessary, resulting in an outcome that both parties find less than satisfying.¹²

NEGOTIATION AS A CORE MANAGEMENT COMPETENCY

Negotiation skills are increasingly important for managers. There are several reasons for this, including: the knowledge economy, specialized expertise, information technology, and globalization.

Knowledge Economy

Most businesses and industries today were not in existence 10–20 years prior. According to the Bureau of Labor Statistics, more than 70,000 businesses have developed since 2010.¹³ In the last five years, more than 15 startup companies, including Compass, Instacart, Carbon3D, OpenDoor, Avant, and Blue Apron grew from nothing, and are now worth billions.¹⁴ Many companies have disrupted traditional business models, spurring managers to reinvent themselves as knowledge brokers in the information economy. Because the nature of knowledge work changes rapidly, managers of all ages are continuously negotiating their professional identity, acquiring new skills, and moving into new jobs, industries, and markets. Most people do not stay in the same job that they take upon graduating from college or receiving their MBA degree.

Millennials are the largest group of professionals in the workforce.¹⁵ A large-scale LinkedIn study reported that millennials change jobs four times (churns) in their first decade out of college, compared to two job changes by Gen Xers in that same time period.¹⁶ LinkedIn examined its 500 million users, and looking back 20 years, found that churn is accelerating, especially in certain industries.¹⁷ A long-term study of baby boomers by the Bureau of Labor Statistics revealed that people held an average of 11.7 jobs between age 18 and 48; 27% were

¹² Thompson, L., & Hrebec, D. (1996). Lose-lose agreements in interdependent decision making. *Psychological Bulletin*, 122(3), 396–409.

¹³ Bureau of Labor Statistics. (2018). *Entrepreneurship and the U.S. Economy*. bls.gov/bdm/entrepreneurship/bdm_chart1.htm

¹⁴ Carson, B. (2016, December 26). These 15 startups didn't exist 5 years ago—now they're worth billions. *Business Insider*. [businessinsider.com](https://www.businessinsider.com)

¹⁵ Landrum, S. (2017, November 10). Millennials aren't afraid to change jobs and here's why. *Forbes*. [forbes.com](https://www.forbes.com)

¹⁶ Young, J. (2017, July 20). How many times will people change jobs? The myth of the endlessly-job-hopping millennial. *EdSurge*. edsurge.com

¹⁷ Guy Berger, G. (2016, April 12). Will this year's college grads job-hop more than previous grads? *LinkedIn*. [blog.linkedin.com/](https://www.linkedin.com/blog)

prone to “hop,” defined as having 15 or more jobs over a career; and 10% held 0–4 jobs.¹⁸ What is changing is the *stigma* associated with job-hopping. Many career coaches encourage millennials to change jobs every 3–4 years. The job-hopper is not simply in pursuit of higher wages; they are willing to take pay cuts for the right job in a positive work culture and career growth. Millennials are getting married and having children later than previous generations, and thus, relocation is doable and often desirable.¹⁹

Specialized Expertise

The advent of decentralized business structures and the absence of hierarchical decision making provide opportunities for managers, but also pose some daunting challenges. People must continually create possibilities, integrate their interests with others, and recognize the inevitability of competition both within and between companies. Managers must be in a near-constant mode of negotiating opportunities. Negotiation comes into play when people participate in joint ventures, partnerships, product launches, reorganizations, and project teams.

The increasing interdependence of people within organizations, both laterally and hierarchically, implies that people need to know how to integrate their interests and work across business units and functional areas.

For example, when Walmart realized that their hierarchical, lumbering internal culture did not allow them to offer a responsive online retail presence, they recruited Jet.com founder Marc Lore to run Walmart’s entire domestic e-commerce operation. Upon his arrival, a series of internal negotiations began surrounding how Walmart could shift its business model, yet still honor the founding principle of value to their customers. Lore recognized the interdependence between the brick and mortar marketplace and the online marketplace and integrated both sectors’ interests through creative internal negotiation.²⁰

The increasing degree of specialization and expertise held by businesspeople indicates that people are more and more dependent on others. However, other people do not always have similar incentive structures, so managers must know how to promote their own interests while simultaneously creating joint value for their organizations. This balance of cooperation and competition requires negotiation. For example, Cheng Wei, founder and CEO of Didi Chuxing, was in a cooperative relationship with legendary investor Masayoshi Son, when Son wanted to invest in Wei’s company; but when Wei refused Son’s investment, thereby creating a competitive situation in which Son threatened to instead invest in a rival company. Ultimately, Wei relented and took the \$5 billion investment for the tech startup.²¹

Information Technology

Information technology also provides special opportunities and challenges for negotiators. Information technology has created a culture of 24/7 availability. With technology that makes it possible to communicate with people anywhere in the world, managers are expected to negotiate at a moment’s notice. Because customers expect companies to be accessible to them 24/7,

¹⁸ Bureau of Labor Statistics. (2018). *National Longitudinal Surveys*. United States Department of Labor. bls.gov/nls/nlsfaqs.htm#anch43

¹⁹ Landrum, S. (2017, November 10). Millennials aren’t afraid to change jobs and here’s why. *Forbes*. forbes.com

²⁰ Stine, B., & Boyle, M. (2017, May 4). Can Wal-Mart’s expensive new e-commerce operation compete with Amazon? *Bloomberg*. bloomberg.com

²¹ Storm, P., Alpeyev, P., & Chen, L. (2018, January 8). Masayoshi Son has a deal you can’t refuse. *Businessweek*, p. 14.

businesses have reimagined how to respond quickly. For example, in 2016, only 2 million businesses were on Instagram; in 2017, 25 million had accounts, and over 80% of Instagram users voluntarily connect with these business accounts. Conversely, people who are not online feel the pressure to perform when they finally do log back on. For example, Arianna Huffington, founder of The Huffington Post, promised her daughter that during her college tour she would not check her smartphone. Huffington kept her promise, not turning on her smartphone during the tour, but while her daughter slept in the hotel room that night, she admitted to staying up all night answering e-mails and making sure she didn't miss anything from the few hours she took off.²²

Globalization

Most managers must effectively cross cultural boundaries to do their jobs. Setting aside obvious language and currency issues, globalization presents challenges in terms of different norms of communication. Chip Starnes, cofounder of Specialty Medical Supplies, learned a harrowing lesson in cultural fit when he showed up at his factory near Beijing, China, to deliver severance payments for 30 workers laid off when Starnes moved a company division to Mumbai, India. The remaining 100 employees, convinced the entire factory would be closed, demanded severance and barricaded Starnes inside the plant for 6 days. Cases of managers being held captive by dissatisfied workers, while police look the other way, is not a rare circumstance in China, a cultural fact that Starnes certainly learned. After accepting the workers' demands—giving 97 workers 2 months' salary and compensation, and rehiring the previously laid-off workers on new contracts—Starnes was released. Most notably, Starnes was able to learn from his leadership failure and developed a new product to manufacture in Shenzhen.²³

Managers need to develop negotiation skills that can be successfully employed with people of different nationalities, backgrounds, and personalities. Consequently, a negotiator who has developed a bargaining style that works only within a narrow subset of the business world will suffer, unless they broaden their negotiation skills to effectively work with different people across functional units, industries, and cultures.²⁴ It is a challenge to develop negotiation skills general enough to be used across different contexts, groups, and continents, but specialized enough to provide meaningful behavioral strategies in a given situation.

NEGOTIATION TRAPS

Judging from their performance in realistic business negotiation simulations, most people fall short of their potential at the negotiation table.²⁵ Numerous business executives describe their negotiations as win-win only to discover that they left hundreds of thousands of dollars on the table. Fewer than 4% of managers reach win-win outcomes when put to the test,²⁶ and the

²² Huffington, A. (2013, March 14). Arianna Huffington on burning out at work. *Businessweek*. businessweek.com

²³ MacLeod, C. (2013, June 27). U.S. exec Chip Starnes freed from China factory. *USA Today*. usatoday.com; American boss hostage arrives back to U.S. (2013, June 28). *Associated Press*. ap.org.; Pounds, M. (2016, June 13). Coral Springs business owner, taken hostage in China in 2013, is returning there with new company. *Sun Sentinel*. sun-sentinel.com

²⁴ Bazerman, M. H., & Neale, M. A. (1992). *Negotiating rationally*. New York: Free Press.

²⁵ Neale, M. A., & Bazerman, M. H. (1991). *Cognition and rationality in negotiation*. New York: Free Press; Thompson, L., & Hrebec, D. (1996). Lose-lose agreements in interdependent decision making. *Psychological Bulletin*, 120(3), 396–409; Loewenstein, J., Thompson, L., & Gentner, D. (2003). Analogical learning in negotiation teams: Comparing cases promotes learning and transfer. *Academy of Management Learning and Education*, 2(2), 119–127.

²⁶ Nadler, J., Thompson, L., & van Boven, L. (2003). Learning negotiation skills: Four models of knowledge creation and transfer. *Management Science*, 49(4), 529–540.

incidence of outright lose–lose outcomes is 20%.²⁷ Even on issues where negotiators are in perfect agreement, they fail to realize this 50% of the time.²⁸

In our research and teaching, we have observed and documented four major shortcomings in negotiation:

- ***Leaving money on the table*** (also known as “lose–lose” negotiation) occurs when negotiators fail to recognize and capitalize on their win–win potential.
- ***Settling for too little*** (also known as “the winner’s curse”) occurs when negotiators make a too-large concession, resulting in a too-small share of the bargaining pie.
- ***Walking away from the table*** occurs when negotiators reject terms offered by the other party that are demonstrably better than any other option available to them. Sometimes this shortcoming is traceable to hubris or pride; other times it results from gross miscalculation.
- ***Settling for terms that are worse than your best alternative*** (also known as the “agreement bias”) occurs when negotiators feel obligated to reach agreement even when the settlement terms are not as good as their other alternatives.

This book reveals how to avoid these errors, create value in negotiation, get your share of the bargaining pie, reach agreement when it is profitable to do so, and quickly recognize when agreement is not a viable option in a negotiation.

BECOMING AN EFFECTIVE NEGOTIATOR

In reviewing all of the ways that negotiators fail, it is important to be clear about what it means to be an effective, successful negotiator. Successful negotiation strategies involve preparation, strategy at the negotiation table, and then, post-negotiation behaviors. Exhibit 1-1 summarizes the behaviors and measures that are important to consider when evaluating negotiation performance. Prior to negotiation, a key skill is to initiate negotiations and then, prepare effectively. During negotiation, the negotiator executes their planned strategy and should be ready to evaluate the quality of negotiated settlements. Following the negotiation, there is always concern about whether the agreed upon terms will be honored and how the negotiation will affect one’s reputation. Indeed, investigations of contract negotiations consider four key objectives in assessing the quality of contracts: (1) how to maximize the likelihood of reaching a good agreement; (2) how to reach an agreement that fulfills the intended purpose; (3) how to reach an agreement that will last; and (4) how to reach an agreement that will lead to subsequent negotiations.²⁹

The dramatic instances of lose–lose outcomes, the winner’s curse, walking away from the table, and the agreement bias raise the question of how people can become more effective at the bargaining table. Fortunately, we’ve studied this question in depth and have developed a method by which people can measurably improve their performance.

In this book, we focus on three major negotiation skills: creating value, claiming value, and building trust. By the end of this book, you will have a mental model that will allow you to prepare for virtually every negotiation situation. By preparing effectively for negotiations, you can enjoy the peace of mind that comes from having a strategic plan. Things may not always go

²⁷ Thompson & Hrebec, “Lose–lose agreements in interdependent decision making.”

²⁸ Thompson & Hrebec, “Lose–lose agreements in interdependent decision making.”

²⁹ Tomlinson, E.C., & Lewicki, R. J. (2015). The negotiation of contractual agreements. *Journal of Strategic Contracting and Negotiation*, 1(1), 85–98.

EXHIBIT 1-1

Evaluating the Success of Negotiation

Prior to Negotiation	Negotiation	Post-Negotiation
Initiate negotiation	Strategy	Post-deal implementation
Preparation	• Opening • First offer(s) • Counter-offers • Substantiation and persuasion • Concessions	Durability
• Planning worksheet • Assess BATNA • Develop reservation price • Develop target price (aspiration)	Agreements • Efficiency • Economic value • Individual gain • Joint gain	Reputation
	Relational value	Willingness to negotiate again
	• Satisfaction • Fairness	Trust

according to plan, but your mental model will allow you to perform effectively and, most important, to learn from your experiences.

There are three key elements to improving your negotiation skills: feedback, strategy, and focused practice.

Feedback

Experience, in the absence of feedback, is largely ineffective in improving negotiation skills.³⁰ For example, can you imagine trying to learn mathematics without ever doing homework or taking tests? Without diagnostic feedback, it is very difficult to learn from experience.

People with more experience grow more confident, but the accuracy of their judgment and the effectiveness of their behavior do not increase in a commensurate fashion.³¹ Overconfidence can be detrimental because it may lead people to take unwise risks. In most real-world negotiation situations, managers do not receive feedback on how well they are doing. In our research, we have found that people who are provided with feedback immediately following their negotiation are more likely to adjust their strategies and perform better in subsequent negotiations. Of the many types of feedback that are potentially available to negotiators, information about

³⁰ Loewenstein, Thompson, & Gentner, "Analogical learning in negotiation teams"; Nadler, Thompson, & van Boven, "Learning negotiation skills"; Thompson, L., & DeHarpport, T. (1994). Social judgment, feedback, and interpersonal learning in negotiation. *Organizational Behavior and Human Decision Processes*, 58(3), 327–345; Thompson, L., Loewenstein, J., & Gentner, D. (2000). Avoiding missed opportunities in managerial life: Analogical training more powerful than case-based training. *Organizational Behavior and Human Decision Processes*, 82(1), 60–75.

³¹ Fenton-O'Creevy, M., Nicholson, N., Soane, E., & Willman, P. (2003). Trading on illusions: Unrealistic perceptions of control and trading performance. *Journal of Occupational and Organizational Psychology*, 76(1), 53–68.

the counterparty's interests and priorities are particularly important.³² For example, negotiators who received feedback about the counterparty's interests immediately following a negotiation showed the greatest improvement in subsequent negotiations.³³

Strategy

Once a negotiator has learned that they have not optimized in a given situation, the obvious question becomes, "What should I have done differently?" The negotiation strategies we introduce in this book are designed to be relevant across situations and therefore, are not context-dependent. Stated another way: the strategies that lead to success in a pharmaceutical negotiation are also those that lead to success in an oil products negotiation. In fact, our research suggests that it is beneficial for students of negotiation to learn negotiation skills in an industry or domain that they are unfamiliar with.³⁴ Why? Learning negotiation skills only in a context in which one has depth of expertise may lead to context-dependence, such that the skills do not transfer.³⁵

Focused Practice

A key step in learning to be an effective negotiator is behavioral practice. It is one thing to passively learn about negotiation skills, it is quite another to put them into practice via simulations. In our research, we've found that experiential learning is dramatically more effective than didactic learning (i.e., merely listening to a lecture).³⁶

DEBUNKING NEGOTIATION MYTHS

When we delve into managers' theories and beliefs about negotiation, we often find that they operate with faulty beliefs. Before we begin our journey toward developing a more effective negotiation strategy, we need to dispel several faulty assumptions and myths about negotiation. Belief in these myths may hamper people's ability to learn effective negotiation skills and in some cases, reinforce poor negotiation skills. In this section, we expose four of the most prevalent myths about negotiation behavior.

Myth 1: Negotiations Are Fixed-Sum

Probably the most common myth is that most negotiations are fixed-sum, or fixed-pie, in nature, such that whatever is good for one person must ipso facto be bad for the other party. The truth is that most negotiations are not purely fixed-sum; in fact, most negotiations are variable-sum, meaning that if parties work together, they can create more joint value than if they are purely combative. However, effective negotiators also realize that they cannot be naively

³² Van Boven, L., & Thompson, L. (2003). A look into the mind of the negotiator: Mental models in negotiation. *Group Processes & Intergroup Relations*, 6(4), 387–404.

³³ Thompson, L. & Hastie, R. (1990). Judgment tasks and biases in negotiation. In B. H. Sheppard, M. H. Bazerman, and R. J. Lewicki (Eds.), *Research on negotiation in organizations: A series of analytical essays and critical reviews*. (pp. 31–54). Greenwich, CT: JAI Press.

³⁴ Kim, J., Thompson, L., & Loewenstein, J. (2018). *Open for learning: Low familiarity cases and general questions foster knowledge transfer*. Working paper.

³⁵ Loewenstein, J., Thompson, L., & Gentner, D. (1999). Analogical encoding facilitates knowledge transfer in negotiation. *Psychonomic Bulletin & Review*, 6(4), 586–597.

³⁶ Nadler, J., Thompson, L., Van Boven, L. (2003, June). Learning negotiation skills: Four models of knowledge creation and transfer. *Management Science*, 49(4), 529–540.

trusting because any value that is created must ultimately be claimed by someone at the table. Our approach to negotiation is based on Walton and McKersie's view that negotiation is a **mixed-motive** enterprise, such that parties have incentives to cooperate as well as compete.³⁷

Myth 2: You Need to Be Either Tough or Soft

The fixed-sum myth gives rise to a myopic view of the strategic choices that negotiators have. Most negotiators believe they must choose between behaving in a tough (and sometimes punitive) fashion or being “reasonable” to the point of soft and concessionary. We disagree. The truly effective negotiator is neither “tough as nails” nor “soft as pudding,” but rather, principled.³⁸ Effective negotiators follow an “enlightened” view of negotiation and correctly recognize that to achieve their own outcomes they must work effectively with the other party (and hence, cooperate) but must also leverage their own power and strengths.

Myth 3: Good Negotiators Are Born

A pervasive belief is that effective negotiation skills are something that people are born with, not something that can be readily learned. This notion is false because most excellent negotiators are self-made. In fact, naturally gifted negotiators are rare.³⁹ We often hear their stories, but we must remember that their stories are selective, meaning that it is always possible for someone to have a lucky day or a fortunate experience. This myth is often perpetuated by the tendency for people to judge negotiation skills by their car dealership experiences. Purchasing a car is certainly an important and common type of negotiation, but it is not the best context by which to judge your negotiation skills. The most important negotiations are those that we engage in every day with our colleagues, supervisors, coworkers, and business associates. These relationships provide a much better index of one's negotiation effectiveness. In short, effective negotiation requires practice and feedback. The problem is that most of us do not get an opportunity to develop effective negotiation skills in a disciplined fashion; rather, most of us learn by doing. Experience is helpful, but not sufficient.

Indeed, people who view negotiation as a challenge are more successful in reaching high-quality deals than people who view negotiation as threatening.⁴⁰ Moreover, people who believe that negotiation ability can be improved with experience and practice are more likely to discover win-win agreements than people who believe that negotiation skills are not teachable.⁴¹

Myth 4: Good Negotiators Rely on Intuition

Many seasoned negotiators believe that their negotiation style involves a lot of “gut feeling” or intuition. We believe that intuition does not serve people well. Effective negotiation involves deliberate thought and preparation and is quite systematic. The goal of this book is to help

³⁷ Walton, R. E., & McKersie, R. B. (1965). *A behavioral theory of labor relations*. New York: McGraw-Hill.

³⁸ Bazerman & Neale, *Negotiating rationally*; Fisher & Ury, *Getting to yes*.

³⁹ Thompson, L. (2014, December 3). Masters of negotiation: Born this way? *Kellogg News & Events*. kellogg.northwestern.edu/news_articles/

⁴⁰ O'Connor, K. M., Arnold, J. A., & Maurizio, A. M. (2010). The prospect of negotiating: Stress, cognitive appraisal and performance. *Journal of Experimental Social Psychology*, 46(5), 729–735.

⁴¹ Wong, E. M., Haselhuhn, M. P., & Kray, L. J. (2012). Improving the future by considering the past: The impact of upward counterfactual reflection and implicit beliefs on negotiation performance. *Journal of Experimental Social Psychology*, 48(1), 403–406.

managers effectively prepare for negotiation, become more aware of their own strengths and shortcomings, and develop strategies that are proactive (i.e., they anticipate the reactions of their opponent), rather than reactive (i.e., they are dependent upon the actions and reactions of their opponent). This is all to say that excellent negotiators are not guided by intuition; rather, they are deliberate planners. As a general rule, don't rely on your intuition unless you are an expert.

CHAPTER CAPSTONE

This book promises three things: first (and most important), reading this book will *improve your ability to negotiate successfully*. You will experience fewer sleepless nights because you will have a solid framework and excellent toolbox for successful negotiation which can produce better results for you and your business. However, in making this promise, we must also issue a warning: successful negotiation skills do not come through passive learning. Rather, you need to actively challenge yourself. We can think of no better way to engage in this challenge than to supplement this book with classroom experiences in negotiation in which managers can test their negotiation skills, receive timely feedback, and repeatedly refine their negotiation strategies. Moreover, within the classroom, data suggests that students who take the course for a grade will be more effective than students who take the course pass-fail.⁴²

Second, we provide you with a *general strategy for successful negotiation in many different kinds of situations*. Take a look at the Table of Contents. Notice the distinct absence of chapter titles such as “Negotiating in the Pharmaceutical Industry” or “Real Estate Negotiations” or “High-Tech Negotiations.” We don't believe that negotiations in the pharmaceutical world require a fundamentally different set of skills from those needed for negotiations in the insurance or software industries. Rather, negotiation skills are transferable across situations.⁴³ In making this statement, we do not mean to imply that all negotiation situations are identical. This assumption is patently false because negotiation situations differ dramatically across cultures and industries. However, certain key negotiation principles are essential in all these different contexts. The skills in this book can be effectively implemented across a wide variety of situations ranging from complex, multiparty, multicultural deals to one-on-one personal exchanges.

In addition, this book offers *an enlightened model of negotiation*. Being a successful negotiator is not dependent on your opponent's lack of familiarity with a book such as this one, or lack of training in negotiation. In fact, it would be ideal if your key clients and customers knew about these strategies. This approach follows what we call a *fraternal twin model*, which assumes that the person you are negotiating with is every bit as motivated, intelligent, and prepared as you. Thus, the negotiating strategies and techniques outlined in this book do not rely on “outsmarting” or tricking the other party; rather, they teach you to focus on simultaneously expanding the pie of resources and ensuring the resources are allocated in a manner that is favorable to you.

⁴² Craver, C. B. (1998). The impact of a pass/fail option on negotiation course performance. *Journal of Legal Education*, 48(2), 176–186.

⁴³ Thompson, L., Lucas, B. J., & Hall, E. V. (2014). Negotiation bandwidth. In N. M. Ashkanasy, O. B. Ayoko, & K. Jehn (Eds.), *Handbook of conflict management*. Cheltenham UK: Edward Edgar Publishing.

2

PREPARATION: WHAT TO DO BEFORE NEGOTIATION

Maersk Oil Trading, a Danish company, operates 786 vessels worldwide and has annual revenues in excess of \$31 billion. The cap on permissible sulfur content in fuel oil on ships operating outside designated emission control areas has been significantly reduced by an International Maritime Organization (IMO) regulation that came into effect in January 2020. Maersk Oil Trading also supplies several external customers, so it needed a robust supply chain of low-sulfur fuel before the regulation came into effect. Niels Henrik Lindegaard, the head of Maersk, had the daunting task of successfully handling several negotiations with the company's partners and customers to ensure that the legally required reductions were enforced and that services would remain uninterrupted. He entered into a new partnership with Dutch Royal Vopak for a bunker facility that would provide around 2.3 million tons of low-sulfur fuel (around 20% of Maersk Oil's needs). Having the deal with Vopak already on the table meant that Maersk Oil Trading would be able to lease the tank but own the oil, and Vopak would operate the tanks on Maersk's behalf. Maersk thus had a competitive edge before negotiations with other suppliers and customers began and could proceed with a degree of confidence.¹

As the opening example illustrates, preparation lays the groundwork for successful negotiation. The work that you do prior to negotiation pays off substantially when you finally find yourself seated at the table. The 80/20 rule applies to negotiation; about 80% of your effort should go toward preparation and 20% should be the actual work involved in the negotiation. Most people clearly realize that preparation is important, yet most do not prepare in an effective fashion. We noted in Chapter 1 that most negotiators operate under the **fixed-pie** perception.²

Negotiators who have fixed-pie perceptions usually adopt one of three mindsets when preparing for negotiation:

1. They resign themselves to capitulating to the other side (*soft bargaining*).
2. They prepare themselves for attack (*hard bargaining*).
3. They *compromise* in an attempt to reach a midpoint between their opposing demands (often regarded to be a win–win negotiation, when in fact, it is not).

¹ Raun, K. G. (2018, August 29). Maersk negotiating several solutions for the 2020 sulfur cap. *ShippingWatch*. shippingwatch.com.

² Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior and Human Decision Processes*, 47(1), 98–123.

Depending on what the other party decides to do in the negotiation, fixed-pie perceptions can lead to a battle of wills (e.g., if both parties are in attack mode), mutual compromise (e.g., if both parties are soft), or a combination of attack and capitulation. The common assumption in all three approaches is that concessions are necessary by one or both parties to reach an agreement. The fixed-pie perception is almost *always* wrong; thus, choosing between capitulation, attack, and compromise is not an effective approach to negotiation.

A more accurate model of negotiation is to approach it as a mixed-motive decision-making enterprise. As a mixed-motive enterprise, negotiation involves both cooperation and competition. In this chapter, we review the essentials of effective preparation, whether it be with a next-door neighbor, a corporate executive officer, or someone from a different culture. Effective preparation encompasses three general skills:

1. Self-assessment
2. Perspective-taking
3. Situational awareness

We systematically review each of these skills. For each, we pose questions that negotiators should ask themselves when preparing for negotiation. There are several advantages for having a framework for preparation. First, it can save the negotiator time. Second, it assures the negotiator that relevant information will be considered. Third, when companies and organizations use frameworks that are consistent, this allows colleagues to communicate clearly with one another and develop a shared mental model. For example, when negotiation scholars are consistent in how they write about negotiation and conflict management, this improves theory, research, and best practices.³ Indeed, according to the OMoN (Organizational Model of Negotiation), organizations should consider four things: (1) how individuals interact at the negotiation table; (2) how different negotiations impact one another (linkages); (3) how companies can best organize their negotiation functions (infrastructure); and (4) how negotiation can be a competitive advantage (capability).⁴

SELF-ASSESSMENT

The most important questions a negotiator needs to ask of himself or herself at the outset of negotiation are “What do I want?” and “What are my alternatives?” Many people do not think carefully about what they want before entering negotiations. The second question defines a negotiator’s power in the negotiation and influences the ultimate outcome of the negotiation.

Targets and Aspirations

In any negotiation scenario, a negotiator needs to determine what would constitute an ideal outcome. This ideal is known as a target or aspiration (sometimes called a **target point** or **aspiration point**). Identifying a target or aspiration may sound straightforward enough, but three major problems often arise:

1. The **under aspiring** negotiator sets his or her target or aspirations too low. The under aspiring negotiator opens the negotiation by requesting something that the counterparty

³ Ebner, N., & Parlamis, J. (2017, September). Weaving together theory, research, practice, and teaching: A four-dimensional approach to negotiation and conflict management work. *Negotiation and Conflict Management Research*, 10(4), 245–251.

⁴ Borbely, A., & Caputo, A. (2017, October). Approaching negotiation at the organizational level. *Negotiation and Conflict Management Research*, 10(4), 306–323.

immediately agrees to and thus, the negotiator realizes they were too generous. The **winner's curse** refers to the feeling that if the other party immediately agrees, you have offered too much!⁵ Consider the Olympic Games bidding process; the winning bids in this competitive process are so astronomical that on average, host cities incur cost over-runs of 179% without any long-term economic gains following the event.⁶ After winning the bid for the 2014 winter Olympics Russia's Olympics organizers spent over \$9 billion on a high-speed train line constructed for the 2 week event, which proved to be useless to the host country after the games.⁷ The immediate acceptance of one's offer by an opponent signals that a negotiator did not ask for enough. A personal example of the winner's curse was shared by a student in my own class. Recently engaged, the deployed military officer wanted to bring back a beautiful gold necklace for his bride-to-be. When he entered the jewelry store, he knew enough not to offer full price for the gold necklace, so he offered exactly half of the marked price. The shopkeeper was overjoyed, immediately accepted the offer and even included the matching earrings and bracelet! His key mistake? His initial offer was too generous because he had not adequately prepared. The winner's curse is difficult to remedy: In a series of experiments, negotiators were given different parameters, full feedback, and several counterexamples in an attempt to counteract the winner's curse, but none were effective in eliminating the faulty behavior.⁸

2. The over **aspiring negotiator** or **positional negotiator** is too "tough"; he or she sets the target point too high and refuses to make any concessions. The near demise of Hostess Brands, the 82-year-old maker of bakery treats, began in 2009 when it emerged from bankruptcy and its unions agreed to \$220 million annually in labor cost–related concessions. But Hostess soon racked up \$2 billion in unfunded pension liabilities, and the unions balked at further concessions. They eventually organized a strike. In response, the hedge funds that controlled Hostess decided to shut the company down rather than risk further losses on their investment. A lack of concessions and unrealistic market expectations by both sides led to Hostess being brought to auction. However, just days before the auction, Metropolous & Co. and Apollo Global Management bought Hostess.⁹
3. The **grass-is-greener negotiator** does not know what he or she really wants—only that he or she wants what the other party does not want to give—and does not want what the other party is willing to offer. This type of negotiation behavior is also known as **reactive devaluation**.¹⁰ For example, in an opinion survey conducted in the 1980's regarding

⁵ Akerlof, G. (1970). The market for lemons: Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84, 488–500; Neale, M. A., & Bazerman, M. H. (1991). *Cognition and rationality in negotiation*. New York: Free Press.

⁶ Black, M. (2012, July 30). Winner's curse? The economics of hosting the Olympics Games. *CBC*. cbc.ca

⁷ Eaton, J. (2018, February 9). It's time for the pop-up Olympics. *CityLab*. citylab.com

⁸ Grosskopf, B., Bereby-Meyer, Y., & Bazerman, M. (2007). On the robustness of the winner's curse phenomenon. *Theory and Decision*, 63(4), 398–418.

⁹ Adams, S. (2012, November 21). Why Hostess had to die. *Forbes*. forbes.com; Notte, J. (2013, March 13). Twinkies get rescued. *MSN Money*. money.msn.com

¹⁰ Ross, L., & Stilling, C. (1991). Barriers to conflict resolution. *Negotiation Journal*, 7(4), 389–404; Curhan, J. R., Neale, M. A., Ross, L., & Rosencranz-Engelmann, J. (2008). Relational accommodation in negotiation: Effects of egalitarianism and gender on economic efficiency and relational capital. *Organizational Behavior and Human Decision Processes*, 107(2), 192–205.

possible arms reductions by the United States and the Soviet Union, respondents were asked to evaluate the terms of a nuclear disarmament proposal, a proposal that was either allegedly authored by the United States, the Soviet Union, or a neutral third party.¹¹ In all cases, the proposal was identical; however, reactions to it depended upon who allegedly initiated it. The terms were seen as unfavorable to the United States when the Soviets were the initiators, even though the same terms appeared moderately favorable when attributed to a neutral third party and quite favorable when attributed to the United States.¹²

BATNA

A negotiator needs to determine his or her best alternative to a negotiated agreement, or **BATNA** (**B**est **A**lternative to a **N**egotiated **A**greement).¹³ Negotiators should be willing to accept any set of terms superior to their BATNA and reject outcomes that are worse than their BATNA. Surprising as it may seem, negotiators often reject proposals that are better than their BATNA and accept deals that are worse than their BATNA!

BATNAS AND REALITY A BATNA is not something that a negotiator wishes for; rather, it is determined by objective reality. A common problem we have seen in our training of MBA students and executives is that negotiators are reluctant to acknowledge their actual BATNAs, and they fall prey to wishful thinking and unrealistic optimism.

BATNAS ARE TIME SENSITIVE Your BATNA—once properly identified—is time sensitive. At any point in time, your BATNA is either improving or deteriorating as a result of market forces and environmental and situational conditions. Thus, negotiators should constantly attempt to improve their BATNAs. One strategy for improving BATNAs is to follow Bazerman and Neale’s “falling in love” rule, which means not falling in love with one house, one job, or one set of circumstances but instead, identifying two or three options of interest.¹⁴ By following this strategy, the negotiator has a readily available set of alternatives that represent viable options should the current alternative come at too high a price or be eliminated. The “falling in love” rule is difficult to follow because most people set their sights on one target job, house, or set of terms, and exclude all others. Many negotiators are reluctant to recognize their BATNAs and confuse them with their aspiration point.

Consider how Irish airline Ryanair’s BATNA was put to the test by Irish pilots who gave the company less than 2 days to reach an agreement to recognize their labor union, or else face the threat of strikes. Ryanair was preparing for the busy Christmas and New Year travel period and was aware that unionization could increase costs, and adversely affect Ryanair profits. Accordingly, CEO Michael O’Leary softened his position hours before the pilot strike was to commence and signed written confirmation that going forward, the labor union would be recognized for collective bargaining purposes.¹⁵

¹¹ Ross, L., & Stilling, C. (1991). Barriers to conflict resolution. *Negotiation Journal*, 7(4), 389–404.

¹² Oskamp, S. (1965). Attitudes toward U.S. and Russian actions: A double standard. *Psychological Reports*, 16, 43–46.

¹³ Fisher, R., & Ury, W. (1981). *Getting to yes*. Boston: Houghton Mifflin.

¹⁴ Bazerman, M. H., & Neale, M. (1992). *Negotiating rationally*. New York: Free Press.

¹⁵ O’Halloran, B. (2017, December 21). Ryanair’s Irish pilots lift strike threat but airline faces Friday stoppage in Germany. *Irish Times*. [bloomberg.com/news/articles/2017-12-19/ryanair-pilots-set-recognition-deadline-as-strike-threat-lingers](https://www.bloomberg.com/news/articles/2017-12-19/ryanair-pilots-set-recognition-deadline-as-strike-threat-lingers); Doyle, D. (2017, December 19). Ryanair pilots renew strike threat with recognition deadline. *Bloomberg*. [bloomberg.com](https://www.bloomberg.com)

DO NOT LET THE OTHER PARTY MANIPULATE YOUR BATNA The counterparty has an incentive to minimize the quality of your BATNA and thus, will be motivated to provide negative information vis-à-vis your BATNA.

If you have not properly prepared, you might be particularly influenced by such persuasive appeals. However, your BATNA should not change as a result of the other party's persuasion techniques. Your BATNA should only change as a result of objective facts and evidence.

In a negotiation, the person who stands to gain most by changing your mind should be the least persuasive. Thus, it is important to develop a BATNA before commencing negotiations and to stick to it during the course of negotiations. It is helpful to write your BATNA in ink on a piece of paper and put it in your pocket before negotiating. If you feel tempted to settle for less than your BATNA, it may be a good time to pull out the paper, halt the negotiation process, and engage in an objective reassessment.

Reservation Point

Consider, for example, an MBA student negotiating her employment terms. The MBA student has a \$90,000 job offer from Company A, plus some stock options, moving expenses, and a signing bonus. The student is also interested in getting an offer from Company B. Thus, Company A is her BATNA because it is a known, viable option. The question the student should ask herself is, "What does Company B need to offer me so that I feel it is as attractive as the offer made by Company A?" The answer to this question represents her reservation point, which includes all things relevant to the job offer, such as salary, stock options, moving expenses, and signing bonus, as well as quality of life and feelings about the city to which she will move. A **reservation point**, then, is a *quantification* of a negotiator's BATNA with respect to other alternatives.

A negotiator's reservation point has the most direct influence on their final outcome. When three types of information—market price, reservation price, and aspiration—were made available to negotiators, only reservation prices drove final outcomes.¹⁶

Failure to assess reservation points can lead to two unfortunate outcomes. In some instances, negotiators may agree to an outcome that is worse than their BATNA. In our example, the MBA student could agree to a set of employment terms at Company B that are actually worse for her than what Company A is offering. A second problem is that negotiators may often reject an offer that is better than their BATNA. For example, the MBA student may reject an offer from Company B that is actually more attractive than the offer from Company A. Although this example may seem implausible, the incidence of agreeing to something worse than one's BATNA and rejecting an offer better than one's BATNA is quite high. To avoid both of these errors, we suggest that the negotiator follow the steps outlined in Exhibit 2-1.

Focal Points

Negotiators who make the mistake of not developing a reservation point before they negotiate often focus on an arbitrary value that masquerades as a reservation price. Such arbitrary points are focal points. **Focal points**, like anchors, are salient numbers, figures, or values that appear to

¹⁶ Blount-White, S., Valley, K., Bazerman, M., Neale, M., & Peck, S. (1994). Alternative models of price behavior in dyadic negotiations: Market prices, reservation prices, and negotiator aspirations. *Organizational Behavior and Human Decision Processes*, 57(3), 430–447.

EXHIBIT 2-1**Developing a Reservation Point**

Step 1: Brainstorm Your Alternatives. Suppose you want to sell your house. You have determined your target point—in this case, \$275,000. That is the easy part. The real question is, “What is the *lowest* offer you will accept for your home?” This step involves thinking about what you will do in the event that you do not get an offer of \$275,000 for your house. Perhaps you reduce the list price by \$10,000 (or more), perhaps you stay in the house, or maybe you consider renting. You should consider as many alternatives as possible. The only restriction is that the alternatives must be feasible—that is, realistic. This requirement involves research on your part.

Step 2: Evaluate Each Alternative. In this step, you should rank order the various alternatives identified in step 1 in terms of their relative attractiveness, or value, to you. If an alternative has an uncertain outcome, such as reducing the list price, you should determine the probability a buyer will make an offer at that price. For example, suppose that you reduce the list price to \$265,000. You assess the probability of a buyer making an offer of \$265,000 for your house to be 70%, based on recent home sale prices in the area. Your reservation price is based on research, not hope. The best, most valuable, alternative should be selected to represent your BATNA.

Step 3: Attempt to Improve Your BATNA. Your bargaining position can be strengthened substantially to the extent that you have an attractive, viable BATNA. Unfortunately, this step is the one that many negotiators fail to develop fully. To improve your BATNA in this case, you might contact a rental company and develop your rental options, or you may make some improvements that have high return on investment (e.g., new paint). Of course, your most attractive BATNA is to have an offer in hand on your house.

Step 4: Determine Your Reservation Price. Once you have determined your most attractive BATNA, it is then time to identify your reservation price—the least amount of money you would accept for your home at the present time. Your assessment *must* be based on facts. For example, you assess the probability of getting an offer on your house of \$265,000 (or higher) to be 60%, based upon recent home sales in your area. Suppose that you assess the probability that you will get an offer of \$250,000 or higher to be 95%, based upon recent sales activity in your area. You think there is only a 5% chance that you will *not* get an offer of \$250,000, in which case, you would rent your house. You can use this information to assess your expected probabilities of selling your house:

Reduce the price of your home to \$265,000

$$P_{\text{sale}} = 60\%$$

Reduce the price of your home to \$250,000

$$P_{\text{sale}} = 35\%$$

Rent the house

$$P_{\text{rent}} = 5\%$$

The probabilities represent the chances that you think your house will sell at a particular price or will have to be rented. Thus, you think that if the list price of your house is reduced to \$265,000, it is 60% likely that you will receive an offer of that

(continued)

amount within 6 weeks. If you reduce the price of your home to \$250,000, you are 95% certain that you will get an offer. (Note: we write this probability as 35% because it includes the 60% probability of receiving an offer of \$265,000.) Finally, you think you have only a 5% chance of getting an offer of \$250,000 or more in the next 6 weeks and that you will have to rent your house—a value you assess to be worth only \$100,000 to you at the present time.

Note that in our calculation, the probabilities always sum to exactly 100%, meaning we have considered all possible events occurring. No alternative is left to chance.

An overall value for each of these “risky” alternatives is assessed by multiplying the value of each option by its probability of occurrence:

$$\begin{aligned} \text{Value of reducing price to \$265,000} \\ &= \$265,000 \times 0.6 = \$159,000 \\ \text{Value of reducing price to \$250,000} \\ &= \$250,000 \times 0.35 = \$87,500 \\ \text{Value of renting the house} \\ &= \$100,000 \times 0.05 = \$5,000 \end{aligned}$$

As a final step, we add all the values of the alternatives to arrive at an overall evaluation:

$$\begin{aligned} &= 0.6 (\$265,000) + 0.35 (\$250,000) + 0.05 (\$100,000) \\ &= \$159,000 + \$87,500 + \$5,000 = \$251,500 \end{aligned}$$

This value is your reservation price. It means that you should not settle for anything less than \$251,500 in the next 6 weeks.* It also means that if a buyer were to make you an offer right now of \$251,000, you would seriously consider it because it is very close to your reservation price. Obviously, you want to get a lot more than \$251,500, but you are prepared to go as low as this amount at the present time.

The offers you receive in the next 6 weeks can change your reservation point. Suppose a buyer offers to pay \$260,000 for the house next week. It would be your reservation point by which to evaluate all subsequent offers.

*After 6 weeks, you may reduce the price of your home to \$250,000.

be valid but have no basis in fact. A good example of the arbitrariness of focal points is provided by an investigation in which people were asked for the last four digits of their Social Security number.¹⁷ They were then asked whether the number of physicians in Manhattan was larger or smaller than the number formed by those last four digits. Finally, they were asked to estimate how many physicians were located in Manhattan. Despite the fact that it was obvious to everyone that Social Security digits are assigned regionally and in batches, and therefore, could not possibly be related to the number of doctors in Manhattan, a strong correlation emerged between the digits and people’s estimates.

¹⁷ Lovallo, D., & Kahneman, D. (2003). Delusions of success: How optimism undermines executives’ decisions. *Harvard Business Review*, 81(7), 56–63.

Sunk Costs

Sunk costs are just what they sound like—money that has been invested that is, for all practical purposes, irrecoverable. Economic theory asserts that only future costs and benefits should affect decisions. However, it is difficult for people to forget the past, and they often try to recoup sunk costs. One type of sunk cost is the purchase price that home sellers paid for their house. Sellers and buyers in a simulated real estate negotiation were given the same Multiple Listing Service (MLS) sheet describing a house. However, negotiators were given different information about their previous purchase price.¹⁸ Buyers offered significantly higher amounts for a condominium with larger sunk costs, indicating that the sellers' sunk costs influenced the buyers' behavior. Moreover, sellers' BATNAs and final settlements were significantly lower when they had low, as opposed to high, sunk costs. Thus, sunk costs influence not only our own behavior, but also the behavior of the counterparty.

Target Point versus Reservation Point

It is imperative to distinguish your target point from your reservation point. Why? The negotiator who lacks a well-formed reservation point risks agreeing to a settlement that is worse than what he or she could do by following another course of action. In another case, the negotiator may walk away from a potentially profitable deal. For example, many home sellers reject early offers that are superior to their reservation point, only to be forced to accept an offer of less value at a later time.

Negotiation Issues

Many negotiations appear to be about a single, salient issue—such as price or salary. Single-issue negotiations are purely fixed-sum. By identifying other issues, negotiators can create integrative potential. Negotiators should take time to brainstorm how a single-issue negotiation may be segmented into multiple issues. One way to do this is by adding issues.¹⁹ For example, when Bombardier/Airbus and Delta Airlines negotiated the purchase of 75 jets, they created a win-win deal by also negotiating *where* the jets would be built. Airbus offered Delta a substantial price discount to build the fleet of planes at their Canadian assembly plant. Because Delta had one of the oldest fleets in the airline industry, they saw an opportunity to upgrade at a substantial discount. When Bombardier sold a controlling stake in its C Series airplane design to Airbus, the agreement stated that Airbus would build the jets in a new assembly plant in Mobile, Alabama. By expanding the issue set, Delta and Airbus negotiated a mutually beneficial deal.²⁰

Issue Alternatives

Once the negotiator has identified the issues to be negotiated, it is a good idea to identify several alternatives for each issue. For example, in a job negotiation, there are ranges within a number of issues: salary, vacation days, and so on. Negotiators can formalize the issues and alternatives by

¹⁸ Diekmann, K. A., Tenbrunsel, A. E., Shah, P. P., Schroth, H. A., & Bazerman, M. H. (1996). The descriptive and prescriptive use of previous purchase price in negotiations. *Organizational Behavior and Human Decision Processes*, 66(2), 179–191.

¹⁹ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

²⁰ Mutzabaugh, B. (2017, December 14). Delta picks Airbus over Boeing for huge 100-jet order. *USA Today*. usatoday.com

creating a matrix in which the issues are located along the columns and the alternatives specified along the rows.

Multi-issue Proposals

The next step of preparation is to determine a variety of different combinations of the issues that all achieve the target or aspiration point. For example, an MBA student might identify salary, signing bonus, and vacation days as key issues in a job negotiation. The student might then identify several packages that she could present as opening offers in the negotiation. For example, a starting salary of \$90,000, 3 weeks of vacation per year, and a signing bonus of \$10,000 might be subjectively equivalent to a starting salary of \$100,000, 10 days of vacation per year, and a signing bonus of \$12,000. By identifying multiple-issue packages, negotiators expand their options. *The most important aspect of identifying packages of offers is that the packages should all be of equivalent value or attractiveness to oneself.* This requires that negotiators ask themselves some important questions about what they value and what is attractive to them.

Another benefit of identifying packages of offers is that the negotiator does not give the counterparty the impression that he or she is positional (i.e., will not budge on any issue).²¹ By identifying multiple issues and multiple alternatives within each issue, a negotiator is more likely to achieve his or her target.

Risk and Uncertainty

Suppose you are offered a choice between two options:

Option A: Receiving \$5,000

Option B: Playing a game that offers a 50% chance of winning \$10,000 and a 50% chance of winning nothing

When presented with a choice between a sure thing and a gamble of equivalent value, most people choose Option A, the sure thing. Note that the expected value of each choice is \$5,000, which would mean that negotiators should be indifferent (or risk-neutral) between the two options. However, the strong preference for Option A over B reflects a fundamental principle of negotiator behavior: **risk aversion**.

Now, imagine yourself facing the following unenviable choice:

Option C: Losing \$5,000 because of an unexpected expense

Option D: Playing a game that offers a 50% chance of losing nothing and a 50% chance of losing \$10,000

Most people find it difficult to choose between options C and D because both choices are undesirable. However, when forced to make a decision, the majority of negotiators choose Option D, even though the expected value of C and D is identical: \$5,000. Option D represents the “risky” alternative. The dominant choice of D over C reflects a fundamental principle of human psychology: risk-seeking behavior in the face of loss.

Thus, most people are risk seeking when it comes to losses, and risk averse when it comes to gains. A **reference point** defines what a person considers to be a gain or a loss. Thus, rather than weighing a course of action by its impact on total wealth, people generally “frame”

²¹ Fisher, R., & Ury, W. (1981). *Getting to yes*. Boston: Houghton Mifflin.

outcomes as either “gains” or “losses” relative to some arbitrary reference point.²² What are the implications for negotiation? Negotiators should consider the differential impact of three sources of risk in any negotiation: strategic risk, BATNA risk, and contractual risk.²³

STRATEGIC RISK **Strategic Risk** refers to the riskiness of the tactics that negotiators use at the bargaining table. Negotiators often choose between extremely cooperative tactics (e.g., information sharing and brainstorming), and at the other extreme, competitive tactics (e.g., threats and demands). A classic example was the risk that AOL’s David Colburn took when negotiating with Microsoft to get the AOL icon on the Microsoft Windows start page—valuable real estate on the computer desktop because it gave AOL access to millions of Microsoft customers who might sign up for the online service.²⁴ It would mean that AOL would not have to send free software to get people to sign up because the software would already be installed on the computer. During the negotiation, Colburn threatened to use the browser of Microsoft’s archenemy—Netscape—if Microsoft did not agree to put the AOL icon on the Windows start page. Microsoft agreed.

BATNA RISK Many people’s BATNAs are uncertain because potential alternatives arise sequentially. For example, consider a student who has several interviews scheduled over the next 10 weeks, but no actual offers. The student’s BATNA is an estimate about the likelihood of actually receiving an offer. Consider this example of a car dealer’s uncertain BATNA: “A car dealer who decides not to make the one last concession needed to close a deal is rarely doing so because an alternative buyer in the next room is waiting to buy the same car at a higher price. The seller must make a conjecture about the likelihood that a more attractive offer will be made in the near future. Rejecting an offer entails a risk that the car will remain on the lot indefinitely, costing the dealer money, with no better offer forthcoming.” (p. 94).²⁵

Under most circumstances, we might expect negotiators with a “gain frame” to be more risk averse (and therefore, more concessionary) than negotiators with a “loss frame” (who might hold out). This gain–loss basis can be a potential problem in negotiation because negotiators can be “framed.” To see how, consider the following: negotiators who are instructed to “minimize their losses” make fewer concessions, reach fewer agreements, and perceive settlements to be less fair compared to those who are told to “maximize their gains.”²⁶ In short, the negotiators who are told to “minimize their losses” adopt more risky bargaining strategies (just as the majority of people choose Option D over C in our previous example), preferring to hold out for a better, but more risky settlement. In contrast, those who are told to “maximize their gains” are more inclined to accept the sure thing (just as most people choose Option A over B in our example). Negotiators who view the glass as “half full” are more inclined to reach

²² Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291.

²³ Bottom, W. P. (1998). Negotiator risk: Sources of uncertainty and the impact of reference points on negotiated agreements. *Organizational Behavior and Human Decision Processes*, 76(2), 89–112.

²⁴ Klein, A. (2003, June 15). Lord of the flies. *Washington Post*, p. W06.

²⁵ Bottom, “Negotiator risk.”

²⁶ Bazerman, M. H., Magliozzi, T., & Neale, M. A. (1985). Integrative bargaining in a competitive market. *Organizational Behavior and Human Decision Processes*, 35(3), 294–313; Neale, M. A., & Northcraft, G. (1986). Experts, amateurs, and refrigerators: Comparing expert and amateur negotiators in a novel task. *Organizational Behavior and Human Decision Processes*, 38, 305–317; Neale, M. A., Huber, V. L., & Northcraft, G. B. (1987). The framing of negotiations: Contextual versus task frames. *Organizational Behavior and Human Decision Processes*, 39(2), 228–241; Neale & Bazerman, *Cognition and rationality in negotiation*.

agreement, whereas negotiators who view the glass as “half empty” are more likely to use threats and exercise their BATNAs. If one negotiator has a negative frame and the other has a positive frame, the negotiator with the negative frame reaps a greater share of the resources.²⁷ In price negotiations, buyers and prevention-focused people prefer *vigilant* strategies, whereas sellers and promotion-focused people prefer *eager* strategies.²⁸ When there is a match between a negotiator’s role (buyer, seller) and their strategy, the negotiator is more demanding in the situation. A negotiator’s BATNA acts as an important reference point from which other outcomes are evaluated. Outcomes and alternatives that fall short of one’s BATNA are viewed as losses; outcomes that exceed a negotiator’s reservation point or BATNA are viewed as gains. The more risk averse the negotiator, the more likely it is that she or he will make greater concessions.²⁹ Thus, given BATNAs of equal expected value, the more risk-averse negotiator will be in a weaker bargaining position.³⁰

Negotiators who have recently experienced a string of failures are more likely to adopt a “loss frame” and feel less “in control” in a negotiation; conversely, negotiators who have experienced a recent string of successes feel greater control.³¹ Consequently, loss-framed negotiators are reluctant to reveal information that could be used to exploit them; instead, they prefer to manage risk by delaying outcomes.

CONTRACTUAL RISK **Contractual Risk** refers to the risk associated with the willingness of the other party to honor its terms.³² For example, signing a nondisclosure agreement might lead to collaborative relations between a manager and a company, or it could lead to an economic loss if one party does not honor the agreement. For example, cities that are contracted to host the Olympic Games risk budget overruns which usually lead to significant economic loss for the host country. Indeed, when Rio de Janeiro won the bid to host the 2016 Summer Olympics, the Brazilian government estimated costs related to hosting all the events and athletes would total \$3 billion. However, by the time of the opening ceremonies, Brazil had spent over \$4.6 billion. The 2012 London Summer Olympics projected \$6.5 billion, but eventually cost almost \$20 billion. In an effort to solve this contractual risk, the Olympic organizing committee began designing stadiums and facilities that could be disassembled and reused.³³

How does contractual risk affect negotiator behavior? Under contractual risk, negotiators with negative frames (risk seeking) are more likely to reach integrative agreements than those with positive frames (risk averse). The reason is that pursuing high aspirations entails some creative risk. Thus, if integrative negotiation outcomes involve “sure things,” positive frames are more effective; however, if the integrative outcomes require negotiators to “roll the dice,” negative frames are more effective. In negotiations involving contractual risk, negotiators with a “loss

²⁷ Bottom, W. P., & Studt, A. (1993). Framing effects and the distributive aspect of integrative bargaining. *Organizational Behavior and Human Decision Processes*, 56(3), 459–474.

²⁸ Appelt, K. C., & Higgins, E. T. (2010). My way: How strategic preferences vary by negotiator role and regulatory focus. *Journal of Experimental Social Psychology*, 46(6), 1138–1142.

²⁹ Neale, M. A., & Bazerman, M. H. (1985). The effects of framing and negotiator overconfidence on bargainer behavior. *Academy of Management Journal*, 28, 34–49.

³⁰ Crawford, V. P., & Sobel, J. (1982). Strategic information transmission. *Econometrica*, 50, 1431–1451.

³¹ Kray, L. J., Paddock, L., & Galinsky, A. D. (2008). The effect of past performance on expected control and risk attitudes in integrative negotiations. *Negotiation and Conflict Management Research*, 1(2), 161–178.

³² Bottom, “Negotiator risk.”

³³ Dillow, “Hosting the Olympics is a terrible investment.”

frame” are more cooperative and more likely to settle than those with a “gain frame.”³⁴ Further, “loss frame” negotiators create more integrative agreements.

Endowment Effects

The value of an object should be about the same, whether we are a buyer or a seller. (*Note:* Buyers and sellers might want to adopt different *bargaining positions* for the object, but their *private valuations* for the object should not differ as a consequence of who has possession of it.) However, negotiators’ **reference points** may lead buyers and sellers to have different valuations for objects. Someone who possesses an object has a reference point that reflects his or her current endowment. When someone who owns an object considers selling it, he or she may view the situation as a loss. The difference between what sellers demand and what buyers are willing to pay is a manifestation of loss aversion, coupled with the rapid adaptation of the reference point. Therefore, sellers demand more than buyers are willing to pay.

One example comes from a class of MBA students who were “endowed” with coffee mugs worth \$6, as charged by the university bookstore.³⁵ The students who were not given a coffee mug were told they had the opportunity to buy a mug from a student who owned one, if the student who owned the mug valued it less. The buyers’ willingness to pay for the mug and the sellers’ willingness to sell the mug were inferred from a series of choices (e.g., “receive \$9.75” versus “receive mug”; “receive \$9.50” versus a mug”; etc.). Basic rationality predicts that about half of the buyers will value the mug more than the seller and therefore trade will occur; similarly, about half of the sellers will value the mug more than the buyer and trade will not occur. The reference point effect, however, predicts that because of the loss-aversion behavior engendered by the seller’s loss frame, trade will occur less than expected. Indeed, although 11 trades were expected, on average, only 4 took place. Sellers demanded in excess of \$8 to part with their mugs; prospective buyers were only willing to pay list price.³⁶

If sellers are risk seeking by virtue of their endowment, how can it be that houses, cars, furniture, companies, and land are bought and sold every day? The endowment effect operates only when the seller regards him or herself to be the owner of the object. If a seller expects to sell goods for a profit and views the goods as currency (e.g., when MBA students are endowed with tokens rather than coffee mugs), the endowment effect does not occur. Endowment effects prevent negotiators from reaching agreement in negotiations; however, by changing the sequencing proposals so that the first one is conceived as a loss and the second as a gain, the endowment effect may be mitigated.³⁷

Buyer’s Remorse and Seller’s Regret

What determines whether we feel we did the right thing (e.g., took the right job, bought the right house) or if we feel regret? An important component in determining whether a person experiences regret is counterfactual thinking.³⁸ **Counterfactual thinking**, or thinking about what

³⁴ Bottom, “Negotiator risk.”

³⁵ Kahneman, D., Knetsch, J. L., & Thaler, R. H. (1990). Experimental tests of the endowment effect and the Coase Theorem. *Journal of Political Economy*, 98(6), 1325–1348.

³⁶ Kahneman, “Experimental tests.”

³⁷ Galin, A. (2009). Proposal sequence and the endowment effect in negotiations. *International Journal of Conflict Management*, 20(3), 212–227.

³⁸ Gilovich, T. D., & Medvec, V. H. (1994). The temporal pattern to the experience of regret. *Journal of Personality and Social Psychology*, 67(3), 357–365.

might have been but did not occur, may be a reference point for the psychological evaluation of actual outcomes. In negotiation, immediate acceptance of a first offer by the counterparty often means a better outcome for the proposing negotiator; however, the outcome is distinctly less satisfying.³⁹ One of the benefits of having a first offer accepted is that it can improve preparation. Negotiators whose first offer is accepted by the counterparty are more likely to prepare longer for a subsequent negotiation; it also makes negotiators reluctant to make the first offer again.⁴⁰

Consider feelings of regret experienced by athletes in the Olympic Games.⁴¹ Although silver medalists should feel happier than bronze medalists because their performance is objectively superior, counterfactual reasoning might produce greater feelings of regret and disappointment in silver medalists than in bronze. Specifically, the bronze medalist's reference point is that of not placing at all, so winning a medal represents a gain. In contrast, the silver medalist views himself or herself as having just missed the gold. With the gold medal as the referent, the silver medalist feels a loss. Indeed, videotapes of medalists' reactions (with the audio portion turned off) reveal that bronze medalists are perceived to be happier than silver medalists.⁴² Further, silver medalists report experiencing greater feelings of regret than do bronze medalists.

Negotiator Confidence

Being confident is usually considered an admirable personality trait. And, having confidence in oneself as a negotiator is important for success.⁴³ Negotiators who are high in self-efficacy (i.e., they believe they can do well) are more successful.⁴⁴

Confidence in oneself is one thing. Being overconfident about events (you cannot control) is another thing. Thus, when it comes to assessing risk and uncertainty, overconfidence (or underconfidence) is a liability. The **overconfidence effect** refers to unwarranted levels of confidence in people's judgment of their abilities and the likelihood of positive events while underestimating the likelihood of negative events. For example, in negotiations involving third-party dispute resolution, negotiators on opposing sides believe the neutral third party will adjudicate in their favor.⁴⁵ Obviously, a decision favoring both parties cannot happen. Similarly, in final-offer arbitration, wherein parties each submit their final bid to a third party who then makes a binding decision between the two proposals, negotiators consistently overestimate the probability that the neutral arbitrator will choose their own offer.⁴⁶ Obviously, the probability is

³⁹ Galinsky, A. D., Seiden, V., Kim, P. H., & Medvec, V. H. (2002). The dissatisfaction of having your first offer accepted: The role of counterfactual thinking in negotiations. *Personality and Social Psychology Bulletin*, 28(2), 271–283.

⁴⁰ Galinsky, Seiden, Kim, & Medvec, "The dissatisfaction of having your first offer accepted."

⁴¹ Medvec, V. H., Madey, S. F., & Gilovich, T. (1995). When less is more: Counterfactual thinking and satisfaction among Olympic medalists. *Journal of Personality and Social Psychology*, 69(4), 603–610.

⁴² Medvec, Madey, & Gilovich, "When less is more: Counterfactual thinking and satisfaction among Olympic medalists."

⁴³ Sullivan, B. A., O'Connor, K. M., & Burris, E. R. (2003). *How negotiation-related self-efficacy affects tactics and outcomes*. Paper presented at the Academy of Management Annual Meeting, Seattle, WA.

⁴⁴ Volkema, R., Kapoutsis, I., & Nikolopoulos, A. (2013). Initiation behavior in negotiations: The moderating role of motivation on the ability-intentionality relationship. *Negotiation and Conflict Management Research*, 6(1) 32–48.

⁴⁵ Farber, H. S., & Bazerman, M. H. (1986). The general basis of arbitrator behavior: An empirical analysis of conventional and final offer arbitration. *Econometrica*, 54, 1503–1528; Farber, H. S., & Bazerman, M. H. (1989). Divergent expectations as a cause of disagreement in bargaining: Evidence from a comparison of arbitration schemes. *Quarterly Journal of Economics*, 104, 99–120; Farber, H. S. (1981). Splitting the difference in interest arbitration. *Industrial and Labor Relations Review*, 35, 70–77.

⁴⁶ Neale, M. A., & Bazerman, M. H. (1983). The role of perspective taking ability in negotiating under different forms of arbitration. *Industrial and Labor Relations Review*, 36, 378–388; Bazerman, M. H., & Neale, M. A. (1982). Improving negotiation effectiveness under final offer arbitration: The role of selection and training. *Journal of Applied Psychology*, 67(5), 543–548.

only 50% that a final offer will be accepted; nevertheless, both parties' estimates typically sum to a number greater than 100%. When we find ourselves to be highly confident of a particular outcome occurring (whether it be the counterparty agreeing to our terms, a senior manager supporting our decision, etc.), it is important to examine why. On the other hand, overconfidence about the value of the other party's BATNA might serve the negotiator well. Negotiators who are too optimistic (i.e., they think the counterparty will concede) may have a bargaining advantage.⁴⁷

PERSPECTIVE-TAKING

Once the negotiator has thought about their BATNA, reservation point, target point, and interests, it is time to think about the counterparty. This involves perspective-taking. Negotiators who engage in perspective-taking (i.e., considering how the counterparty *thinks* about the negotiation) are more effective than negotiators who engage in empathy (i.e., considering how the counterparty *feels* about the negotiation).⁴⁸ A key threat to the ability of negotiators to take the perspective of the counterparty is egocentrism, or the tendency to focus on one's own interests and priorities. Negotiators often rely on their own interests and priorities when estimating those of the counterparty and fail to understand the interests of the other party.⁴⁹

Counterparty

A **party** is a person (or group of people with common interests) who acts in accord with his or her preferences. The **counterparty** is the person with whom the focal negotiator (you) are negotiating with. Parties are readily identified when they are physically present, but often the most important parties are not present at the negotiation table. Such parties are known as the **hidden table**.⁵⁰ When more parties are involved in the negotiations, the situation becomes a team or multiparty negotiation. A variety of issues arise as more parties enter the bargaining room. For example, with more than two parties, coalitions may develop and teams of negotiators may form. Team and multiparty negotiations are so important that we devote an entire chapter to them in this book (Chapter 10). Sometimes, it is obvious who the other parties are, and why they have a legitimate place at the table. However, in other situations, the other parties may not be obvious at all, and their legitimacy at the table may be questionable.

Are the Parties Monolithic?⁵¹

Monolithic ('of one voice') refers to whether parties on the same side of the table are in agreement with one another concerning their interests in the negotiation. Frequently, the parties are composed of people who are on the same side but have differing values, beliefs, and preferences. Lack of alignment can be detrimental to effective negotiation.

⁴⁷ Bottom, W. P., & Paese, P. W. (1999). Judgment accuracy and the asymmetric cost of errors in distributive bargaining. *Group Decision and Negotiation*, 8, 349–364.

⁴⁸ Galinsky, A. D., Maddux, W. W., Gilin, D., & White, J. B. (2008, April). Why it pays to get inside the head of your opponent. *Psychological Science*, 19(4), 378–384.

⁴⁹ Chambers, J. R., & DeDreu, C. K. W. (2014, March). Egocentrism drives misunderstanding in conflict and negotiation. *Journal of Experimental Social Psychology*, 51, 15–26.

⁵⁰ Friedman, R. (1992). The culture of mediation: Private understandings in the context of public conflict. In D. Kolb, & J. Bartunek (Eds.), *Hidden conflict: Uncovering behind-the-scenes disputes* (pp. 143–164). Beverly Hills, CA: Sage.

⁵¹ This question is raised by Raiffa (1982) in his seminal book, *The art and science of negotiation*, Cambridge, MA: Belknap.

Counterparties' Interests and Positions

A negotiator should do as much research as possible to determine the counterparty's interests in the negotiation. For example, which issues are most important to the other party? What alternatives are most preferable to the other party? When Singapore manufacturer, Broadcom made an offer to buy U.S. chip maker, Qualcomm, Broadcom considered Qualcomm's business interests when constructing its offer. Over several months Qualcomm had received several different offers from Broadcom, but rejected all of them, arguing that a national security review was a significant stumbling block to any deal. In addition, Qualcomm's board and shareholders were concerned that their company could risk losing its many patents and intellectual property assets. Broadcom addressed the interests and concerns of Qualcomm's board and U.S. regulators by pledging not to sell off strategic pieces of Qualcomm and agreeing to not sell "any critical national security assets to any foreign companies." To sweeten its offer further, Broadcom vowed to move its headquarters to the U.S. and invest \$3 billion annually in research, \$6 billion in manufacturing, and \$1.5 billion in education expenses for training U.S. engineers. However, the U.S. government ultimately blocked the deal.⁵²

Counterparties' BATNAs

Probably the most important piece of information a negotiator can have is the BATNA of the other party. Although it is unlikely the counterparty will truthfully reveal his or her BATNA, most negotiators fail to do any research on the counterparty's BATNA. For example, many people do not adequately utilize real estate agents when purchasing houses. Real estate agents can provide valuable information about the market and the history of a house—all of which can be informative when trying to determine the counterparty's BATNA. The other party's aspiration point will be quite clear; however, the negotiator who determines only the other party's aspiration point, but not their BATNA, is in a disadvantageous negotiation position because the counterparty's aspiration may act as an anchor in the negotiation process.

In an investigation of negotiations in which negotiators had either symmetric or asymmetric BATNAs, knowledge of BATNA asymmetries (sharp differences between the strength of parties' alternatives to a deal), led to suboptimal (lose-lose) outcomes. Knowledge of BATNA asymmetries leads the negotiator with the strong BATNA to focus (nearly exclusively) on value-claiming (at the expense of value-creation), and consequently develop faulty perceptions about the counterparty's interests.⁵³ Paradoxically, negotiators who regard themselves to be more powerful may fail to forge win-win agreements because they fail to engage in perspective-taking.

SITUATIONAL AWARENESS

Situational awareness refers to knowledge about the context in which a negotiation takes place. Negotiators need to understand the norms of the negotiation situation and environmental factors.

One-Shot versus Long-Term

In a **one-shot negotiation**, a transaction occurs, and no future ramifications accrue to the parties. One of the few situations that have been identified as a truly one-shot negotiation is the

⁵² Prang, A., & Lombardo, C. (2018, March 9). Qualcomm names new chairman as Broadcom pushes case for takeover. *The Wall Street Journal*. [wsj.com/articles](https://www.wsj.com/articles)

⁵³ Wong, R. S., & Howard, S. (2016, July). Blinded by power: Untangling mixed results regarding power and efficiency in negotiation. *Group Decision and Negotiation*, 26(2), 215–245.

interaction that occurs between customers and wait staff at interstate roadside diners—neither party will likely ever see each other again. (Incidentally, economists are baffled as to why diners leave tips—because tipping is usually a mechanism used in long-term relationships.)

However, most negotiation situations are not one-shot situations. Most people negotiate in the context of social networks, and reputation information is carried through those social networks. Repetitive negotiations are situations in which negotiators must renegotiate terms on some regular basis (e.g., unions and their management). The link between reputation and behavior is stronger for people who are more well-known in communities.⁵⁴ In long-term and repetitive negotiations, negotiators must consider how their relationship evolves and how trust is maintained over time. One of the most important long-term relationships is the employment negotiation. Because people want to negotiate economically attractive deals, but not sour long-term relationships, job negotiations are generally regarded to be uncomfortable. This topic is so important that we devote an entire chapter to trust and relationships (Chapter 7), and a separate appendix on negotiating a job offer (Appendix 1).

Transactions versus Disputes

In a typical negotiation, parties come together to exchange resources, such as when a buyer pays a seller for goods or services and an exchange takes place (money is paid for goods or services). These situations are known as **transactional negotiations**. In other situations, negotiations take place because a claim has been made by one party and has been rejected by the other party. These situations are known as **disputes**.⁵⁵ The difference between transactions and disputes concerns the alternatives to mutual settlement. In a transaction exchange, parties simply resort to their BATNAs; in a dispute, negotiators often go to court. For example, consider the dispute that a driver filed against the food delivery service, GrubHub. The driver sued because he claimed GrubHub was exerting significant control over when and where he delivered food. According to the driver's claim, the company was acting more like a traditional employer, rather than a letting him pick and choose jobs, typical of an outsourcing relationship. The driver argued he should be considered a regular employee of the company with rights to overtime pay, reimbursements, and healthcare. Although the GrubHub driver did not win his case, the dispute alerted companies like GrubHub who often use contract employees to the shifting workplace trend and the potential for many more disputes.⁵⁶

Linkage Effects

Linkage effects refer to the fact that some negotiations affect other negotiations.⁵⁷ One example is in the case of law and setting precedent. Negotiation outcomes in one situation have implications for other situations. Consider the linkage effects involved in Valeant Pharmaceuticals hostile takeover of Allergan. Former chief executive of Valeant Pharmaceuticals, J. Michael Pearson, and billionaire hedge fund manager William Ackman spent \$3.2 billion to buy a 9.7% stake in Allergan. Ackman promised Pearson to vote these Allergan shares for a Valeant deal. A month later, Valeant announced their hostile takeover bid for Allergan, and Allergan's stock

⁵⁴ Anderson, C., & Shirako, A. (2008). Are individuals' reputations related to their history of behavior? *Journal of Personality and Social Psychology*, 94(2), 320–333.

⁵⁵ Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

⁵⁶ Noguchi, Y. (2018, March 7). Gig economy renews debate over whether contractors are really workers. *CAPRadio*. capradio.org

⁵⁷ Raiffa, H. (1982). *The art and science of negotiation*, Cambridge, MA: Belknap.

surged, profiting Ackman over \$1 billion. Allergan fought the bid and found another investor, Actavis, who agreed to buy Allergan for \$66 billion. Ackman still owned his Allergan shares, and even though Valeant lost the takeover bid for Allergan, Ackman still profited \$2.6 billion from the shares. Ackman's hedge fund, Pershing Square Capital, took a profit of \$2.2 billion and rolled the rest of the profits (\$400 million) into Valeant as its share of the winnings, benefitting Valeant by boosting its stock price and ability to consider other future takeover negotiations.⁵⁸

Often, direct linkages occur when a multinational firm has operations in several countries and a decision made in one country carries over to other countries. Sometimes, indirect linkage effects occur, such as when a decision made at the negotiation table affects some interest group in a fashion that no one anticipates fully. A key reason why mergers are often unsuccessful is that companies do not think about linkage effects with current employees. In most merger scenarios, employees of the purchased company are given little information about the turn of events until well after the deal is settled. Rumors fly about what's going on, and employees are left in limbo, bitter about changes, and worried about their jobs. For this reason, human resource specialists may be involved in the negotiation process to make the linkages for parties smoother.

False versus Sincere Negotiations

The usual purpose of negotiations is to reach an agreement if it is possible. However, in some situations, a person negotiates without any intention to reach an agreement. This is known as **false negotiation** and occurs when a party gains more by stalling negotiations until an external change takes place that improves their position. Thus, false negotiators seek to avoid agreement, but keep the negotiation process alive.⁵⁹ False negotiators use competitive tactics that encumber negotiations while concealing their intentions by maintaining a façade of cooperation. For example, when MoviePass tried to negotiate with movie giant AMC, negotiations didn't go as planned. MoviePass started the negotiation with an ask for 20% of concessions profits and \$3 for every movie pass ticket sold. AMC was surprised by the aggressiveness of MoviePass' opening offer, but also knew that MoviePass needed AMC more than AMC needed MoviePass. AMC decided to prolong negotiations to entice better offers. The AMC CEO commented that AMC had no interest in sharing revenue with MoviePass and the foot traffic it brings to their theaters.⁶⁰

Is It Legal to Negotiate?

On August 17, 1981, when more than 85% of the 17,500 U.S. air traffic controllers went on strike for better working conditions and improved wages, President Ronald Reagan told the controllers to return to work or the government would assume the striking controllers had quit. By the end of that week, more than 5,000 Professional Air Traffic Controllers Organization (PATCO) members received dismissal notices from the Federal Aviation Administration. Reagan stated that Congress had passed a law in 1947 forbidding strikes by government employees, including a non-strike oath that each air controller signs upon hiring. In this situation, Reagan declared the strike illegal.

⁵⁸ Cohan, W. D. (2016, December). Documents open curtain on boardroom drama at Valeant. *New York Times*. nytimes.com

⁵⁹ Glozman, E., Barak-Corren, N., & Yaniv, I. (2014, February). False negotiations: The art and science of not reaching an agreement. *Journal of Conflict Resolution*, 59(4), 671–697.

⁶⁰ Perez, S. (2018, January 26). MoviePass pulls out of AMC's top theaters as negotiations fail. *Tech Crunch*. techcrunch.com

Sometimes, no specific laws govern what can or cannot be negotiated; rather, individuals rely on strong cultural norms that are highly situation specific. For example, most people in the United States do not negotiate the price of fruit at major grocery stores, but they do it freely in farmer's markets, such as the Pike Place Market in Seattle, Washington. But farmer's markets are not the only place to haggle. Most home electronics stores will negotiate, as will stores that sell large, durable goods. Additionally, when it comes to financial aid packages, families have more options than they realize. Financial aid officers have some latitude in how they award financial aid, and special family circumstances are often taken into consideration. When a student receives multiple admissions, parents have been known to tell one college about the financial aid package being offered by the other in hopes of the school bettering their offer.

Ratification

Ratification refers to whether a negotiating party must have a contract approved by some other body or group. For example, a corporate recruiter may need to have the salary and employment packages offered to recruits ratified by the company's human resources group or the CEO. In some circumstances, negotiators may tell the other side that ratification is required when it is not.

Time Constraints

Virtually all negotiations have some time-related costs. Although the negotiator who desperately needs an agreement, or for whom the passage of time is extremely costly, is likely to be at a disadvantage, more time pressure is not necessarily bad.⁶¹ **Final deadlines** are distinct from **time-related costs**.⁶² Two negotiators may face radically different time-related costs, but a deadline for one is a deadline for the other. The shortest final deadline is the only one that counts, and if they don't have a deal by that point, the two negotiators must exercise their BATNAs.

TIME PRESSURE AND DEADLINES A final deadline is a fixed point in time that ends the negotiations. The rate of concessions made by negotiators increases as negotiators approach final deadlines.⁶³ Negotiators believe that final deadlines (i.e., time pressure) are a strategic weakness, so they avoid revealing their deadlines fearing their "weakness" will be exploited by the counterparty.⁶⁴ However, because deadlines restrict the length of the negotiation for all parties, they place all parties under pressure. One person's final deadline is also the other party's final deadline.⁶⁵ For example, AOL used its knowledge of time pressure and deadlines in a strategic fashion. Their strategy of creating an "insane deadline" would always begin with a delicate courtship, but would end in an ultimatum that would cause the client to acquiesce. AOL would begin negotiations as a "slow waltz" between AOL and a prospective client, involving wooing and talking about how

⁶¹ Stuhlmacher, A. F., Gillespie, T. L., & Champagne, M. V. (1998). The impact of time pressure in negotiation: A meta-analysis. *International Journal of Conflict Management*, 9(2), 97–116.

⁶² Moore, D. A. (2004). The unexpected benefits of final deadlines in negotiation. *Journal of Experimental Social Psychology*, 40, 121–127.

⁶³ Lim, S. G., & Murnighan, J. K. (1994). Phases, deadlines, and the bargaining process. *Organizational Behavior and Human Decision Processes*, 58, 153–171.

⁶⁴ Moore, D. A. (2004). The unexpected benefits of final deadlines in negotiation. *Journal of Experimental Social Psychology*, 40, 121–127.

⁶⁵ Roth A. E., Murnighan, J. K., & Schoumaker, F. (1988). The deadline effect in bargaining: Some experimental evidence. *American Economic Review*, 78(4), 806–823.

great the client's business was, how beneficial it would be if the two sides worked together, and how wonderful it would be if the client bought ads on AOL. Naturally, AOL wouldn't mention it was going through precisely the same process with multiple partners. Weeks would go by and then AOL would suddenly demand immediate action. Abruptly, deal makers would draw up a contract, slam it on the table, and order the prospective client to sign it within 24 hours or else AOL would take the offer to another party, who happened to be waiting to hear from AOL. What's more, the contracts would always be of mammoth size—impossible to penetrate within the time constraints. Moreover, AOL executives forced deal makers of other companies to sit around for hours in a so-called waiting game, just to signal to them that they were not important.⁶⁶

The reason that negotiators so often incorrectly predict the consequences of final deadlines in negotiation has to do with the more general psychological tendency to focus egocentrically on the self when making comparisons or predictions.⁶⁷ Negotiators focus on the deadline's effect on themselves more than its effect on their negotiating partners. The same tendency leads people to predict they will be above average on simple tasks and below average on difficult tasks.⁶⁸

TIME-RELATED COSTS Setting a final deadline on negotiations can be helpful, especially if the passage of time is particularly costly for the negotiator.⁶⁹ Consider when 34,000 West Virginia teachers felt they were not receiving enough dignity and respect as educators, arguing that they had the lowest salaries and highest healthcare costs in the U.S. The tipping point came when they were offered a 1% raise coupled with an increase in health insurance rates. Teachers reacted immediately, with 55 counties across the state voting to go on strike. For 9 days the strike lingered on, with a steady stream of thousands at the capital and picket lines at schools. Under such time pressure, the governor and state legislators agreed to come to the table and forge an agreement.⁷⁰

TIME HORIZON Another time-related question concerns the **time horizon**—the amount of time between the negotiation and the consequences or realization of negotiated agreements.⁷¹ Greater temporal distance increases the incidence of profitable win-win behavior, including negotiators' preference for multi-issue (as opposed to single-issue proposals), and value-added trade-offs.⁷² The longer the temporal distance between the act of negotiation and the consequences of negotiated agreements, the better the agreement.⁷³ The reason is that parties are less

⁶⁶ Klein, A. (2003, June 15). Lord of the flies. *Washington Post*, p. W06.

⁶⁷ Moore, D. A., & Kim, T. G. (2003). Myopic social prediction and the solo comparison effect. *Journal of Personality and Social Psychology*, 85(6), 1121–1135.

⁶⁸ Kruger, J. (1999). Lake Wobegon be gone! The “below-average effect” and the egocentric nature of comparative ability judgments. *Journal of Personality and Social Psychology*, 77(2), 221–232; Windschitl, P. D., Kruger, J., & Simms, E. N. (2003). The influence of egocentrism and focalism on people's optimism in competitions: When what affects us equally affects me more. *Journal of Personality and Social Psychology*, 85(3), 389–408.

⁶⁹ Moore, D. A. (2004). The unexpected benefits of final deadlines in negotiation. *Journal of Experimental Social Psychology*, 40, 121–127.

⁷⁰ McAlevey, J. (2018, March). West Virginia teacher strike shows that winning big requires creating a crisis. *The Nation*. thenation.com

⁷¹ Okhuysen, G., Galinsky, A. D., & Uptigrove, T. A. (2003). Saving the worst for last: The effect of time horizon on the efficiency of negotiating benefits and burdens. *Organizational Behavior and Human Decision Processes*, 91(2), 269–279.

⁷² Henderson, M. D., Trope, Y., & Carnevale, P. J. (2006). Negotiation from a near and distant time perspective. *Journal of Personality and Social Psychology*, 91(4), 712–729.

⁷³ Okhuysen, Galinsky, & Uptigrove, “Saving the worst for last.”

contentious because the realization is in the distance. Moreover, this time benefit is particularly pronounced in the cases where negotiations concern “burdens” as opposed to “benefits,” because time gives people opportunity to discount the effects of burdens.

Formal versus Handshake Agreement

Many negotiation situations, such as the purchase of a house or a job offer, involve formal, contracts that legally obligate parties to honor stated promises. However, in several negotiation situations of equal or greater importance, negotiations are conducted through a handshake or other forms of informal agreements. Considerable cultural variation surrounds the terms of what social symbols constitute formal agreements. Awkwardness can result when one party approaches the situation from a formal stance and the other treats it informally. Obviously, ill will can result when implicit contracts are broken.

Onsite versus Offsite Meetings

There does appear to be a home-court advantage when it comes to negotiation. In one simulation, residents of an office space outperformed a visiting party. The performance advantage of the negotiator is partly due to the increased confidence that comes from negotiating on your own turf.⁷⁴ Not surprisingly, negotiators often find neutral ground for important negotiations. For example, for the summit between former president Ronald Reagan and Soviet leader Mikhail Gorbachev, the site was carefully selected. The two met at the Chateau Fleur d’Eau in Geneva, Switzerland. Similarly, the multiparty Irish talks were stalled in 1991 when conflict erupted concerning where the next set of talks would be held. The Unionists, who agreed to talk directly to Irish government ministers about the future of Northern Ireland, were anxious to avoid any impression of going “cap in hand” to Dublin and therefore, wanted the talks to be held in London, the capital to which they were determined to remain connected. In contrast, the Social Democratic and Labor Party of Ireland, which represented the majority of Catholic moderates in the province, preferred that the talks be held in Dublin, the capital to which they felt a strong allegiance.⁷⁵

Public versus Private

In many areas, the negotiation dance takes place in the public eye. In other negotiation situations, negotiations take place behind closed doors. One of the unique aspects of sports negotiations is that they take place in a fishbowl, with fans and the media observing every move at the bargaining table.⁷⁶ This kind of attention can lead to a media circus, with owners and players projecting their opinions on issues and events:

The dickering back and forth makes for entertaining theater, but is a hindrance to the rational settlement of differences. It is customary, therefore, for both owners and players to be advised by their leaders to hold their tongues. NBA owners were made subject to fines of \$1 million by the league for popping off in the media.⁷⁷

⁷⁴ Brown, G., & Baer, M. (2011). Location in negotiation: Is there a home field advantage? *Organizational Behavior and Human Decision Processes*, 114(2), 190–200.

⁷⁵ Lewthwaite, G. A. (1991, May 7). Northern Ireland talks deadlock over location. *Baltimore Sun*, p. A5.

⁷⁶ Staudohar, P. D. (1999). Labor relations in basketball: The lockout of 1998–99. *Monthly Labor Review*, 122(4), 3–9.

⁷⁷ Staudohar, “Labor relations.”

In some negotiations, political actors make public commitments not to negotiate with adversaries whom they label as being “beneath diplomacy,” such as terrorists. Such public commitments are sometimes made even as they are being broken.⁷⁸ When a negotiator denounces an adversary, this increases motivation to reach a negotiated settlement if negotiations are undertaken.

Scripted versus Unscripted

In many negotiations, strong conventions and norms dictate how the process of negotiation unfolds. For example, when people buy or sell houses in the United States, the first offer is formally made by the seller (list price), and all subsequent offers are formalized in writing. In other negotiations, there is no formal script. Most negotiations involve a “narrative grammar”—syntactical forms that help structure the negotiation process. For example, when negotiators are asked to “storyboard” the experience of negotiation, regularities in the use of narrative syntax, as well as patterns of escalation can be identified.⁷⁹

Single versus Multiple Offers

In some situations, offers are bantered back and forth several times before a mutually agreeable deal is reached. In other situations, this type of dealing is considered unacceptable. In the real estate world for example, buyers and sellers expect to negotiate. However, these same people would not dream of negotiating in an upscale department store.

Many employers expect that job candidates will attempt to negotiate what is initially offered to them, but extensive haggling is not acceptable for many. Consider what happened to Jay Kaplan, a real estate entrepreneur.⁸⁰ He traveled through the southeastern United States for 8 consecutive days and met with five different owners, trying to purchase apartment buildings and shopping centers. Each meeting was a marathon session with offers and counteroffers, lasting until dawn before agreements were made. By the eighth day, with one meeting left, Kaplan was tired and decided to use a single-offer strategy. After asking for some aspirin and putting on his most exhausted face, Kaplan said to the other party, “You’re asking \$4.3 million for your property. I want to buy it for \$3.7 million. Let’s save ourselves the trouble of a long negotiation. I’m going to make you only one offer. It will be my best shot, and it will be a fair one. If you’re a reasonable man, I’m sure you’ll accept it.” The strategy backfired. Kaplan then offered the other a second bid of \$4.025 million, and it was rejected. They then haggled for 4 hours until they agreed on \$4.275. The opponent later told Kaplan there was no way he was going to accept the first offer made—no matter what it was.

CHAPTER CAPSTONE

Effective preparation is a strategic advantage at the bargaining table. We outlined three general areas of preparation: self-assessment, perspective-taking, and situational awareness. In terms of self-assessment, the negotiator who has identified a BATNA and established a reservation price and target point is in a much better position to achieve the desired objectives. The negotiator

⁷⁸ Browne, J., & Dickson, E. S. (2010). We don’t talk to terrorists: On the rhetoric and practice of secret negotiations. *Journal of Conflict Resolution*, 54(3), 379–407.

⁷⁹ Cobb, S., Laws, D., & Sluzki, C. (2014). Modeling negotiation using “narrative grammar”: Exploring the evolution of meaning in a simulated negotiation. *Group Decision and Negotiation*, 23(5), 1047–1065.

⁸⁰ Kaplan, J. (1994, January 9). Single-offer tactic can be costly. *Arizona Republic*, p. E6.

who has prepared for a negotiation knows when to walk away and how much is reasonable to concede. The negotiator who has adequately researched the counterparty's BATNA and interests is less likely to be manipulated or confused by the other party. We outlined several issues the negotiator should consider prior to commencing negotiations. A summary preparation form is presented in Exhibit 2-2.

EXHIBIT 2-2

Preparation Worksheet for Negotiations

Self-Assessment	Perspective-Taking	Situational Awareness
• What do I want? (Set a target point.) • What is my alternative to reaching agreement in this situation? (Determine your BATNA.) • Determine your reservation point. • Be aware of focal points. • Be aware of sunk costs. • Do not confuse your target point with your reservation point. • Identify the issues in the negotiation. • Identify the alternatives for each issue. • Identify equivalent multi-issue proposals. • Assess your risk propensity. • Consider endowment effects • Am I going to regret this? • Do I have appropriate level of confidence?	• Ask: Who are the other parties? • Are the parties monolithic? • What are the counterparties' interests and positions? • What are the counterparties' BATNAs?	• Is the negotiation one-shot, long-term, or repetitive? • Is the negotiation a transaction or dispute? • Are linkage effects present? • Is it a false or sincere negotiation? • Is it legal to negotiate? • Is ratification required? • Are time constraints or other time-related costs involved? • Are contracts official or unofficial? • Where do the negotiations take place? • Are negotiations public or private? • Are negotiations scripted or unscripted? • Do negotiations involve more than one offer?

Source: Based on Southall, A., & Healy, J. (2013, August 29). U.S. won't sue to reverse states' legalization of marijuana. *The New York Times*. nytimes.com; Abelson, J. (2013, March 7). Medical marijuana businesses see opportunity in Mass. *Boston Globe*. bostonglobe.com

3

DISTRIBUTIVE NEGOTIATION: CLAIMING VALUE

Headquartered in Perth, Australia, Invictus Energy Limited is an oil and gas exploration company that focuses its operations on high-impact energy resources in sub-Saharan Africa. Invictus Energy has a tremendous advantage over both potential competitors and governments in southern Africa as they have already been able to tap regional markets and secure the best locations and the most profitable ways of exploiting the natural resources. It is now the 80% owner and operator of the potentially lucrative Cabora Bassa Basin Project in northern Zimbabwe. The Cabora Bassa Basin is believed to be the largest under-explored interior rift basin in Africa. It was granted an exploration license in 2017 for an initial 3-year period, which was renewed in 2020. The license covers 250,000 acres in potentially the biggest seismically tested and undrilled part of onshore Africa. The Zimbabwean government and other operators have few choices as they enter negotiations with Invictus to push the project forward. Invictus, on the other hand, has four major advantages going into the negotiations: The onshore location reduces risk and the existing infrastructure reduces costs; it already has MoUs with customers to bankroll the development of the project; like neighboring South Africa, Zimbabwe is desperate for energy supply; and finally, Emmerson Mnangagwa, the President of Zimbabwe, has enacted investor-friendly legislation. Both Zimbabwe and South Africa suffer electricity shortages and need an immediate solution to their energy crises. Zimbabwe has a severely underfunded and dilapidated energy sector, and South Africa is reliant on hydroelectric sources and its aging coal-fired power plants. Invictus can drive a hard bargain with Zimbabwe knowing there are few other viable alternatives.¹

The opening example highlights the fact that, even in single-issue negotiations, negotiators can make the most of their advantages and weaken the other party's bargaining position. In this chapter, we focus on how negotiators can best achieve their outcomes—economic (e.g., money and resources) as well as social (e.g., preserving relationships and building trust). We address the question of how best to claim resources. We consider the question of who should make the first offer, how to respond to an offer made by the other party, the amount of concessions to make, and how to handle an aggressive negotiator.

The entire process of making an opening offer and then reaching a mutually agreeable settlement is known as the **negotiation dance**.² Unfortunately, many of us have never taken dance lessons or know what to do once we find ourselves on the dance floor. Should we

¹ Kalkin Media. (2020, July 16). Invictus Energy's first mover advantage in Cabora Bassa & elephant scale potential. kalkinmedia.com; Invictus Energy. Official website. www.invictusenergy.com.

² Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Harvard University Press.

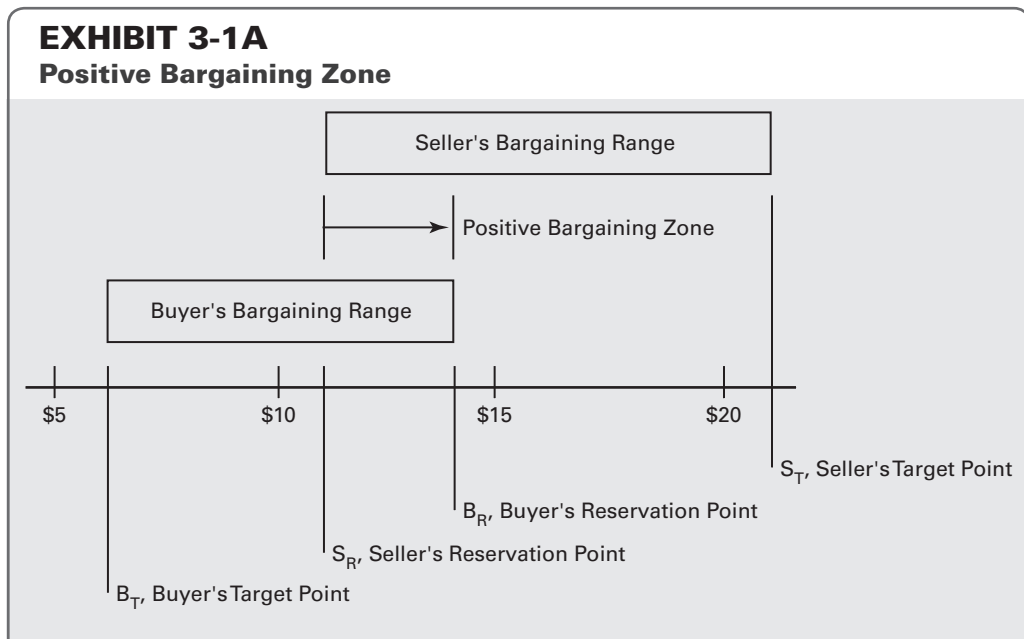
lead? Should we follow? A few hard-and-fast rules of thumb apply, but the negotiator must make many choices that are not so clear-cut. We wrestle with these issues in this chapter.

Although this chapter deals with slicing the pie, most negotiations involve a win-win aspect (*expanding* the pie), which we discuss in detail in the next chapter. However, even in win-win negotiations, the pie of resources created by negotiators eventually has to be sliced.

THE BARGAINING ZONE

Typically, negotiators' target points do not overlap: the seller wants more than the buyer is willing to pay. The job candidate wants a higher salary than the recruiter is willing to offer. However, it is often the case that negotiators' reservation points *do* overlap, such that the most the buyer is willing to pay is more than the least the seller is willing to accept. Under such circumstances, mutual settlement is profitable for both parties. However, the challenge of negotiation is to reach a settlement that is most favorable to oneself and does not give up too much of the bargaining zone. The **bargaining zone**, or **zone of possible agreement (ZOPA)**, is the range between negotiators' reservation points.³ The final settlement of a negotiation should fall somewhere above the seller's reservation point and below the buyer's reservation point.⁴ The bargaining zone can be either positive or negative (see Exhibits 3-1A and 3-1B).

In a positive bargaining zone, negotiators' reservation points overlap: the most the buyer is willing to pay is greater than the least the seller will accept. This overlap means that mutual agreement is better than resorting to BATNAs. Consider the bargaining zone in Exhibit 3-1A. The seller's reservation point is \$11; the buyer's reservation point is \$14. The most the buyer is

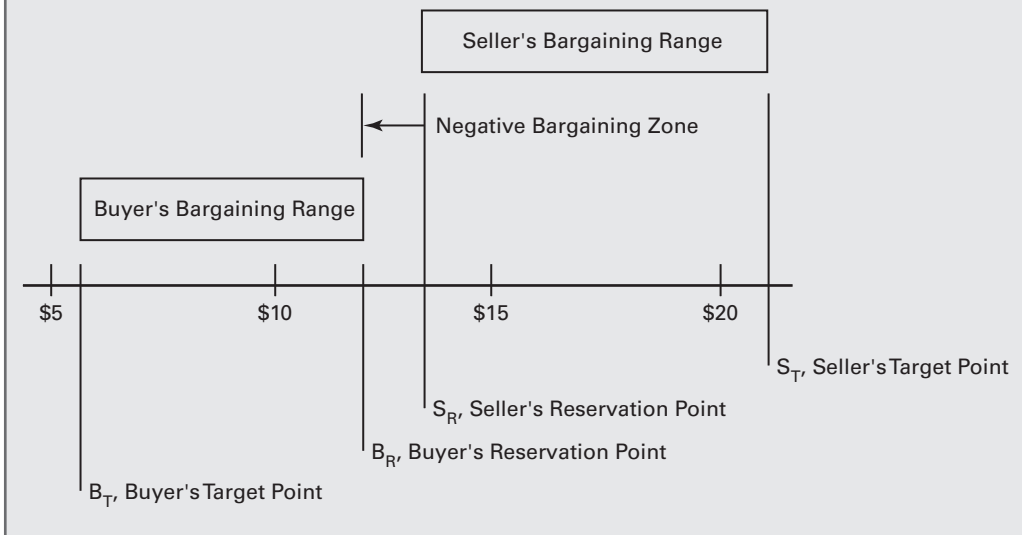


³ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

⁴ Raiffa, "The art and science of negotiation."

EXHIBIT 3-1B

Negative Bargaining Zone



willing to pay is \$3 greater than the very least the seller is willing to accept. The bargaining zone is between \$11 and \$14, or \$3. If the negotiators reach agreement, the settlement will be somewhere between \$11 and \$14. If the parties fail to reach agreement in this situation, the outcome is an impasse and is **suboptimal** because negotiators leave money on the table and are worse off by not reaching an agreement than they are by reaching an agreement.

In some cases, the bargaining zone may be nonexistent or even negative, and negotiators may spend fruitless hours trying to reach an agreement. This situation can be costly for negotiators; during the time they are negotiating, their opportunities may be worsening (i.e., negotiators have time-related costs; see Chapter 2). For example, consider the bargaining zone in Exhibit 3-1B, in which the seller's reservation point is \$14 and the buyer's reservation point is \$12. The most the buyer is willing to pay is \$2 less than what the seller is willing to accept at a minimum. This **negative bargaining zone** indicates that there is no positive overlap between the parties' reservation points. In this situation, negotiators should exercise their best alternatives to agreement. Because negotiations are often costly to prolong, it is in both parties' interests to determine whether a positive bargaining zone is possible. If not, the parties should not waste time negotiating; instead, they should pursue other alternatives. Consider the failed merger between T-Mobile and Sprint. Both companies wanted complete ownership of the new entity that would come from a merger. T-Mobile believed that an acquisition of Sprint could create value for customers and shareholders. Sprint also wanted the merger, but its owner, Softbank, refused to relinquish control and wanted to keep the headquarters in the U.S. Negotiations stretched on for quite some time between the two telecom companies and ultimately, they could not find any positive overlap between their reservation points.⁵

⁵ Associated Press. (2017, November 4). Sprint and T-Mobile call off merger talks after failure to reach agreement. *The Guardian*. theguardian.com; Reuter, E. (2017, November 8). Behind the (failed) deal: Sprint CEO dishes on merger attempts. *The Kansas City Business Journal*. bizjournals.com/kansascitynews

Bargaining Surplus

Bargaining surplus is the amount of overlap between parties' reservation points. It is a measure of the size of the bargaining zone (what we refer to in this chapter as “the pie”). The bargaining surplus is a measure of the value that a negotiated agreement offers to both parties over the value of not reaching settlement. Skilled negotiators know how to reach agreements even when the bargaining zone is small.

Negotiator's Surplus

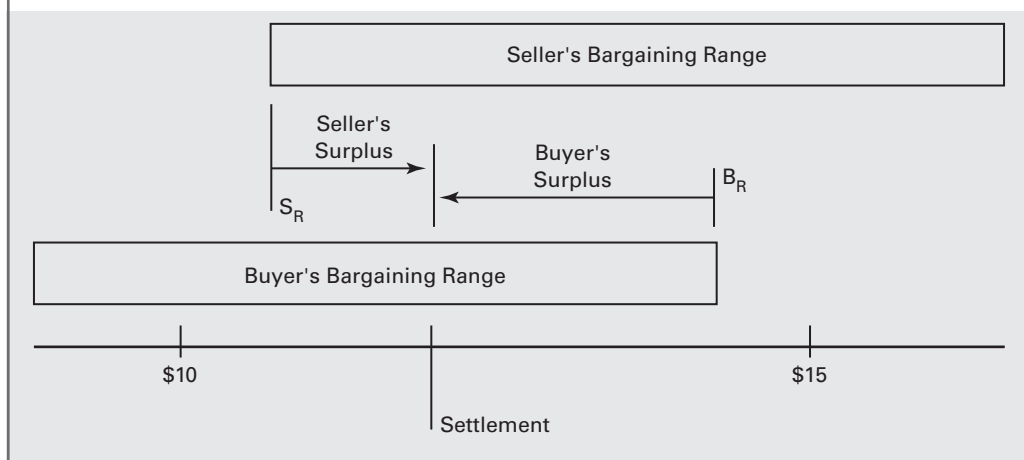
Negotiated outcomes will fall somewhere in the bargaining zone. But what determines *where* in this range the settlement will occur? Obviously, each negotiator would like the settlement to be as close to the other party's reservation point as possible, thereby maximizing his or her slice of the pie. In our example in Exhibit 3-1A, the seller would prefer to sell close to \$14; the buyer would prefer to buy close to \$11. *The best possible economic outcome for the negotiator is one that just meets the counterparty's reservation point, thereby inducing the other party to agree, but allows the focal negotiator to gain as much as possible.* This outcome provides the focal negotiator with the greatest possible share of the resources to be divided. In other words, one person gets all or most of the pie.

The positive difference between the settlement outcome and the negotiator's reservation point is the **negotiator's surplus** (see Exhibit 3-2). The total surplus of the two negotiators adds up to the size of the ZOPA or bargaining surplus. Obviously, negotiators want to maximize their surplus in negotiations; surplus represents resources in excess of what is possible for negotiators to attain in the absence of a negotiated agreement.

The fact that negotiated settlements fall somewhere in the ZOPA, and that each negotiator tries to maximize his or her share of the bargaining surplus, illustrates the **mixed-motive** nature of negotiation: negotiators are motivated to *cooperate* with the other party to ensure that a settlement is reached in the case of a positive bargaining zone, but they are motivated to *compete* with one another to claim as much of the bargaining surplus as they can.

EXHIBIT 3-2

Bargaining Range and Surplus



VALUE-CLAIMING STRATEGIES

The most frequently asked question about negotiation is, “How can I claim most of the bargaining surplus for myself?” How do you get information about the other party’s reservation point? Most negotiators will not reveal their reservation point, but it may emerge unintentionally. Raiffa cites a humorous story wherein one party opens with a direct request for information about the opponent’s reservation price: “Tell me the bare minimum you would accept from us, and I’ll see if I can throw in something extra.” The opponent, not to be taken in, quips, “Why don’t you tell us the very maximum that you are willing to pay, and we’ll see if we can shave off a bit?”⁶

This quip illustrates the essence of negotiation: how do people make sure they reach agreement if the ZOPA is positive, while simultaneously claiming as much of the pie as possible?

Another problem emerges as well. Even if someone reveals their reservation point, we have no way to verify that they are telling the truth. Indeed, the most commonly used phrase in any negotiation is, “That’s my bottom line.” When the counterparty tells us their reservation point, we are faced with the dilemma of whether the information is valid or an exaggeration. The negotiator is always at an information deficit because the other party’s reservation point is usually not verifiable (because it includes subjective factors), whereas a BATNA is based on objective factors and can therefore be verifiable.

Given that “private” information about reservation points is inherently unverifiable, negotiation seems rather pointless. After all, if you can never verify whether the other person is telling the truth, talking is fruitless (economists refer to such discussions as “cheap talk”⁷). However, cheap talk does, in fact, matter.⁸

Some conditions allow negotiators to be more *confident* about the counterparty’s reservation point. For example, a car buyer may invite the dealer to call the competitor as a way of verifying that the buyer can indeed get the same car for less money at a different dealership. Similarly, if a person says something that is not in his or her interest, we may have more reason to believe it. For example, if a seller tells us she does not have another buyer and is under pressure to sell, we might believe her because this statement is not in her interest. This factor leads to an important cautionary note: it is not necessarily in your best interest to misrepresent your reservation point because you risk the possibility of disagreement. With regard to claiming value, negotiators should be willing to settle for outcomes that exceed their reservation point and reject offers that are worse than their reservation point. However, people frequently settle for outcomes worse than their BATNA (the agreement bias) and often reject offers that are better than their BATNA (hubris). For example, strikes are often settled on terms that could have been reached earlier, without parties incurring the costs that the strike imposed.⁹ The key question is why such irrational behavior occurs. The problem can usually be traced to either cognitive or emotional biases. We will elaborate on some of these biases later in this chapter.

⁶ Raiffa, H. (1982). *The art and science of negotiation* (p. 40). Cambridge, MA: Harvard University Press.

⁷ Croson, R., Boles, T., & Murnighan, J. K. (2003). Cheap talk in bargaining experiments: Lying and threats in ultimatum games. *Journal of Economic Behavior & Organization*, 51(2), 143–159.

⁸ Bazerman, M. H., Gibbons, R., Thompson, L., & Valley, K. L. (1998). Can negotiators outperform game theory? In J. Halpern & R. Stern (Eds.), *Debating rationality: Nonrational aspects of organizational decision making* (pp. 78–98). Ithaca, NY: ILR Press.

⁹ Keenan, J., & Wilson, R. B. (1993). Bargaining with private information. *Journal of Economic Literature*, 31(1), 45–104; Roth, A. E. (1993). Bargaining experiments. In J. Kagel & A. E. Roth (Eds.), *Handbook of experimental economics*. Princeton, NJ: Princeton University Press.

Accurately Assess Your BATNA

Many negotiators do not think about their BATNA before negotiating. I've had countless students and executives lament, "I don't have a BATNA." Yet, everyone has a BATNA—even if it means waiting and hoping! As a first step in accurately assessing your BATNA, brainstorm every option you can imagine in the event that you do not reach an agreement in your current negotiation. Generate as many options as you can. As a second step, assign a probability to the likelihood of being able to exercise that BATNA. For most negotiators, BATNAs involve some uncertainty (see Chapter 2). However, uncertainty is not a good excuse for failure to assess your BATNA. *Nothing can help a negotiator get a bigger slice of the pie than having a great BATNA.* After you have assigned a probability to the likelihood of being able to exercise a given BATNA, the third step is to rank order your alternatives in terms of attractiveness to you.

Unpack Alternatives

It would seem that negotiators who have several alternatives would be in a better bargaining position than negotiators with only one alternative. However, negotiators who have multiple alternatives may actually perform worse (than those with a single alternative), because they make fewer demands and achieve worse outcomes.¹⁰ Why? Negotiators who have multiple alternatives often have a distorted view of the ZOPA.

Is there a way to leverage the potential power of multiple alternatives? Yes, by unpacking their multiple alternatives, negotiators can make more aggressive opening offers and ultimately achieve better outcomes. Indeed, negotiators who unpacked (separated) the likelihood of attaining an alternative job offer (e.g., from Firm A, Firm B, or any other firm) judged those outcomes to be more likely to occur and achieved better negotiated outcomes compared to negotiators who considered their alternative options as a single package.¹¹ However, a word of caution: in the event that negotiators unpack *extremely* negative outcomes (e.g., not receiving another job offer), they develop lower aspirations and ultimately claim less value.¹²

Improve Your BATNA

Your BATNA is not static. Rather, think of your BATNA like a living plant: at any given time, it is either flourishing or withering. Thus, BATNAs need maintenance and nourishment. Negotiators should spend a considerable amount of time attempting to improve their BATNA before entering into a negotiation.

Determine Your Reservation Point, but Do Not Reveal It

If you reveal your reservation point, be prepared for the other party to offer you your reservation point—but not more. Some negotiators reveal their reservation point to demonstrate good faith. These negotiators rely on the counterparty's goodwill and trust their opponent not to take

¹⁰ Schaerer, M., Loschelder, D. D., & Swaab, R. I. (2016). Bargaining zone distortion in negotiations: The elusive power of multiple alternatives. *Organizational Behavior and Human Decision Processes*, 137, 156–171.

¹¹ Haselhuhn, M. P. (2015). Support theory in negotiation: How unpacking aspirations and alternatives can improve negotiation performance. *Journal of Behavioral Decision Making*, 28(1), 1–13.

¹² Haselhuhn, "Support theory."

advantage of this information. There are more effective ways to build trust. For example, you could show a genuine concern for the needs and interests of the other party. The purpose of negotiation is to maximize your surplus, so why create a conflict of interest by “trusting” the other party with your reservation point? Thus, *do not reveal your BATNA or your reservation price during the course of negotiation, even in the friendliest of situations*. If you do, the counterparty has no incentive to offer you more. In only two circumstances do we think it is appropriate to truthfully reveal your reservation price:

Situation #1: You have exhausted your time to negotiate and are about to exit the negotiation without a deal and you sense that the bargaining zone may be very small or perhaps negative.

Situation #2: You have a great BATNA and consequently, an aggressive reservation price, and you would be happy if the counterparty matched or barely exceeded your reservation point. In this sense, negotiators “signal” their BATNA. When Onyx Pharmaceuticals, the developer of several drugs for bone marrow cancers, was for sale, they felt confident about their attractive BATNA. They rejected an offer from biotech company Amgen valued at \$8.7 billion and entertained offers from Amgen’s competitors, including Pfizer and Novartis. In response, Amgen increased their offer to \$10 billion and Onyx rejected it a second time. Amgen increased their offer to \$10.4 billion, or \$125 per share. At this point, Onyx accepted Amgen’s offer, making the purchase one of the five biggest-ever takeovers of a biotechnology company at the time.¹³

Consider how another company, AOL, signaled its BATNA. One tactic involved an AOL deal maker pitching a deal to a prospective client. The AOL rep’s PowerPoint presentation would include the logo of the client’s rival—as if AOL had accidentally mixed up some of the slides from another presentation. The AOL rep would then feign embarrassment and apologize. However, the slip up was completely intentional and meant to signal AOL’s BATNA to the client.¹⁴

Many negotiators reveal their true reservation point if they trust and like the other party, or desire a long-term relationship. However, we think this is ill-advised. There are many other ways to demonstrate trust and build a relationship, short of revealing your BATNA. Revealing information about a BATNA or reservation point is not a value-creation strategy; it is a value-claiming strategy, and as a claiming strategy it reduces a negotiator’s power in a negotiation.

We do not believe that negotiators should lie about their BATNA or reservation point. Lying is unethical (see Chapter 8). Moreover, if you lie about your reservation point, you effectively reduce the size of the bargaining zone. A positive, but small bargaining zone may appear to be negative and result in negotiation impasse. It is difficult to save face in such a situation because you appear untrustworthy if you retract your demand.

¹³ Pollack, A., & De La Merced, M. J. (2013, August 25). Amgen buys producer of drugs for cancer. *The New York Times*. dealbook.nytimes.com; Speights, K. (2013, August 26). Amgen and Onyx: Half a billion dollars’ worth of drama. *The Motley Fool*. fool.com

¹⁴ Klein, A. (2003, June 15). Lord of the flies. *The Washington Post*, p. W06.

Research the Other Party's BATNA and Estimate Their Reservation Point

The most valuable piece of information you can have about the counterparty is his or her reservation point. This information allows you to make the counterparty an offer that barely exceeds their reservation point and to claim the entire bargaining surplus for yourself. However, you should assume the counterparty is as smart as you are and therefore, not likely to reveal their reservation point.

Negotiators can use a variety of tactics to garner information that may reveal information about the counterparty's alternatives. However, be careful when the other party discloses their BATNA early. When the counterparty discloses their BATNA at the outset of the negotiation, negotiators actually make less demanding offers, disclose more truthful information, and settle for less profit than when the counterparty does not disclose a BATNA.¹⁵

Set High Aspirations (Be Realistic but Optimistic)

Your aspiration, or target point, defines the upper limit on what you can get in a negotiation. Because you will usually never get more than your first offer, your first offer represents an important **anchor point** in the negotiation.

According to Raiffa, the final outcome of any negotiation is usually the midpoint between the first two offers that fall within the bargaining zone.¹⁶ For this reason, it does not make sense to make offers that are wildly outside the bargaining zone. When we use the first offer made by each party as a measure of his or her aspirations, those aspirations or target points determine the "final demands" made by negotiators, more so than BATNAs do.¹⁷ Negotiators who set high aspirations end up with more of the ZOPA than those who set lower aspirations. Negotiators whose aspirations exceed those of the counterparty get more of the bargaining zone.¹⁸ For example, negotiators who have unattractive reservation points and high aspirations demand more from their opponents than negotiators with attractive BATNAs and low aspirations. Buyers who set more ambitious aspirations achieve better economic outcomes; however, the sellers they are dealing with regard them to be less likeable, and as a result they are less willing to cooperate with them in the future.¹⁹

CHILLING EFFECT When negotiators make proposals that the other party considers extreme, it may cause the **chilling effect**. Making an extreme offer is a risky strategy because the recipient may be offended and walk away from the table. Both low- and high-power negotiators are equally offended by extreme offers, but it is low-power negotiators who walk away.²⁰ For these reasons, it is strategically wise to make your first offer slightly inferior to what you discern to be the counterparty's reservation point, and then you can bargain up to their reservation point. Most people are not going to immediately accept your first offer, but they ultimately might accept an offer that is equivalent to their reservation point (see Exhibit 3-3).

¹⁵ Paese, P. W., & Gilin, D. A. (2000). When an adversary is caught telling the truth: Reciprocal cooperation versus self interest in distributive bargaining. *Personality and Social Psychology Bulletin*, 26(1), 79–90.

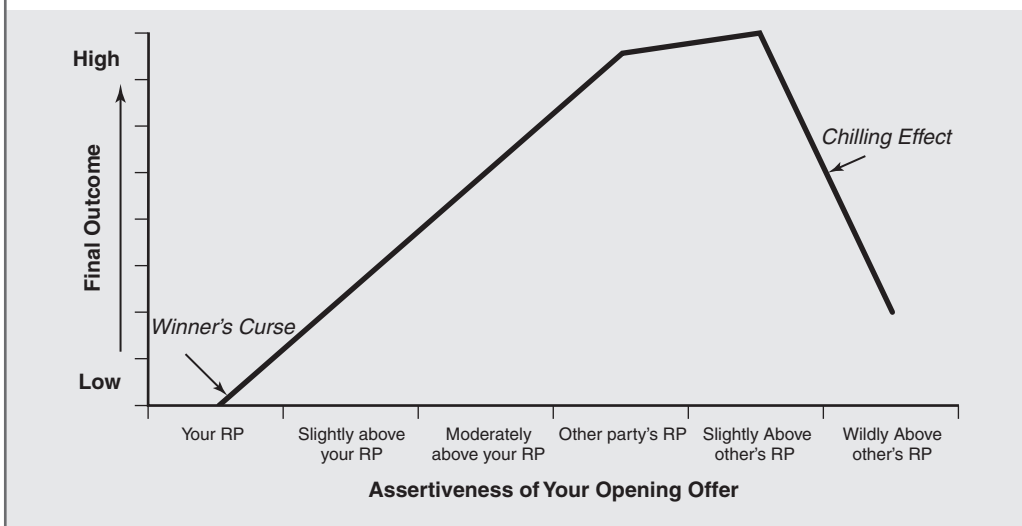
¹⁶ Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Harvard University Press.

¹⁷ Thompson, L. (1995). The impact of minimum goals and aspirations on judgments of success in negotiations. *Group Decision and Negotiation*, 4(6), 513–524.

¹⁸ Chen, Ya-Ru, Mannix, E. A., & Okumura, T. (2003). The importance of who you meet: Effects of self- versus other concerns among negotiators in the United States, the People's Republic of China, and Japan. *Journal of Experimental Social Psychology*, 39(1), 1–15.

¹⁹ Lai, L., Bowles, H. R., & Babcock, L. (2013). Social costs of setting high aspirations in competitive negotiation. *Negotiation and Conflict Management Research*, 6(1), 1–12.

²⁰ Schweinsberg, M., Ku, G., Wang, C. S., & Pillutla, M. M. (2012). Starting high and ending with nothing: The role of anchors and power in negotiations. *Journal of Experimental Social Psychology*, 48(1), 226–231.

EXHIBIT 3-3**Winner's Curse and Chilling Effect**

Setting specific, challenging, and difficult goals results in greater profit than setting easy or nonspecific goals does.²¹ Nonspecific or easy goals lead to suboptimal, compromise agreements. High aspirations exert a self-regulating effect on negotiation behavior. Negotiators who are assigned easy goals tend to set harder new goals; however, in spite of adjustments, their new goals are significantly easier than the goals chosen by the difficult-goal negotiators. Thus, it is to a negotiator's advantage to set a high, somewhat difficult aspiration point early in the negotiation. The combination of high goals and cooperation is associated with the best outcomes.²² In one investigation, negotiators who set goals that were extremely difficult achieved better negotiation outcomes.²³

GOAL-SETTING PARADOX When a negotiator focuses on his or her target point during negotiation, this increases the value of the outcome that is ultimately received.²⁴ Consider two types of negotiators: promotion- and prevention-focused. **Promotion-focused** negotiators conceptualize goals as ideals and opportunities; conversely, **prevention-focused** negotiators conceptualize

²¹ Huber, V. L., & Neale, M. A. (1986). Effects of cognitive heuristics and goals on negotiator performance and subsequent goal setting. *Organizational Behavior and Human Decision Processes*, 38(3), 342–365; Huber, V. L., & Neale, M. A. (1987). Effects of self- and competitor goals on performance in an interdependent bargaining task. *Journal of Applied Psychology*, 72(2), 197–203; Northcraft, G. B., Neale, M. A., & Earley, C. P. (1994). The joint effects of goal-setting and expertise on negotiator performance. *Human Performance*, 7(4), 257–272; Thompson, “The impact of minimum goals.”

²² Halpert, J. A., Stuhlmacher, A. F., Crenshaw, J. L., Litcher, C. D., & Bortel, R. (2010). Paths to negotiation success. *Negotiation and Conflict Management Research*, 3(2), 91–116.

²³ Miles, E. W., & Clenney, E. F. (2012). Extremely difficult negotiator goals: Do they follow the predictions of goal-setting theory. *Organizational Behavior and Human Decision Processes*, 118(2), 108–115.

²⁴ Galinsky, A. D., Mussweiler, T., & Medvec, V. H. (2002). Disconnecting outcomes and evaluations: The role of negotiator focus. *Journal of Personality and Social Psychology*, 83(5), 1131–1140; Thompson, “The impact of minimum goals.”

goals as obligations and necessities. Promotion-focused negotiators who focus on “ideals” rather than “oughts” do better in terms of claiming value.²⁵ Negotiators who focus on their accomplishments, hopes, and aspirations claim more resources than negotiators who focus on avoiding negative outcomes, holding constant their actual economic positions.²⁶ The impact of promotion and prevention focus depends on the aggressiveness of the negotiator’s economic aspirations: Prevention-focused negotiators who set goals in the upper end of the ZOPA are less likely to concede and outperform promotion-focused negotiators.²⁷ Promotion and prevention affect subjective outcomes as well. Negotiators who focus on ideals do not feel as satisfied as negotiators who focus on their reservation point or BATNA.²⁸ This is known as the **goal-setting paradox**.²⁹ Thus, focusing on your target will lead to an attractive outcome, but it may not feel satisfying. In contrast, focusing on reservation points leads people to *do* worse but *feel* better. If negotiators think about their BATNA after the negotiation, they feel better.³⁰

WINNER’S CURSE The **winner’s curse** occurs when the negotiator’s first offer is immediately accepted by the counterparty. Immediate acceptance signals that the negotiator did not set his or her aspirations high enough. Furthermore, we caution negotiators to avoid a strategy known as **boulwarism**. **Boulwarism** is named after Lemuel Boulware, former CEO of General Electric, who believed in making one’s first offer one’s final offer. This strategy can engender hostility from the counterparty.

Another piece of advice: do not become “anchored” by your reservation point. Many negotiators who assess their BATNA and set an appropriate reservation point fail to think about their aspiration or target point. Consequently, the reservation point acts as a psychological anchor and, in most cases, people make insufficient adjustments—they do not set their target high enough.

FIRST OFFERS

Folklore dictates that negotiators should let the counterparty make the first offer. Many negotiators have been advised to avoid making opening offers, presumably to avoid the winner’s curse. Indeed, concern about being taken advantage of is so pervasive that negotiators experience anxiety about making the first offer, and when they do make the first offer, they are less satisfied with the negotiation.³¹ However, in some situations it may be advisable to make the first offer.

The **practitioner-researcher paradox** refers to the fact that intuition and folklore advises negotiators to never open first, whereas much scientific research argues that negotiators should always open first due to a “first mover advantage.”³² One situation in which making a first offer

²⁵ Galinsky, A. D., & Mussweiler, T. (2001). First offers as anchors: The role of perspective-taking and negotiator focus. *Journal of Personality and Social Psychology*, 81(4), 657–669.

²⁶ Galinsky, A. D., Leonardelli, G. J., Okhuysen, G. A., & Mussweiler, T. (2005). Regulatory focus at the bargaining table: Promoting distributive and integrative success. *Personality and Social Psychology Bulletin*, 31(8), 1087–1098.

²⁷ Trötschel, R., Bundgrens, S., Huffmeier, J., & Loschelder, D. D. (2013). Promoting prevention success at the bargaining table: Regulatory focus in distributive negotiations. *Journal of Economic Psychology*, 38, 26–39.

²⁸ Thompson, “The impact of minimum goals.”

²⁹ Freshman, C., & Guthrie, C. (2009). Managing the goal-setting paradox: How to get better results from high goals and be happy. *Negotiation Journal*, 25(2), 217–231.

³⁰ Galinsky, Mussweiler, & Medvec, “Disconnecting outcomes and evaluations.”

³¹ Rosette, A. S., Kopelman, S., & Abbott, J. L. (2014). Good grief! Anxiety sours the economic benefits of first offers. *Group Decision And Negotiation*, 23(3), 629–647.

³² Loschelder, D. D., Swaab, R. I., Trötschel, R., & Galinsky, A. D. (2014). The first-mover disadvantage. *Psychological Science*, 25(4), 954–962.

will backfire is when the offer proposer makes a first offer on an issue in which the recipient actually has identical compatible preferences.³³ By doing so, the recipient learns that the proposer has identical preferences (on that issue) and can feign to have opposing preferences, in the hopes of extracting concessions. Pro-self negotiators (i.e., self-interested negotiators) are more likely to take advantage of knowledge of compatible issues than are pro-social negotiators. When the recipient has opposing preferences, the negotiator who makes the first offer has an advantage.

Anchoring Information Model

The Anchoring Information Model (AIM) predicts when and why making the first offer helps or hurts negotiators.³⁴ According to the model, first offers have two effects: (1) they serve as anchors that pull final settlements toward the initial first-offer value (anchoring), which usually produces a first-mover advantage; and (2) they convey information about the sender's priorities, which makes the sender vulnerable to exploitation and increases the risk of a first-mover disadvantage. Indeed, when senders did not reveal their priorities, they had a first-offer advantage; however, when they revealed their priorities (either implicitly or explicitly), the first-offer became a distinct disadvantage. This effect was strongest when the recipient of the offer was pro-self (as opposed to pro-social).

Accordingly, negotiators need to evaluate two things when considering whether to make the first offer. First, how much information do they have regarding the negotiation, and second, how much information does the other party have about them? A first-mover disadvantage exists in some situations when there is significant *asymmetric* information.³⁵

SYMMETRIC INFORMATION In the situation in which the negotiator has good information (i.e., has conducted due diligence on the negotiation object or service in question) and the other party is believed to also have good information, it is wise to make the first offer (see Exhibit 3-4). Why? When negotiators have good information they are not likely to fall prey to the winner's curse (asking for too little) or the chilling effect (asking for way too much). Instead, they can make an assertive opening offer that operates as a psychological anchor.³⁶ Indeed, first offers act as an anchor point and correlate at least .85 with final outcomes.

In the event that *both* parties lack information about the negotiated object or service in question, negotiators are advised to also make the opening offer. Why? Given that *both* negotiators are ignorant about the market value of the object or item, the likelihood of insult is low and the anchoring effect may help the negotiator who is a first-mover.

ASYMMETRIC INFORMATION Now, let's consider the two off-diagonal conditions in Exhibit 3-4. In the case of significant, asymmetric information, the negotiator is best advised to not open first.³⁷ Suppose that the negotiator is highly informed and prepared, but has good reason to think that the other party is not well-prepared or informed. This situation would be

³³ Loschedler, Trotschel, Swaab, Friese, & Galinsky, "The first-mover disadvantage."

³⁴ Loschedler, D. D., Trötschel, R., Swaab, R. I., Friese, M., & Galinsky, A. D. (2016). The information-anchoring model of first offers: When moving first helps versus hurts negotiators. *Journal of Applied Psychology*, 101(7), 995–1012.

³⁵ Loschedler, Trotschel, Swaab, Friese, & Galinsky, "The information-anchoring model."

³⁶ Galinsky & Mussweiler, "First offers as anchors."

³⁷ Maaravi, Y., & Aharon, L. (2017). When your anchor sinks your boat: Information asymmetry in distributive negotiations and the disadvantage of making the first offer. *Judgment and Decision Making*, 12(5), 420–429.

EXHIBIT 3-4**Should I Make the Opening Offer?**

	You have good information	You do not have good information
Counterparty has good information	Make first offer	Let other party open first
Counterparty does not have good information	Let other party open first	Make first offer
Unknown	Let other party open first	Let other party open first

Source: Based on Loschelder, D. D., Trötschel, R., Swaab, R. I., Frieze, M., & Galinsky, A. D. (2016). The information-anchoring model of first offers: When moving first helps versus hurts negotiators. *Journal of Applied Psychology*, 101(7), 995–1012.

analogous to a “pawnshop” situation in which the negotiator is the pawnshop owner and has a lot of relevant knowledge and the counterparty is naïve and uninformed. In this situation, the negotiator does not run the risk of being “anchored” by the other party, and there exists a possibility that the counterparty may fall victim to the winner’s curse—either by not asking for enough or over-paying. Moreover, the pawnshop owner may be anchored by their own knowledge—so far better to prompt the naïve negotiator to open first. For these reasons, the negotiator should encourage the counterparty to make the opening offer.

The final situation to analyze is when the negotiator is naïve, but the counterparty has relevant information. This situation is analogous to a pawnshop negotiation where you are the customer and don’t have good information, but the pawnshop owner does. In this situation, you risk falling victim to the winner’s curse by offering too much or asking for too little. The best solution is to invite the other party (in this case, the informed pawnshop owner) to make the first offer.

Anchoring Effect

The first offer that falls within the bargaining zone acts as a powerful anchor point in negotiation. Recall the example of people’s Social Security numbers affecting estimates of the number of physicians in Manhattan. That was a case of insufficient adjustment from an arbitrary anchor. Negotiators who make the first offer are protected from being psychologically anchored by the counterparty’s offer. A negotiator’s first offer acts as an anchor for the counterparty’s offer.

Ideally, your opening offer should not give away too much of the bargaining zone. Many negotiators worry they will “insult” the counterparty if they open too high (if they are selling) or too low (if they are buying). However, the fear of insulting the other party and souring the negotiations is more apparent than real. Indeed, people’s perceptions of how assertive they can be with others are notably lower than what others actually believe.³⁸

The anchoring strategy may come at the expense of subjective satisfaction with the deal. Buyers who use the anchoring tactic make higher profits (claim more value) than those who don’t, but the counterparty believes their own outcome is worse than their expectations and consequently,

³⁸ Ames, D. R. (2008). Assertiveness expectancies: How hard people push depends on the consequences they predict. *Journal of Personality and Social Psychology*, 95(6), 1541–1557.

they are less willing to interact in the future.³⁹ In a market situation, anchoring decreases profit amongst negotiators because it increases the rate of impasse and prolongs negotiation.

Range Offers

Employers often ask prospective employees to state a range in salary negotiations. The key disadvantage with stating a range is that the counterparty may focus overwhelmingly on the attractive endpoint from *their* point of view. In other words, the counterparty will consider the lower end of the range as the employee's target and negotiate down from there. The **tandem anchoring account** argues that counterparties are influenced by *both* endpoints of the range as they evaluate the proposer's reservation price as well as how polite they believe an extreme counter-offer would be.⁴⁰ One investigation examined four types of offers: point offers (e.g., \$100); back-down range offers (\$80–\$100); bracketing-range offers (\$90–\$100) and bolstering-range offers (\$100–\$120).⁴¹ Recipients who received bolstering-range offers assumed the negotiator had a more attractive reservation price than the negotiator who made a point offer. Backdown-range offers led to perceptions that the negotiator had the least attractive reservation price.

Precise versus Round Numbers

People habitually use round numbers as a first offer in negotiation. However, precise anchors are more potent than round number anchors. This is because counterparties respond more aggressively to round numbers than precise numbers. Why? Negotiators who make precise offers are viewed as having more information than negotiators who make round offers.⁴² The impact of precise offers is due to the fact that the sender appears as more competent.⁴³

When devising a precise offer, it is important to consider how precision affects the proposer as well as the recipient. Whereas it is true that greater precision by the proposer enhances the anchoring effect in the recipient, it actually reduces the extremity of the offer that the proposer makes.⁴⁴ Stated another way, the proposer's offer is likely to anchor the recipient, but it is not as aggressive.

A word of caution: offers can actually be too precise! Greater precision works when the recipient is an amateur, but can backfire when the recipient is an expert. Case in point: in a study involving both experts and amateurs in real estate, jewelry, automobile, and human resource negotiations, precise anchors backfired with experts because experts saw the precise offer as reflecting a lack of competence.⁴⁵ The negative effect occurred unless the proposer provided a rationale that was legitimate in the eyes of the expert recipient.

³⁹ Maaravi, Y., Pazy, A., & Ganzach, Y. (2014). Winning a battle but losing the war: On the drawbacks of using the anchoring tactic in distributive negotiations. *Judgment and Decision Making*, 9(6), 548–557.

⁴⁰ Ames, D. R., & Mason, M. F. (2015). Tandem anchoring: Informational and politeness effects of range offers in social exchange. *Journal of Personality and Social Psychology*, 108(2), 254–274.

⁴¹ Ames & Mason, "Tandom anchoring."

⁴² Mason, M. F., Lee, A. J., Wiley, E. A., & Ames, D. R. (2013). Precise offers are potent anchors: Conciliatory counter-offers and attributions of knowledge in negotiations. *Journal of Experimental Social Psychology*, 49(4), 759–763.

⁴³ Loschelder, D., Friese, M., & Trötschel, R. (2017). How and why precise anchors distinctly affect anchor recipients and senders. *Journal of Experimental Social Psychology*, 70, 164–176.

⁴⁴ Loschelder, Friese, & Trötschel, "How and why."

⁴⁵ Loschelder, D. D., Friese, M., Schaerer, M., & Galinsky, A. D. (2016). The too-much-precision effect. *Psychological Science*, 27(12), 1573–1587.

Early versus Late First Offers

Thus far, we have wrestled with the question of whether to make the first offer or encourage the other party to do so. A separate question concerns the *timing* of the first offer. For example, some negotiations involve the exchange of pleasantries and other conversation before offers are tendered; in other negotiations, people immediately initiate a volley of offers. *Late* first offers are more likely to lead to creative agreements that meet both parties' interests, as compared to *early* first offers—even when controlling for the overall duration of the negotiation. This is because late first offers allow negotiators to learn about the counterparty's interests.⁴⁶

Re-anchoring

Even though you are reading this book and will have a plan for whether to open first or not, the counterparty may not follow your plan. Suppose, for example, the counterparty makes an opening offer. It is unwise to accept the first offer. Negotiators whose first offers are accepted engage in counterfactual thoughts about how they could have done better (e.g., “What could have been different?”) and are less satisfied than negotiators whose first offers are not immediately accepted.⁴⁷ Consider how Dell's board of directors immediately countered Michael Dell's “lowball” opening offer. In August of 2012, Michael Dell approached the board of the computer company he founded from his college dorm room in 1984. His proposition was to take Dell Inc. private, and that he was the right person to do so. His first offer was a firm \$12/share. The board flatly rejected it and countered with \$24/share. Over several months, rival bidders extended better offers over Michael Dell's. In the fall of 2013, Michael Dell and partner Silver Lake raised their offer to \$13.75/share and tacked on a special-dividend sweetener. The board accepted the offer.⁴⁸

Counteroffers do two things. First, they diminish the prominence of the counterparty's initial offer as an anchor point in the negotiation. Second, they signal your willingness to negotiate. Suppose you have determined that both parties have good information and so, you want to open first, but the other party surprises you by opening first. In this situation, you should counteroffer. Your risk of being anchored by the counterparty is reduced if you've *planned* your opening offer and presented it. If you do not plan your opening offer, you risk being anchored by the counterparty. In one investigation, some negotiators who received an offer from the other party were coached to focus on information that was inconsistent with that offer; others were not given such coaching.⁴⁹ The result? *Thinking* about the opponent's BATNA or reservation price or even one's own target point negates the powerful anchoring impact that the other party's first offer might have on you. Above all, do not adjust your BATNA based upon the counterparty's offer, and do not adjust your target (unless you have under-aspired, such as when the other party makes an opening offer that is more attractive than your target!). It is extremely important not to be “anchored” by the counterparty's offer. An effective counteroffer moves the focus away from the other party's offer as a reference point.

⁴⁶ Sinaceur, M., Maddux, W., Vasiljevic, D., Nückel, R., & Galinsky, A. (2013). Good things come to those who wait. *Personality & Social Psychology Bulletin*, 39(6), 814–825.

⁴⁷ Galinsky, A. D., Seiden, V. L., Kim, P. H., & Medvec, V. H. (2002). The dissatisfaction of having your first offer accepted: The role of counterfactual thinking in negotiations. *Personality and Social Psychology Bulletin*, 28(2), 271–283.

⁴⁸ Gupta, P. (2013, September 12). Dell to invest more on PCs, tablets after \$25 billion buyout win. *Reuters*. reuters.com; Molina, B. (2013, September 9). Carl Icahn ends bid to stop Dell buyout. *USA Today*. usatoday.com

⁴⁹ Galinsky & Mussweiler, “First offers as anchors.”

CONCESSIONS

Once the first offers are on the table, the negotiation is not yet done! Ideally, negotiators need to not become entrenched and instead, begin a series of counteroffers. **Concessions** are the reductions that a negotiator makes during the course of a negotiation. Most negotiators expect to make concessions during negotiation.

Negotiators need to consider four things when formulating counteroffers and concessions: (1) concession reciprocity (versus aversion), (2) the pattern of concessions, (3) the magnitude of concessions, and (4) the timing of concessions.

Reciprocity versus Aversion

Concession reciprocity refers to the tendency of negotiators to reciprocate concessions. **Concession aversion** refers to the tendency for some negotiators to be disinclined to make concessions. Negotiators show stronger concession aversion and ultimately claim more value when negotiation proposals are framed to highlight their own, rather than the counterparty's, resources.⁵⁰ Specifically, proposal senders show greater concession aversion when they offer their own resources (versus requesting the counterparty's resources) in both buyer and seller negotiations. The opposite is true for recipients: recipients show stronger concession aversion when receiving requests rather than offers.

Concession Pattern

Unilateral concessions are concessions made by one party; in contrast, **bilateral concessions** are concessions made by both sides. Once you put an offer on the table, be patient. It is time for the counterparty to respond. Patience and silence can be important negotiation tools. Many negotiators make what we call **premature concessions**—they make more than one concession in a row before the other party responds or counteroffers. Always wait for a response before making a further concession. For example, Lewis Kravitz, an Atlanta executive coach and former outplacement counselor, advises patience and knowing when not to speak in the heat of negotiations. In one instance, he was coaching a young man who had just been fired by his team. The young man felt desperate and told Kravitz he was willing to take a \$2,000 pay cut and accept \$28,000 for his next job. Kravitz told the man to be quiet at the bargaining table and let the prospective employer make the first offer. At the man's next job interview, the employer offered him \$32,000, stunning the overjoyed job seeker into momentary silence. The employer interpreted the silence as dissatisfaction and increased the offer to \$34,000 on the spot.⁵¹

Consider unilateral concessions made during negotiations for the University of Michigan's school-naming rights. Alumni donated millions of dollars to their business school, hoping the school will be named after them. Stephen Ross, a property developer, made the first offer of \$50 million to the business school's dean. The dean did not accept. Ross then made an immediate concession by doubling his offer to \$100 million and received the naming rights.⁵² The haunting question is whether he could have offered less and still received the naming rights. Negotiators who make fewer

⁵⁰ Trötschel, R., Loshchelder, D. D., Höhne, B. P., & Majer, J. M. (2015). Procedural frames in negotiations: How offering my resources versus requesting yours impacts perception, behavior, and outcomes. *Journal of Personality and Social Psychology*, 108(3), 417–435.

⁵¹ Lancaster, H. (1998, January 27). You have to negotiate for everything in life, so get good at it. *The Wall Street Journal*, p. B1.

⁵² News from the schools. Name games. (2007, January 23). *The Economist*. economist.com

and smaller concessions maximize their slice of the pie, compared to those who make larger and more frequent concessions.⁵³ It is an almost universal norm that concessions take place in a *quid pro quo* fashion, meaning that negotiators expect a back-and-forth exchange of concessions between parties. People expect others to respond to concessions by making concessions in kind. However, negotiators should not offer more than a single concession at a time to the counterparty. Wait for a concession from the counterparty before making further concessions. An exception would be a situation in which you feel that the counterparty's offer is truly at his or her reservation point.

Magnitude of Concessions

Even though negotiators may make concessions in a back-and-forth method, this exchange does not say anything about the size of concessions made by each party. Thus, another consideration when making concessions is to determine how much to concede. The usual measure of a concession is the amount reduced or added (depending upon whether one is a seller or buyer) from one's previous offer. It is unwise to make consistently greater concessions than the counterparty. Moreover, making concessions may not have the desired effect. For example, salespeople who make concessions to customers do not improve customer satisfaction.⁵⁴

The magnitude of a negotiator's concessions is a powerful communication device. Negotiators who make large concessions may lose credibility and the other party may be *less* willing to concede. For these reasons, we advise negotiators to *match* the concession magnitude of the counterparty or make concessions that are slightly smaller in magnitude. Each successive concession should be smaller in magnitude than the previous concessions. Negotiators can signal that they are getting near their reservation point by reducing the size of their concessions. It is far better to make a large number of small concessions than a small number of large concessions.

GRIT The **graduated reduction in tension (GRIT) model** is a method in which parties avoid escalating conflict to reach mutual settlement within the bargaining zone.⁵⁵ The GRIT model, based on the reciprocity principle, calls for one party to make a concession and invites the other party to reciprocate by making a concession. The concession offered by the first party is significant, but not so much that the offering party is tremendously disadvantaged if the counterparty fails to reciprocate.

One study examined the degree of concessions made by negotiators over different points in the negotiation process (e.g., early on versus later).⁵⁶ Two types of concession patterns were compared: black-hat/white-hat (BH/WH) negotiators and white-hat/black-hat (WH/BH) negotiators. BH/WH negotiators began with a tough stance, made few early concessions, and later made larger concessions. WH/BH negotiators did the opposite: they began with generous concessions and then became tough and unyielding. The BH/WH concession strategy proved to be more effective than the WH/BH strategy in eliciting concessions from the counterparty. Why? The BH-turned-WH sets up a favorable contrast for the receiver. The person who has been dealing with the BH feels relieved to now be dealing with the WH.

⁵³ Siegel, S., & Fouraker, L. E. (1960). *Bargaining and group decision making*. New York: McGraw-Hill; Yukl, G. A. (1974). Effects of the opponent's initial offer, concession magnitude and concession frequency on bargaining behavior. *Journal of Personality and Social Psychology*, 30(3), 323–335.

⁵⁴ Chi, S. C., Friedman, R. A., & Shih, H. L. (2013). Beyond offers and counteroffers: The impact of interaction time and negotiator job satisfaction on subjective outcomes in negotiation. *Negotiation Journal*, 29(1), 39–60.

⁵⁵ Osgood, C. E. (1962). *An alternative to war or surrender*. Urbana: University of Illinois Press.

⁵⁶ Hilty, J. A. & Carnevale, P. J. (1993). Black-hat/white-hat strategy in bilateral negotiation. *Organizational Behavior and Human Decision Processes*, 55(3), 444–469.

EVEN-SPLIT PLOY A common technique is the **even-split** between whatever two offers are currently on the negotiation table. The concept of the even split has an appealing, almost altruistic flavor to it. So what is the problem with even splits? Consider a car-buying situation. Suppose you initially offered \$33,000 for the car, then \$34,000, and finally, \$34,500. Suppose the salesperson initially requested \$35,200, then reduced it to \$35,000, and then to \$34,600. The salesperson then suggests you split the difference at \$34,550, arguing that an even split of the difference would be “fair.” However, the pattern of offers up until that point was not “equal” in any sense. You made concessions of \$1,500; the salesperson made concessions of \$600. Further, even concessions that were of equal magnitude do not guarantee that the middle value is a “fair” value. It behooves a negotiator to begin with a high starting value and make small concessions. Often, the person who suggests the even split is in an advantageous position. You can avoid the even-split ploy by watching the magnitude of your concessions.

Timing of Concessions

The timing of concessions refers to whether they are immediate, gradual, or delayed.⁵⁷ In an analysis of buyer-seller negotiations, sellers who made immediate concessions received the most negative reaction from the buyer, who showed the least satisfaction and evaluated the object of sale most negatively. In contrast, when the seller made gradual concessions, the buyer’s reaction was most positive, with high satisfaction.

SUBSTANTIATION

Substantiation refers to the arguments or persuasive rationale that often accompanies an offer. The way in which an offer is presented affects the course of negotiations. Ideally, you present a rationale that is objective and invites the counterparty to buy into your rationale. If your proposals are labeled as “fair,” “even splits,” or “compromises,” they carry more impact. Conversely, if your facts can be easily counterargued by the other party, you will not benefit by making arguments.⁵⁸ Thus, it is important to be more informed than the other party. For example, agent Scott Boras, who represents many of the highest-paid baseball players in the game, totes an encyclopedic-sized binder detailing the accomplishments of every one of his clients, including seemingly obscure charts of a player’s potential impact on the team’s bottom line. When highly-prized client Prince Fielder entered free agency, Boras produced a 73-page binder of statistics, personal information, and intangibles about Fielder, which eventually netted the 27-year-old player a 9-year, \$214 million contract with the Detroit Tigers.⁵⁹

Power Conversation Tactics

When first offers are presented in negotiation, they are typically preceded by conversational language. In-depth qualitative analyses of the conversations that negotiators engage in prior to making their first offers revealed five different power conversation tactics that negotiators use to gain power, including: information-seeking, patronizing, organizing, proposing, and sharing.⁶⁰

⁵⁷ Kwon, S., & Weingart, L. R. (2004). Unilateral concessions from the other party: Concession behavior, attributions, and negotiation judgments. *Journal of Applied Psychology*, 89(2), 263–278.

⁵⁸ Maarvai, Y., Ganzach, Y. P., & Pazy, A. (2011). Negotiation as a form of persuasion: Arguments in first offers. *Journal of Personality and Social Psychology*, 101(2), 245–255.

⁵⁹ 73-page binder: Rangers target Prince Fielder could be better than Pujols. (2012, January 15). *Dallas Morning News*. sportsday.dallasnews.com

⁶⁰ Kim, N., & Park, H. (2017). Making the most of the first-offer advantage: Pre-offer conversation and negotiation outcomes. *Negotiation Journal*, 33(2), 153–170.

Information-seeking leads to greater power, whereas failure to seek information, patronizing, and proposing lead to loss of power.⁶¹

Constraints versus Disparagement

One investigation examined two types of rationales that negotiators made during negotiation.⁶² **Constraint** rationales refer to one's own limited resources (e.g., "I can't pay more ..."). In contrast, **disparagement** rationales critique the negotiated object or service (e.g., "It's not worth more ..."). Negotiators who highlight their own constraints are more successful than negotiators who argue down the value of an item. Constraint rationales signal negotiator's limits and are therefore more believable. Moreover, constraint rationales are less likely to insult the counterparty.

"Agreement" versus "Option"

At some point in negotiation, a negotiator might label a proposal as an "agreement" or an "option." Holding the economic value of such a proposal constant, the *labeling* of that proposal influences acceptance rates. In one investigation, negotiators chose to give up real value and sacrifice economic efficiency when the proposal was labeled as an "agreement," rather than as "option A."⁶³ Moreover, a personally advantageous option was avoided significantly more often when it was labeled "impasse" rather than "option B." The appeal of agreement and the aversion to impasse are potent conversational phrases that affect negotiator behavior.

Fairness Arguments

Perhaps no other argument is used more often in negotiation than "*This is fair.*" Indeed, concerns about justice and fairness extend from the negotiation process to the outcome and into the implementation stage of negotiation.⁶⁴ Consider for example, how fairness led to a conflict. For a number of years, it became the norm at Harvard for the university's endowment portfolio to be managed by internal Harvard fund managers. In order to keep these talented fund managers, Harvard structured the pay of these internal employees similarly to what fund managers would be paid if the fund was managed externally. This pay structure was seen to be fair—these employees were paid based on how their decisions grew the endowment and a number of these employee managers did remarkably well in the early 2000s, resulting in some earning in excess of \$30 million in yearly pay. Their fund management success earned billions for Harvard's endowment; the distributions of which were used for scholarships, faculty pay, and university expenditures. The university administrators saw this exchange as fair, even a bargain, compared to what the university could have paid external fund managers for the same work, until these employee pay outcomes were made transparent to the Harvard community. Alumni, faculty, and students did not see the pay distribution as fair and pressured Harvard's president at the time, Larry Summers, to change these internal fund managing employees to what others saw as a fair,

⁶¹ Kim & Park, "Making the most of the first-offer advantage."

⁶² Lee, A. J., & Ames, D. R. (2017). "I can't pay more" versus "It's not worth more": Divergent effects of constraint and disparagement rationales in negotiations. *Organizational Behavior and Human Decision Processes*, 141, 16–28.

⁶³ Tuncel, E., Mislin, A., Kesebir, S., & Pinkley, R. L. (2016). Agreement attraction and impasse aversion. *Psychological Science*, 27(3), 312–321.

⁶⁴ Druckman, D., & Wagner, L. (2017). Justice and fairness in negotiation. *Group Decision and Negotiation*, 26(1), 9–17; Druckman, D., & Wagner, L. M. (2016). Justice and negotiation. *Annual Review of Psychology*, 67, 387–413.

flattened pay structure. The result of this decision was Harvard then had to move a much larger share of the endowment management to external fund managers, which consequently now included several managers who were now Harvard ex-employees.⁶⁵

The Harvard example makes the point that people are very concerned with fairness. Negotiators often use one of three fairness principles when it comes to slicing the pie: equality, equity, and need.⁶⁶

1. **Equality rule**, or *blind justice*, prescribes equal shares for all. Outcomes are distributed without regard to inputs, and everyone benefits (or suffers) equally.
2. **Equity rule**, or *proportionality of contributions principle*, prescribes that distribution should be proportional to a person's contribution.
3. **Needs-based rule**, or *welfare-based allocation*, states that benefits should be proportional to need.

EGOCENTRISM AFFECTS JUDGMENTS OF FAIRNESS Consider the following situation: you and a college friend develop a potentially revolutionary (and profitable) idea for a new kind of water ski.⁶⁷ You spend about half of a year in your dorm's basement developing a prototype of the new invention. Your friend had the original idea; you developed the design and materials and assembled the prototype. The two of you talk to a patent lawyer about getting a patent, and the lawyer tells you a patent is pending on a similar product but the company will offer you \$3,000 for one of the innovative features of your design. You and your friend gladly accept. What division of the \$3,000 between you and your friend would you find to be most satisfying?

People's preferences for several possible distributions of the money for themselves and the other person were assessed.⁶⁸ People's utility functions were *social* rather than *individual*, meaning that individual satisfaction was strongly influenced by the payoffs received by the other, as well as the payoffs received by the self (see Exhibit 3-5). Social utility functions were tent-shaped. The most satisfying outcome was equal shares for the self and other (\$1,500 apiece). Discrepancies between payoffs to the self versus the other led to lower satisfaction. However, social utility functions were lopsided in that advantageous inequity (self receives more than other) was preferable to disadvantageous inequity (other receives more than self). Further, the relationship people had with the other party mattered: In positive or neutral relationships, people preferred equality; in negative relationships, people preferred advantageous inequity. (See Exhibit 3-6 for an examination of different types of profiles.) People will reject outcomes that entail one person receiving more than others and opt for a settlement of lower joint value but equal-appearing shares.⁶⁹ This arrangement is especially true when resources are "lumpy" (i.e., hard to divide into pieces), for example, a rug.⁷⁰

⁶⁵ Zenger, T. (2016, September 30). The case against pay transparency. *Harvard Business Review*. hbr.org

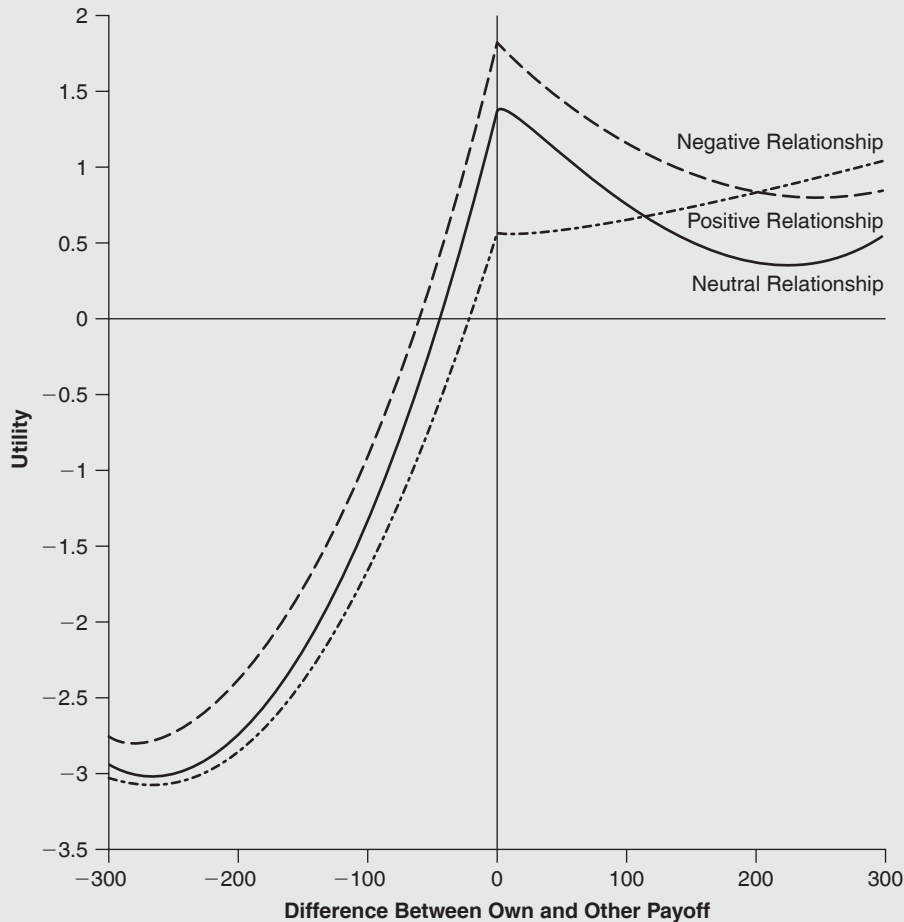
⁶⁶ Deutsch, M. (1985). *Distributive justice: A social-psychological perspective*. New Haven: Yale University Press.

⁶⁷ Loewenstein, G. F., Thompson, L., & Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social Psychology*, 57(3), 426–441.

⁶⁸ Loewenstein & Bazerman, "Social utility and decision making."

⁶⁹ McClelland, G., & Rohrbaugh, J. (1978). Who accepts the Pareto axiom? The role of utility and equity in arbitration decisions. *Behavioral Science*, 23(5), 446–456.

⁷⁰ Messick, D. M. (1993). Equality as a decision heuristic. In B. A. Mellers & J. Baron (Eds.), *Psychological perspectives on justice* (11–31). New York: Cambridge University Press.

EXHIBIT 3-5**Social Utility as a Function of Discrepancy between Our Own and Others' Outcomes**

Source: Loewenstein, G. F., Thompson, L., & Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social Psychology*, 57(3), 426–441.

Another example of egocentric bias: people pay themselves substantially more than they are willing to pay others for doing the same task.⁷¹ People were asked: if they worked for 7 hours and were paid \$25 while another person worked for 10 hours, how much did they think the other person should get paid? Most answered that the other person should get paid more for doing more work—about \$30.29 on average. Then they switched roles and asked if the other person worked for 7 hours and was paid \$25 and they worked for 10 hours, what is a fair wage for them to be paid? The average response was \$35.24. The difference between \$35.24 and \$30.29 is about \$5, which illustrates the phenomenon of egocentric bias.

⁷¹ Messick, D. M., & Sentis, K. P. (1979). Fairness and preference. *Journal of Experimental Social Psychology*, 15(4), 418–434.

EXHIBIT 3-6

Profiles of Pie Slicers

Have you ever wondered whether most people are truly interested in other people or are only concerned about their own profit? To examine this question, MBA students were given several hypothetical scenarios, such as the situation involving the ski invention, and asked what division of resources (and, in some cases, costs) they preferred. Further, people made responses for different kinds of relationships: friendly ones, antagonistic ones, and neutral ones. Three types of people were identified:

- **Loyalists** prefer to split resources equally, except in antagonistic relationships (27%).
- **Saints** prefer to split resources equally no matter whether relationships are positive, neutral, or negative (24%).
- **Ruthless competitors** prefer to have more resources than the other party regardless of relationship (36%).

Source: Based on Loewenstein, G. F., Thompson, L., & Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social Psychology*, 57(3), 426–441.

Egocentric judgments of fairness also emerge in other ways. For example, people select fairness rules in a self-serving fashion: when people make minimal contributions, they often prefer equality rather than equity; however, when people's contributions are substantial, they opt for equity rather than equality.⁷² Even if people agree to use the same fairness rule, they think it is fair for them to get more than others in a similar situation because they think they would have contributed more.⁷³

Another way people can engage in egocentric evaluation is to selectively weigh different aspects of the exchange situation in a way that favors them. Consider a situation in which participants are told how many hours they worked on a task of assembling questionnaires, as well as how many questionnaires they completed. The key dimensions are hours worked and productivity. Participants are then asked to indicate what they believe is fair payment for their work. Those who worked long hours, but did not complete many questionnaires, emphasize the importance of hours; in contrast, those who worked short hours, but completed many questionnaires, emphasize quantity completed. Thus, people emphasize the dimension that favors them.⁷⁴

Appeals to equality can also be self-serving.⁷⁵ At a superficial level, equality is simple. Employing equality as a division rule in practice, however, is complex because of the multiple dimensions on which equality may be established.⁷⁶ Furthermore, equality is not consistently applied. For example, when the outcome is evenly divisible by the number in the group, people will use equality more than when even division is not possible.⁷⁷ The problem with egocentric judgment is that it makes negotiations more difficult to resolve.

⁷² Van Avermaet, E. (1974). *Equity: A theoretical and experimental analysis*. Unpublished doctoral dissertation, University of California, Santa Barbara.

⁷³ Messick, D. M., & Rutte, C. G. (1992). The provision of public goods by experts: The Groningen study. In W. B. G. Liebrand, D. M. Messick, & H. A. M. Wilke (Eds.), *Social dilemmas: Theoretical issues and research findings* (pp. 101–109). Oxford, England: Pergamon Press.

⁷⁴ Van Avermaet, *Equity*.

⁷⁵ Messick, "Equality as a decision heuristic."

⁷⁶ Harris, R. J., & Joyce, M. A. (1980). What's fair? It depends on how you ask the question. *Journal of Personality and Social Psychology*, 38(1), 165–179.

⁷⁷ Allison, S. T., & Messick, D. M. (1990). Social decision heuristics in the use of shared resources. *Journal of Behavioral Decision Making*, 3(3), 195–204.

The preceding examples suggest that people immediately seize upon any opportunity to favor themselves. However, in many situations, people would ultimately benefit by not having egocentric views. Consider arbitration situations: people's predictions of judges' behavior are biased in a manner that favors their own side. Efforts to eliminate bias among litigants are met with virtually no success. Informing parties of the potential bias or providing them with information about the counterparty's point of view does little to assuage biased perceptions of fairness, suggesting that egocentric biases are deeply ingrained.⁷⁸

Most situations are ambiguous enough that people can construe them in a fashion that favors their own interests. One unfortunate consequence is that people develop different perceptions of fairness even when they are presented with the same evidence. Consider a strike situation in which people are provided with background information about a hypothetical teachers union and board of education. The background material is constructed so that some facts favor the teachers and other facts favor the board of education. On balance, the facts are equal. In one condition, both disputants are presented with extensive, identical background information concerning the dispute. In another condition, disputants are presented with abbreviated, much less extensive background information. Those who have extensive information are more likely to go on strikes that last longer and are more costly to both parties, compared to disputants who do not have extensive information, even though the information is identical for both sides.⁷⁹ Information, even when shared among parties, creates ambiguity and provides fertile ground for unchecked self-interest to operate.

Reducing egocentrism is not easy. In general, leading people to consider other members' contributions to a joint task reduces self-centered judgments.⁸⁰ However, this can backfire by activating egoistic theories of people's behavior and claiming more in subsequent situations.⁸¹

RELATIONSHIPS AFFECT JUDGMENTS OF FAIRNESS When negotiators share similar attitudes and beliefs, are physically close to one another, or when it is likely they will engage in future interaction, they prefer equality rule. When the allocation is public (others know what choices are made), equality is used; when allocation is private, equity is preferred. Friends tend to use equality, whereas non-friends or acquaintances use equity.⁸² Further, people in relationships with others do not consistently employ one rule of fairness, but rather, use different fairness rules for specific incidences that occur within relationships. For example, when people in relationships are asked to describe a recent incident from their own relationship that illustrates a particular justice principle (equity, equality, or need), needs-based fairness is related to incidents involving nurturing and personal development, whereas equity- and equality-based fairness are related to situations involving the allocation of responsibilities.⁸³ In general, equality-based pie-slicing strategies are associated with more positive feelings about the decision, the situation, and one's partner.

⁷⁸ Babcock, L., Loewenstein, G., Issacharoff, S., & Camerer, C. (1995). Biased judgments of fairness in bargaining. *The American Economic Review*, 85(5), 1337–1343.

⁷⁹ Thompson, L. & Loewenstein, G. (1992). Egocentric interpretations of fairness and interpersonal conflict. *Organizational Behavior and Human Decision Processes*, 51(2), 176–197.

⁸⁰ Caruso, Epley, & Bazerman. "The costs and benefits of undoing egocentric responsibility"; Epley, N., Caruso, E., & Bazerman, M. H. (2006). When perspective taking increases taking: Reactive egoism in social interaction. *Journal of Personality and Social Psychology*, 91(5), 872–889.

⁸¹ Epley, Caruso, & Bazerman, "When perspective taking increases taking."

⁸² Austin, W. (1980). Friendship and fairness: Effects of type of relationship and task performance on choice of distribution rules. *Personality and Social Psychology Bulletin*, 6(3), 402–408.

⁸³ Steil, J. M., & Makowski, D. G. (1989). Equity, equality, and need: A study of the patterns and outcomes associated with their use in intimate relationships. *Social Justice Research*, 3(2), 121–137.

Fairness rules also depend on whether people are dealing with rewards versus costs. Equality is often used to allocate benefits, but equity is more commonly used to allocate burdens.⁸⁴ For example, in one investigation people were involved in a two-party negotiation concerning a joint project.⁸⁵ In the benefit-sharing condition, negotiators were told that their joint project produced a total earning of 3,000 GL (a hypothetical monetary unit) and their task was to reach an agreement about how to divide this amount with their partner. Participants were told they had personally incurred a cost of 1,350 GL for this project and their final profit would be determined by subtracting 1,350 from the negotiated agreement amount. In the cost-sharing condition, the situation was exactly the same except participants were told they had personally invested 1,650 GL. Thus, the bargaining situation was identical in both situations, with the exception of the personal investment. Obviously, an equal split of 3,000 GL would mean 1,500 GL apiece, which would result in a gain in the benefit condition and a loss in the cost condition. Negotiators were more demanding and tougher when bargaining how to share costs than benefits. Furthermore, fewer equal-split decisions were reached in the cost condition.

When a situation is complex, involving multiple inputs in different dimensions, people are more likely to use the equality rule. Thus, groups often split dinner bills equally rather than compute each person's share. This approach can lead to problems. Group members aware of the pervasive use of equality may actually spend more individually. No group member wants to pay for more than they get; if people cannot control the consumption of others, they consume more.

Different fairness rules are a potential source of conflict and inconsistency.⁸⁶ For example, people who are allocating resources choose different rules of fairness than do people who are on the receiving end. Allocators often distribute resources equally, even if they have different preferences. In contrast, recipients who have been inequitably but advantageously treated, justify their shares—even when they would not have awarded themselves the resources they received.⁸⁷

Social Comparison

Social comparison is an inevitable fact of life in organizations and relationships. How does someone's higher salary, larger office, special opportunities, or grander budget affect us? Are we happy for other people—do we bask in their glory when they achieve successes—or are we threatened and angry? Negotiators who feel more envious about their counterparty's outcomes, actually perform better in negotiations than those who do not feel envy.⁸⁸ For this reason, when it comes to pay and compensation, people are more concerned about how much they are paid relative to other people than about the absolute level of their pay (see Exhibit 3-7 for an example of social comparison).⁸⁹

⁸⁴ Sondak, H., Neale, M. A., & Pinkley, R. (1995). The negotiated allocation of benefits and burdens: The impact of outcome valence, contribution and relationship. *Organizational Behavior and Human Decision Processes*, 64(3), 249–260.

⁸⁵ Ohtsubo, Y., & Kameda, T. (1998). The function of equality heuristic in distributive bargaining: Negotiated allocation of costs and benefits in a demand revelation context. *Journal of Experimental Social Psychology*, 34(1), 90–108.

⁸⁶ Deutsch, M. (1985). *Distributive justice: A social-psychological perspective*. New Haven: Yale University Press.

⁸⁷ Diekmann, K. A., Samuels, S. M., Ross, L., & Bazerman, M. H. (1997). Self-interest and fairness in problems of resource allocation. *Journal of Personality and Social Psychology*, 72(5), 1061–1074.

⁸⁸ Kohler, S. (2013). Envy can promote more equal division in alternating-offer bargaining. *Journal of Neuroscience, Psychology, and Economics*, 6(1), 31–41.

⁸⁹ Adams, S. (1966). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 2* (pp. 267–299). New York: Academic Press; Blau, P. M. (1964). *Exchange and power in social life*. New York: Wiley; Deutsch, "Distributive justice."; Homans, G. C. (1961). *Social behavior: Its elementary forms*. New York: Harcourt, Brace & World; Walster, E., Berscheid, E., & Walster, G. W. (1973). New directions in equity research. *Journal of Personality and Social Psychology*, 25(2), 151–176.

EXHIBIT 3-7**Self-interest versus Social Comparison**

Imagine that you are being recruited for a position in Firm A. Your colleague, Jay, of similar background and skill, is also being recruited by Firm A. Firm A has made you and Jay the following salary offers:

Your salary: \$75,000

Jay's salary: \$95,000

Your other option is to take a position at Firm B, which has made you an offer. Firm B has also made your colleague, Ines, an offer:

Your salary: \$72,000

Ines's salary: \$72,000

Which job offer do you take: Firm A's or Firm B's? If you follow the principles of rational judgment, you will take Firm A's offer—it pays more money. However, if you are like most people, you prefer Firm B's offer because you do not like feeling you are being treated unfairly.

Source: Based on Bazerman, M. H., Loewenstein, G., & White, S. (1992). Reversals of preference in allocating decisions: Judging an alternative versus choosing among alternatives. *Administrative Science Quarterly*, 37, 220–240.

Equity Principle

People make judgments about what is fair based on what they are investing in the relationship and what they are getting out of it. Inputs are investments in a relationship that usually entail costs. For example, the person who manages the finances and pays the bills in a relationship incurs time and energy costs. An output is something that a person receives from a relationship. The person who does not pay the bills enjoys the benefits of a financial service. Outputs, or outcomes, may be positive or negative. In many cases, A's input is B's outcome, and B's input is A's outcome. For example, a company pays (input) an employee (outcome) who gives their time and expertise (input) to further the company's goals (outcome). Consider how equity concerns fueled the contentious negotiations between the Writers Guild of America (WGA) and its employers, the Alliance of Motion Picture and Television Producers (AMPTP). Across a span of more than 10 years, WGA's screenwriters watched their wages steadily decline, as they collectively earned nearly a third less in 2015 than 10 years prior, despite their competitive advantage in the marketplace. With broadcast networks attracting a much smaller percentage of the audience than 10 years prior, the AMPTP grew much more dependent on new content generated by screenwriters for competitive advantage. The WGA negotiation representatives pushed the AMPTP for higher script fees, better payment structure parity across media outlets, relaxation of writer exclusivity contracts, and an increase in employer contributions to the WGA's health-care plan. Negotiations went down to the last minute with talks concluding just short of the strike deadline.⁹⁰

⁹⁰ Robb, D. (2017, February 25). WGA members "ready to strike" after round of pre-contract talks meetings. *Deadline Hollywood*. deadline.com; Koblin, J., & Barnes, B. (2017, April). As Hollywood writers' contract ends, studios are more vulnerable. *The New York Times*. nytimes.com; McNary, D. (2017, April 24). Writers guild members vote for strike authorization with 96% support. *Variety*. variety.com; Hibberd, J., & Krukowski, A. (2007, July 16). WGA salvo kicks off contract talks. *Television Week*, 26(29), 3–4.

Equity exists in a relationship if each person's outcomes are proportional to his or her inputs. Equity, therefore, refers to equivalence of the outcome/input ratio of parties; inequity exists when the ratio of outcomes to inputs is unequal. Equity exists when the profits (rewards minus costs) of two actors are equal.⁹¹ However, complications arise if two people have different views of what constitutes a legitimate investment, cost, or reward and how they rank each one. For example, the Dodd–Frank law requires companies to report CEO compensation as a multiple of median worker pay, revealing the actual ratio between CEO pay and employee pay at individual companies. The average U.S. CEO makes between 273 and 354 times as much as the median worker; in France, that multiple is 104, in Japan it's 67. In 2013, John Mackey, cofounder and co-CEO of Whole Foods, earned 19 times more than the average Whole Foods worker and claimed that large inequities lead to worse employee morale and reduced loyalty.⁹²

Equity exists when a person perceives equality between the ratio of his or her own outcomes (O) to inputs (I) and the ratio of the other person's outcomes to inputs, where a and b represent two people:⁹³

$$\frac{O_a}{I_a} = \frac{O_b}{I_b}$$

However, this equity formula is less applicable to situations in which inputs and outcomes might be either positive or negative. The basic equity formula may be reconstructed as follows:

$$\frac{O_a - I_a}{|I_a|^{ka}} = \frac{O_b - I_b}{|I_b|^{kb}}$$

This formula proposes that equity prevails when the disparity between Person a 's outcomes and inputs and Person b 's outcomes and inputs are equivalently proportional to the absolute value of each of their inputs. The numerator is "profit," and the denominator adjusts for positive or negative signs of input. Each k takes on the value of either +1 or −1, depending on the valence of participants' inputs and gains (outcomes; inputs).

RESTORING EQUITY Suppose that you were hired by Company X last year with an annual salary of \$85,000. You felt happy about your salary until you learned that your colleague at the same company, whom you regard to be of equivalent skill and background, is paid \$5,000 more per year. How do you deal with this inequity? When people find themselves in an inequitable relationship, they become distressed; the greater the perceived inequity, the more distressed people feel. Distress drives people to attempt to restore equity.

People who believe they are underpaid feel dissatisfied and seek to restore equity.⁹⁴ For example, underpaid workers reduce their level of effort and productivity to restore equity,⁹⁵ and in some cases they leave organizations characterized by inequity to join an organization in

⁹¹ Homans, *Social behavior*.

⁹² McGregor, J. (2013, August 22). What if we knew how much CEO's made vs. their workers? *The Washington Post*. washingtonpost.com

⁹³ Adams, S. (1966). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 2* (p.37). New York: Academic Press.

⁹⁴ Walster, E., Berscheid, E., & Walster, G. W. (1973). New directions in equity research. *Journal of Personality and Social Psychology*, 25(2), 151–176.

⁹⁵ Greenberg, J. (1988). Equity and workplace status: A field experiment. *Journal of Applied Psychology*, 73(4), 606–613.

which wages are more fairly distributed, even if they are paid less in absolute terms.⁹⁶ Consider what happened when two vice presidents of a major *Fortune 100* company were promoted to senior vice president at about the same time. Both of them moved into new offices, but one of them suspected an inequity. He pulled out blueprints and measured the square footage of each office. His suspicions were confirmed when it turned out the other guy's office was bigger than his by a few feet. A former employee said, "He blew a gasket." Walls were moved, and his office was reconfigured to make it as large as his counterpart's.⁹⁷

People use the following six means to eliminate the tension arising from inequity:⁹⁸

1. **Alter the inputs.** The senior VP could work less hard, take on fewer projects, take more days off.
2. **Alter the outcomes.** The senior VP could make his office bigger—which he did.
3. **Cognitively distort inputs or outcomes.** The senior VP could minimize the importance of his contributions and maximize the perceived value of his office—for example, by deciding that his office was quieter than that of his counterpart.
4. **Leave the situation.** The senior VP could quit his job.
5. **Cognitively distort either the inputs or the outcomes of an exchange partner.** The senior VP may view the other VP as contributing more, or perhaps regard the big office to be less attractive than it actually is.
6. **Change the object of comparison.** The senior VP may stop comparing himself to the other senior VP and start comparing himself to someone else in the company.

The use of the first two strategies depends on whether the person has been over- or under-rewarded. Over-rewarded individuals can increase their inputs or decrease their outcomes to restore equal ratios, whereas under-rewarded people must decrease their inputs or increase their outcomes. For example, people work harder if they think they are overpaid. Conversely, people may cheat or steal if they are underpaid.⁹⁹

Given the various methods of restoring equity, what determines which method will be used? People engage in a cost-benefit analysis and choose the method that maximizes positive outcomes. Usually, this method minimizes the necessity of increasing any of one's own inputs that are difficult or costly to change and also minimizes the necessity of real changes or cognitive changes in inputs/outcomes that are central to self-concept. Simply put, it is often easier to rationalize a situation than to do something about it. Further, this type of change minimizes the necessity of leaving the situation or changing the object of social comparison once it has stabilized. Thus, we are not likely to ask for a salary cut if we think we are overpaid, but we are more inclined to regard the work we do as more demanding. The equity drive is so strong that people who are denied the opportunity to restore equity will derogate others, thereby restoring **psychological equity**. If distortion must occur, people focus on the other person's inputs or outcomes before distorting their own, especially if such distortion threatens their self-esteem. Leaving the situation and changing the object of comparison involves the highest costs because they disrupt the status quo and violate justice beliefs.

⁹⁶ Schmitt, D. R., & Marwell, G. (1972). Withdrawal and reward reallocation in response to inequity. *Journal of Experimental Social Psychology*, 8(3), 207–221.

⁹⁷ Klein, A. (2003, June 15). Lord of the flies. *The Washington Post*, p. W06.

⁹⁸ Adams, S. (1966). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology*: Vol. 2. New York: Academic Press.

⁹⁹ Greenberg, J. (1990). Employee theft as a reaction to underpayment inequity: The hidden cost of pay cuts. *Journal of Applied Psychology*, 75(5), 561–568.

FINAL OFFERS

Negotiation cannot go on forever. At some point, one party makes a final offer. The phrase, “this is my final offer” is probably uttered more than any other in negotiation. Making an irrevocable commitment such as a “final offer,” should be done only when you really mean it and are prepared to walk away from the bargaining table. Of course, you should only walk away from the bargaining table if your BATNA is more attractive than the counterparty’s offer. It is difficult to make “binding” commitments that are credible. Consider the threat that Newfoundland and Labrador Premier Danny Williams made to Exxon Mobil when negotiating a multibillion-dollar Hebron offshore oil deal. Williams based his position on the importance of an adequate deal to Newfoundlanders, committed to it, and challenged oil companies, “Well, fine. Go somewhere else. We’ll still have our oil.” Eventually, Exxon Mobil and Chevron capitulated and agreed to Williams’s terms.¹⁰⁰ In this situation, the threat worked. However, in other situations, threats don’t work, such as in the case of American Crystal Sugar Company’s (ACS) contract negotiations with the Bakery, Confectionery, Tobacco Workers, and Grain Millers (BCTGM) Union. After spending 8 days in talks, BCTGM Union members grew frustrated that the two parties were so far apart in terms of proposals and walked out of the negotiations during a break. Lisa Borgen, ACS’s Vice President for Administration, said of the Union walk out, “Rather than giving the Company the courtesy of hearing the best and final offer, the Union simply walked away from the negotiations without notice. Accordingly, the Company has sent its best and final offer to the Union leaders . . . [but] there’s a distinction between ‘final’ or ‘last and final.’ The words speak for themselves. Final is final.” ACS’s final offer included a bonus payment of \$2,250 per worker if the Union approved a deal in 10 days’ time. This time pressure and bonus prompted the BCTGM Union to immediately vote on and accept ACS’s proposal avoiding further negotiations and a possible lock out of employees.¹⁰¹

Face-Saving

“Face” or dignity in a negotiation has been called “one of an individual’s most sacred possessions.”¹⁰² **Face** is the value a person places on his or her public image, reputation, and status *vis-à-vis* other people in the negotiation. Direct threats to face in a negotiation include making ultimatums, criticisms, challenges, and insults. Often, the mere presence of an audience can make “saving face” of paramount importance for a negotiator. When a person’s face is threatened in a negotiation, it can tip the balance of their behavior away from cooperation toward competition, resulting in impasses and lose–lose outcomes.

People differ in terms of how sensitive they are to losing face. A negotiator’s face threat sensitivity (FTS) is their likelihood of having a negative reaction to a face threat.¹⁰³ People with high FTS have a lower threshold for detecting and responding to face threats. Their emotional responses range from feelings of anger or frustration to a feeling of betrayal or sadness. In turn, they may not trust the other party and refuse to share information. We measured negotiators’

¹⁰⁰ Campbell, C. (2007, September 10–17). How to win, in a fight with Big Oil. *Maclean’s*, 120(35/36), 62.

¹⁰¹ Pates, M. (2017, May 12). American Crystal Sugar sends final offer. *Grand Forks Herald*. grandforksherald.com; Union approves contract with American Crystal Sugar. (2017, May 19). *Valley News Live*. valleynewslive.com

¹⁰² Deutsch, M. (1961). The face of bargaining. *Operations Research*, 9(6), 886–897.

¹⁰³ Tynan, R. O. (2005). The effects of threat sensitivity and face giving on dyadic psychological safety and upward communication. *Journal of Applied Social Psychology*, 35(2), 223–247.

FTS and the impact it had on their behavior and the quality of their negotiated outcomes.¹⁰⁴ Negotiators were asked how easily their feelings get hurt, and the extent to which they are “thin-skinned” and “don’t respond well to criticism.” In buyer–seller negotiations, fewer win–win agreements were reached when the seller had high FTS. In employment negotiations, job candidates were less likely to make win–win deals if they had high FTS.

The best way to help the other party save face is to not indicate that you think he or she has lost face. If the other takes an irrevocable stance, such as labeling an offer as “final,” what can you do? First, do not acknowledge their statement as final. Instead of saying, “So, if this is your final offer, I guess things are over,” you might say, “Let me consider your offer and get back to you.” By not acknowledging the finality of an offer, you provide the other party with an “out” to resume negotiations later. For example, during the 1985 Geneva Summit meeting, a tense moment occurred when Mikhail Gorbachev of the Soviet Union glumly declared (after hours of negotiating with U.S. President Ronald Reagan), “It looks as if we’ve reached an impasse.”¹⁰⁵ Instead of acknowledging this comment, Reagan quickly suggested that they take a break and proposed taking a walk outside. This suggestion proved to be a critical move in allowing Gorbachev to come back to the table. Said Gorbachev, “Fresh air may bring fresh ideas.” Reagan replied, “Maybe we’ll find the two go together.”¹⁰⁶

In other situations, you may have to help the other party by finding a face-saving strategy, perhaps achieved by relabeling some of the terms of the negotiation. An excellent example of face saving occurred in the General Motors (GM)–Canadian United Auto Workers strike talks. The Canadian union had insisted on a wage increase; GM wanted to institute a profit-sharing scheme while keeping wages at a minimum, especially because of GM’s fear of a slippery slope. A solution was devised such that wages were kept at a minimum but workers were given an incentive-based increase.¹⁰⁷

CHAPTER CAPSTONE

When it comes to claiming value, the most valuable information is a negotiator’s best alternative to reaching agreement (i.e., BATNA). Nothing can substitute for the power of a strong BATNA. Negotiators can enhance their ability to claim value by engaging in the following strategies: determine your BATNA prior to negotiations and attempt to improve upon it; determine your reservation point; research the other party’s BATNA; set high aspirations; make the first offer in cases of symmetric information; invite the other party to make first offer in cases of extreme asymmetry; immediately re-anchor if the other party opens with an “outrageous” offer; plan your concessions; support your offers with facts; appeal to norms of fairness; and do not fall for the “even split” ploy. Negotiators should not reveal their reservation price (unless it is very attractive) and should never lie about their BATNA. A negotiator who is well versed in the psychology of fairness is at a pie-slicing advantage in negotiation.

¹⁰⁴ White, J. B., Tynan, R., Galinsky, A. D., & Thompson, L. (2004). Face threat sensitivity in negotiation: Roadblock to agreement and joint gain. *Organizational Behavior and Human Decision Processes*, 94(2), 102–124.

¹⁰⁵ Thomas, E. (1985, December 2). Fencing at the fireside summit: With candor and civility, Reagan and Gorbachev grapple for answers to the arms-race riddle. *Time*, 126(22), 22.

¹⁰⁶ Thomas, “Fencing at the fireside summit.”

¹⁰⁷ Gunnarsson, S., & Collison, R. (Directors/Producers). (1985). *Final offer*. Montreal: National Film Board of Canada.

4

INTEGRATIVE NEGOTIATION: EXPANDING THE PIE

Against the backdrop of India's growing tensions with China, the President of Sri Lanka, Gotabaya Rajapaksa, announced in July 2020 that his government would review the country's port agreement with India, estimated to be worth \$500–700 million. The previous Sri Lankan government had signed a memorandum of understanding (MoU) with India and Japan to develop the new East Container Terminal (ECT) in Colombo. Although the MoU stated that Sri Lanka would hold the 51% majority share of the project, trade unions feared that the ownership of ECT would eventually be relinquished to India. The Ports, Commerce Industries and Progressive Workers Union went on strike to demand total Sri Lankan ownership, as they were convinced that India would, in due course, move for complete control, making Sri Lanka nothing more than an Indian province. In July 2020, Rajapaksa contended that as nearly 70% of all Sri Lankan international cargo traffic is with India, a committee would be constituted to recommend steps to ensure that Sri Lanka reaps the maximum benefit from the project. In turn, India was keen to avoid a repeat of the debacle over the port in Hambantota, in southern Sri Lanka. The port's construction had been bankrolled by the Chinese, and after the port failed to generate enough profit to pay off the loan, it was leased to China for 99 years for \$1.1 billion. Thus, an agreement on the ECT would represent a win–win situation for India and Sri Lanka.¹

The India–Sri Lanka negotiation over the development and operation of the ECT involved a number of broader economic and political concerns. Crafting integrative agreements requires all the skills we have covered thus far in addition to other considerations, such as the split in ownership that was part of this deal. Many people who think they are in a win–win negotiation fail to recognize ancillary issues that also need to be addressed. This chapter provides strategies for creating integrative agreements.

FIXED-SUM VERSUS VARIABLE-SUM NEGOTIATION

Most negotiators are motivated to search for integrative agreements that leverage the interests of both parties. Such agreements are considered to be “win–win” because they involve the creation of mutual gain. Through the discovery of parties' differing interests, it is possible to create synergistic value and in so doing, the bargaining zone increases and the likelihood of impasse decreases. Unfortunately, many negotiators hold faulty assumptions that prevent the discovery and creation of integrative agreements. Two of the most common faulty assumptions are: false conflict and the fixed-pie perception.

¹ Instigated by China, Sri Lanka could end port deal with India? (2020, July 11). *The EurAsian Times*. eurasian-times.com.

False Conflict

False conflict, also known as **illusory conflict**, occurs when people believe that their interests are incompatible with the other party's interests when in fact, they are not. For example, in a labor strike at the Dow Chemical Company, both union and management preferred the same wage increase, but neither party realized this fact at the time of the strike.²

Consider a particularly insidious and widespread effect in negotiations: **the lose–lose effect**.³ To examine this, we constructed a negotiation situation in which parties had compatible interests on a few of the negotiation issues, meaning both parties wanted the same outcome. At first, it seemed absurd to imagine any outcome occurring other than the parties settling for what was obviously the best solution for both (given their identical interests). However, a substantial number of negotiators failed to realize that the other party had interests that were completely compatible with their own, and reached settlements that were less optimal for both parties than other readily available outcomes. The failure to capitalize on compatible interests is known as a lose–lose agreement.⁴ In an analysis of 32 different negotiation studies conducted with more than 5,000 people, negotiators failed to realize compatible issues about 50% of the time and fell prey to the lose–lose effect about 20% of the time.⁵

What should negotiators do to avoid lose–lose agreements? First, they should be aware of the fixed-pie perception and not assume that their interests are in contradiction with those of the other party. Second, negotiators should avoid making **premature concessions** to the other party (i.e., conceding on issues before even being asked). Third, negotiators should develop an accurate understanding of the other party's interests—a skill we explore in-depth.

Fixed-Pie Perception

The **fixed-pie perception** is the belief that the counterparty's interests are directly and completely opposed to one's own interests.⁶ Most untrained negotiators view negotiation as a pie-slicing task: They assume that their interests are incompatible, that impasse is likely, and that issues should be discussed individually, rather than as bundles or packages.⁷ For example, in one investigation, negotiators' perceptions of the counterparty's interests were assessed immediately before, during, and then following a negotiation.⁸ Most negotiators (68%) perceived the other's interests to be completely opposed to their own. However, negotiators actually shared some interests that could be profitably traded off or were completely compatible. Unfortunately,

² Balke, W. M., Hammond, K. R., & Meyer, G. D. (1973). An alternate approach to labor-management relations. *Administrative Science Quarterly*, 18(3), 311–327.

³ Thompson, L., & Hrebec, D. (1996). Lose–lose agreements in interdependent decision making. *Psychological Bulletin*, 120(3), 396–409.

⁴ Thompson & Hrebec, "Lose–lose agreements."

⁵ Thompson & Hrebec, "Lose–lose agreements."

⁶ Fisher, R., & Ury, W. (1981). *Getting to yes*. Boston: Houghton Mifflin; Bazerman, M. H., & Neale, M. A. (1983). Heuristics in negotiation: Limitations to effective dispute resolution. In M. Bazerman & R. Lewicki (Eds.), *Negotiating in organizations* (51–67). Beverly Hills, CA: Sage; Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior and Human Decision Processes*, 47(1), 98–123.

⁷ O'Connor, K. M., & Adams, A. A. (1999). What novices think about negotiation: A content analysis of scripts. *Negotiation Journal*, 15(2), 135–148.

⁸ Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior and Human Decision Processes*, 47(1), 98–123.

banishing the fixed-pie perception is difficult. It is not sufficient to warn negotiators of its existence.⁹ Further, it is not enough for negotiators to have experience.¹⁰ It is not even enough for negotiators to receive feedback about the counterparties' interests to eliminate the fixed-pie perception.¹¹

Lack of time and effort do not explain lose–lose outcomes and the fixed-pie perception. In fact, negotiators who are accountable (held responsible) for their outcomes may be at greatest risk for harboring faulty fixed-pie perceptions. Negotiators who feel accountable for their outcomes, are *more* likely to hold the faulty fixed-pie perception when negotiating with an *in*-group member than with an *out*-group member.¹²

The biggest detriment to attaining integrative agreements is the faulty assumptions we make about the counterparty and the negotiation situation. Rarely are negotiations purely competitive situations. Rather, most negotiation situations are **mixed-motive** in nature, meaning that parties' interests are imperfectly correlated with one another. The gains of one party do not represent equal sacrifices by the other. For example, consider a negotiation between two collaborators on a joint project: one is risk-averse and values cash up front more than riskier long-term payoffs; the other is more interested in long-term value than in current gains. The two may settle on a contract in which a large lump sum is paid to the risk-averse negotiator, and the other party reaps most of the (riskier) profits in the long term.

Few conflicts are purely win or lose.¹³ In most mixed-motive negotiations, parties realize that they have two incentives vis-à-vis the other party: cooperation (so that they can reach an agreement and avoid resorting to their BATNAs) and competition (so that they can claim the largest slice of the pie). However, what this analysis misses is the incentive to create value, which is the key to integrative negotiation.

INTEGRATIVE NEGOTIATION

Distributive negotiation focuses on how negotiators divide resources; **integrative negotiation** refers to how negotiators create the resources (that will ultimately be divided). Obviously, allocating resources is always necessary in negotiation, but integrative negotiation does not focus on how the resources are divided between parties; rather, integrative negotiation refers to how many resources are created for a win–win outcome. For most people, the goal of expanding the total volume of resources via integrative negotiation is to allow both parties to gain, hence the term, “win–win.”

Compromise versus Integrative Negotiation

Compromise refers to reaching a middle ground between negotiators' positions. Many negotiators believe that “even splits” signal win–win. We disagree. Even splits, like compromises, refer to how the bargaining zone is divided among the negotiators. For example, two sisters

⁹ Thompson, L. (1991). Information exchange in negotiation. *Journal of Experimental Social Psychology*, 27(2), 161–179.

¹⁰ Thompson, L. (1990). An examination of naïve and experienced negotiators. *Journal of Personality and Social Psychology*, 59(1), 82–90; Thompson, L. (1990). The influence of experience on negotiation performance. *Journal of Experimental Social Psychology*, 26(6), 528–544.

¹¹ Thompson, L., & DeHarpport, T. (1994). Social judgment, feedback, and interpersonal learning in negotiation. *Organizational Behavior and Human Decision Processes*, 58(3), 327–345.

¹² Liu, W., Liu, L. A., & Zhang, J-D. (2016). How to dissolve fixed-pie bias in negotiation? Social antecedents and the mediating effect of mental-model adjustment. *Journal of Organizational Behavior*, 37(1), 85–107.

¹³ Deutsch, M. (1973). *The resolution of conflict*. New Haven: Yale University Press.

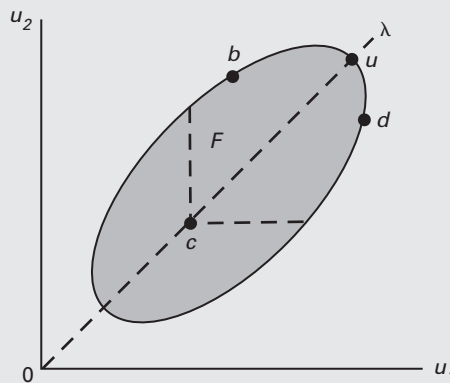
who quarrel over an orange and ultimately decide to cut it in half have reached an even split. However, if they fail to realize that one sister wants all the juice and the other wants all of the rind, it is painfully clear that the even split is not a win-win agreement.¹⁴

Pareto Optimal Agreements

Truly integrative negotiations are ones in which all opportunities are leveraged so that no resources are left on the table. We call these outcomes **pareto optimal**. The concept of pareto optimality states that the bargaining process should not yield any outcome that both people regard as less desirable than some other feasible outcome.¹⁵

The **pareto efficient frontier** is the set of outcomes corresponding to the entire set of agreements that leaves no portion of the total amount of resources unallocated. A given option, x , is a member of the pareto frontier if and only if, no option y exists such that y is preferred to x by at least one party and is at least as good as x for the other party. Consider Exhibit 4-1: both negotiators prefer settlement point u (u_1 , u_2), which eliminates c (c_1 , c_2) from the frontier. Therefore, settlement points that lie on the interior of the arc bd are pareto-inefficient. Options that are not on the pareto frontier are dominated; settlements that are dominated violate a fundamental principle of economics, the utility principle of maximization. The resolution of any negotiation should be an option from the pareto efficient frontier because any other option unnecessarily requires more concessions on the part of one or both negotiators. Another way of thinking about the importance of pareto optimality is to imagine that in every negotiation whether it be for a car, a job, a house, a merger, or some other situation, there are hundreds, thousands, and in some cases, millions of dollars on the table. The money is yours to keep, provided you and the other party (e.g., a car dealer,

EXHIBIT 4-1 Pareto Optimal Agreements



Source: Harsanyi, J.C. (1987). Bargaining. In J. Eatwell, M. Milgate, & P. Newman (Eds.), *The new palgrave: a dictionary of economics* (191–192). London: MacMillan Press.

¹⁴ Follett, M. P., & Graham, P. (1995). *Mary Parker Follett: Prophet of management—A celebration of writings from the 1920s*. Boston: Harvard Business School Press.

¹⁵ Von Neumann, J., & Morgenstern, O. (1947). *Theory of games and economic behavior*. Princeton, NJ: Princeton University Press.

employer, seller, or business partner) agree how to divide it. Obviously you want to get as much money as you can, which is the distributive aspect of negotiation. Imagine for a moment you and the other negotiator settle upon a division of the money that both of you find acceptable. However, imagine you leave one-half, one-third, or some other amount of money on the table. A fire starts in the building, and the money burns. This scenario is equivalent to failing to reach a pareto optimal agreement. Most of us would never imagine allowing such an unfortunate event to happen. However in many negotiation situations, people do just that—they leave money to burn.

ASSESSING THE LIKELIHOOD OF WIN-WIN AGREEMENT

Integrative potential exists in just about every negotiation situation. However, people often fail to see it because they do not believe that win-win is possible.

Multiple Issues

Most negotiations begin as single-issue negotiations. By definition, single-issue negotiations do not contain potential for integrative agreement because whatever one party gains, the other party loses. However, it is usually possible to identify more than one issue. Moreover, the probability that negotiators will have identical preferences across all issues is small, and *it is differences in preferences, beliefs, and capacities that may be profitably traded off to create joint gain*.¹⁶

Add Issues

Another strategy is to bring additional issues into the negotiation. For example, when the National Hockey League owners and players were embroiled in a crippling 112-day lockout in 2012–2013, the main contention was the construction of a new 10-year collective bargaining agreement between the players' union and league owners. Midway through negotiations, a new issue was introduced—namely, limits on how much less in salary a veteran player could make from one year to the next. Both parties were then able to make concessions and began playing hockey once again.¹⁷

Side Deals

In many situations, people are strictly cautioned not to make side deals or side payments. However, when side deals allow more issues to be added to the mix, this increases the possibility of creative conflict resolution.¹⁸ For example, consider how the introduction of a side deal allowed a breakthrough in the highly contentious American Airlines and U.S. Airways merger. When merger talks were underway, the U.S. Justice Department filed an antitrust lawsuit to block the deal and was joined by six states, including Texas (American Airlines headquarters) and Arizona (home base of U.S. Airways). During this time, Texas Attorney General Greg Abbott crafted a side deal to settle Texas' case with the airlines, and in so doing, created momentum for a larger settlement. In the side deal, the new combined airline relinquished landing and

¹⁶ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

¹⁷ Kwak, S. (2013, January 6). Who gets what: Key points of the NHL's new CBA deal. *Sports Illustrated*. si.com

¹⁸ Leonard, D. (2013, March 7). How Disney bought Lucasfilm—and its plans for “Star Wars.” *Businessweek*. businessweek.com

take-off rights at two major airports (Reagan National in Washington, D.C. and LaGuardia in New York) and two gates each at five other airports. With these concessions, the merger between American and U.S. Airways bypassed litigation to successfully close a deal.¹⁹

Differing Strengths of Preference

If negotiators have different strengths of preference across the negotiation issues, then integrative negotiation is possible.²⁰ Consider the orange-splitting example. Essentially, the situation involves two issues: the juice and the rind. One sister cares more about the juice; the other cares more about the rind. If only a single issue was involved or if both sisters wanted the juice much more than the rind, then an integrative agreement would not be possible. For example, the negotiation of access to Houston's commercial port and air cargo space near Bush Intercontinental Airport is an example of how differing strengths of preference led to an integrative agreement between the city of Houston and CIMC-TianaDa, a Chinese manufacturing firm. CIMC needed a commercial location to support its Western operations, and Houston had both a port system and air cargo facility available for sale. Houston, a city that depends on the oil and gas industry, needed jobs for its growing population, and city leaders wanted to find another economic engine to fuel growth.²¹

STRATEGIES FOR EXPANDING THE PIE

The following strategies can help negotiators expand the pie and create win-win agreements.²² We present them in terms of the most straightforward and intuitive strategies to strategies that are more sophisticated and even paradoxical. The first few strategies are especially effective when negotiating with someone who seems cooperative and trustworthy. The strategies that come later on this list are useful when dealing with extremely tough negotiators.

Separate Positions from Interests

It is important for negotiators to separate positions (stated demands) from interests (underlying needs). In most situations, negotiators' positions are strictly opposed, but their underlying interests may not be strictly opposed. When negotiators perceive themselves to be in conflict about values, they often see themselves as more opposed than when they are in conflict about scarce resources. For example, a bitter conflict in Washington state centers on wolves: the Cattleman's Association lobbied to reduce the number of wolves, arguing that they kill cattle, but environmentalists lobbied to protect the wolves.²³ In one study, negotiators reached lower joint outcomes in value conflict compared to resource conflict.²⁴ However, when negotiators had an

¹⁹ Koenig, D. (2013, December 12). American Airlines, US Airways merger back on after deal with feds. *San Jose Mercury News*. mercurynews.com

²⁰ Froman, L. A., & Cohen, M. D. (1970). Research reports. Compromise and logroll: Comparing the efficiency of two bargaining processes. *Behavioral Science*, 15(2), 180–183.

²¹ Mayor Turner paves way for negotiations to bring to Houston a hemispheric operations base for Chinese maker of airport equipment. (2017, December 4). *Houston Airports Newsroom*. fly2houston.com

²² Bazerman, M. H., & Neale, M. A. (1982). Improving negotiation effectiveness under final offer arbitration: The role of selection and training. *Journal of Applied Psychology*, 67(5), 543–548.

²³ Weise, K. (2016, December 26). My, what great big symbolic value you have! *Businessweek*, 4505, 54–61.

²⁴ Harinck, F., & Druckman, D. (2017). Do negotiation interventions matter? Resolving conflicting interests and values. *Journal of Conflict Resolution*, 61(1), 29–55.

opportunity to engage in other-affirmation (i.e., take the perspective of counterparty), the pattern reversed, suggesting that stressing positive concern for the counterparty may be a more effective strategy in value-based conflict.

Perspective Taking

By taking the perspective of the other party, negotiators attempt to see the world through the counterparty's eyes. Indeed, negotiators who take the perspective of the counterparty are more successful in terms of a number of social outcomes, such as coordinating with others.²⁵ Negotiators who take the perspective of the other party are more likely to avoid impasses, specifically by allowing the counterparty to engage in successful logrolling (i.e., making concessions on low-preference versus high-preference issues) compared to egoistic negotiators.²⁶ Perspective taking also enhances problem-solving abilities.²⁷ Consider how perspective taking paved the way for a win-win agreement in a stalled building project. Typically, a building site provides replacement trees (for all those removed during construction) and counties plant the trees in public parks and along streets. However, due to heavy construction, Arlington County, Virginia lost numerous trees but at the same time ran out of suitable free space on public property to plant new trees. So, the developers negotiated a program to use the tree-loss calculation for owed money instead of owed trees. In this arrangement, developers funded an urban canopy program in which the county gave trees to residents to plant on their private property.²⁸ Perspective-taking ability also enhances negotiators' ability to claim resources²⁹ and react effectively to the anchoring attempts of the counterparty.³⁰

Perspective taking is different from empathy. Perspective taking is a *cognitive* ability to consider the world from another's viewpoint, whereas empathy is the ability to *emotionally* connect with another person.³¹ Perspective taking and empathy are both useful in different types of negotiations: perspective taking leads to more accurate understanding of other parties in negotiation, whereas empathy produces greater emotional understanding.³² Negotiators who either have a keen perspective-taking ability, or are prompted to take the perspective of the counterparty, are more successful in identifying and reaching integrative outcomes in negotiation. Perspective

²⁵ Galinsky, A., Ku, G., & Wang, C. (2005). Perspective-taking: Fostering social bonds and facilitating coordination. *Group Processes and Intergroup Relations*, 8, 109–125; Galinsky, A. D., Wang, C. S., & Ku, G. (2008). Perspective takers behave more stereotypically. *Journal of Personality and Social Psychology*, 95(2), 404–419.

²⁶ Trotschel, R., Huffmeier, J., Loschelder, D. D., Schwartz, K., & Gollwitzer, P. M. (2011). Perspective taking as a means to overcome motivational barriers in negotiations: When putting oneself into the opponent's shoes helps to walk toward agreements. *Journal of Personality and Social Psychology*, 101(4), 771–790.

²⁷ Richardson, D., Hammock, G., Smith, S., Gardner, W., & Signo, M. (1994). Empathy as a cognitive inhibitor of interpersonal aggression. *Aggressive Behavior*, 20(4), 275–289.

²⁸ Schulte, B. (2007, May 31). Sowing a different tomorrow; On a mission to restore urban canopy, Arlington distributes trees to plant on private property. *The Washington Post, Virginia Extra*, p. T01.

²⁹ Bazerman, M. H., & Neale, M. A. (1982). Improving negotiation effectiveness under final offer arbitration: The role of selection and training. *Journal of Applied Psychology*, 67(5), 543–548.

³⁰ Galinsky, A., & Mussweiler, T. (2001). First offers as anchors: The role of perspective-taking and negotiator focus. *Journal of Personality and Social Psychology*, 81(4), 657–669.

³¹ Galinsky, A. D., Maddux, W. W., Gilin, D., & White, J. B. (2008). Why it pays to get inside the head of your opponent: The differential effects of perspective-taking and empathy in strategic interactions. *Psychological Science*, 19(4), 378–384.

³² Gillin, D., Maddux, W. W., Carpenter, J., & Galinsky, A. D. (2013). When to use your head and when to use your heart: The differential value of perspective-taking versus empathy in competitive interactions. *Personality and Social Psychology Bulletin*, 39(1), 3–16.

takers are more likely than empathizers to discover hidden agreements, achieve maximum joint gains, and secure peace. Similarly, people who regret “not following their heart” often give up more resources than do people who regret “not following their head” because they sacrifice for the relationship.³³

Ask Questions about Interests and Priorities

A negotiator could ask the other party any number of questions during the negotiation. Two types of questions are helpful types of questions to ask in terms of expanding the pie: questions about underlying interests and questions about priorities.³⁴ Negotiators who ask the counterparty about their preferences are much more likely to reach integrative agreements than negotiators who do not ask the other party about their priorities.³⁵ However, left to their own devices, negotiators fail to ask diagnostic questions. For example, only about 7% of negotiators seek information about the other party’s preferences during negotiation, even though it would be dramatically helpful to know such information.³⁶

Why are these questions so important for win–win agreements? Two reasons: first, such questions help negotiators discover where the value is; and second, diagnostic questions do not tempt the counterparty to lie or to misrepresent him- or herself. Asking the counterparty about their BATNA or reservation price might induce them to exaggerate or lie, but it is not immediately clear why or how a negotiator would lie about their underlying needs. Thus, diagnostic questions are effective because they do not put negotiators on the defensive.

It is important to ask the right questions; indeed possessing information about a counterparty that is irrelevant to the negotiation task actually impairs negotiators’ effectiveness because such knowledge impedes effective information exchange.³⁷ Negotiators who possess nondiagnostic information about an opponent are more likely to terminate the search for integrative agreements prematurely. The *timing* of information is important. For example, negotiators achieve greater value on an issue after they seek information about that issue as compared to when the same information is readily accessible.³⁸ In short, the active pursuit of information is more beneficial than the passive receipt of information.

Negotiators who express interest in the counterparty’s viewpoints are more willing to engage in future interaction with the counterparty and are more receptive. The mere act of preparing questions that ask the counterparty to elaborate leads to more openness and positive attributions.³⁹ Negotiators who have high **epistemic motivation**—a personal need for structure—are more likely to reach higher joint outcomes because they ask more questions that

³³ Crotty, S., & Thompson, L. (2009). When your heart isn’t smart: How different types of regret change decisions and profits. *International Journal of Conflict Management*, 20(4), 315–350.

³⁴ Bazerman, M. H., & Neale, M. A. (1992). *Negotiating rationally*. New York: Free Press.

³⁵ Thompson, L. (1991). Information exchange in negotiation. *Journal of Experimental Social Psychology*, 27(2), 161–179.

³⁶ Thompson, “Information exchange.”

³⁷ Wiltermuth, S., & Neale, M. A. (2011). Too much information: The perils of nondiagnostic information in negotiations. *Journal of Applied Psychology*, 96(1), 192–201.

³⁸ Young, M. J., Bauman, C. W., & Bastardi, A. (2012). The pursuit of missing information in negotiation. *Organizational Behavior and Human Decision Processes*, 117(1), 88–95.

³⁹ Chen, F. S., Minson, J. A., & Tormala, Z. L. (2010). Tell me more: The effects of expressed interest on receptiveness during dialogue. *Journal of Experimental Social Psychology*, 46(5), 850–853.

benefit the dyad as a whole compared to negotiators who are low in epistemic motivation.⁴⁰ Moreover, negotiators high in epistemic motivation are more likely to benefit from adding and discussing more issues.⁴¹

Reveal Information about Interests and Priorities

Negotiation is a paradox because parties are expected to be honest and straightforward, but revealing too much information can put one at a disadvantage. For example, negotiators who are naturally straightforward tend to show greater concern for the other party and make more concessions, especially in purely distributive negotiations, resulting in lower profit.⁴² It is a fallacy to believe that negotiators should never provide information to the counterparty.⁴³ Negotiations would not go anywhere if negotiators did not communicate their interests to the other party. You should negotiate as you would with your fraternal twin: assume that he or she is as smart and as motivated as you are. Do not ask the other party a question that you are not willing to answer yourself. The important question, then, is not *whether* to reveal information but *what* information to reveal.

By signaling your willingness to share information about your interests (not your BATNA), you capitalize on the powerful principle of reciprocity: if you share information, the other party will often share as well. Negotiators who provide information to the other party about their priorities are more likely to reach integrative agreements than negotiators who do not provide this information.⁴⁴ The disclosing negotiator is not at a strategic disadvantage, as long as he or she does not reveal information about his or her BATNA or reservation price. The disclosing negotiator does not earn significantly more or less resources than the counterparty. Negotiators are more likely to share information (about their BATNA and priorities) when the counterparty shares and asks for information.⁴⁵

Negotiators can exchange six key types of information during negotiation (see Exhibit 4-2). The skilled negotiator knows how to recognize each. The skilled negotiator also knows what information is safe (and even necessary) to reveal to reach win-win outcomes. (Exhibit 4-3 supplements Exhibit 4-2 by providing a worksheet to complete prior to negotiation.)

It is often useful to analyze negotiation like a football game with periods of time in quarters. During the first quarter, people are more likely to use influence strategies as they battle for power and influence. During the second quarter, priority information peaks as negotiators discuss the issues and share information about their priorities. In the third quarter, negotiators make offers and counteroffers and either support or reject them on the basis of rational argument. In the fourth quarter, negotiators begin to work toward agreement by building on each other's offers.⁴⁶

⁴⁰ Ten Velden, F. S., Beersma, B., & De Dreu, C. K. W. (2010). It takes one to tango: The effects of dyads' epistemic motivation composition in negotiation. *Personality and Social Psychology Bulletin*, 36(11), 1454–1466.

⁴¹ Ten Velden, Beersma, & De Dreu, "It takes one to tango."

⁴² DeRue, D. S., Conlon, D. E., Moon, H., & Willaby, H. W. (2009). When is straightforwardness a liability in negotiations? The role of integrative potential and structural power. *Journal of Applied Psychology*, 94(4), 1032–1047.

⁴³ Bazerman, M. H., & Neale, M. A. (1992). *Negotiating rationally*. New York: Free Press.

⁴⁴ Thompson, L. (1991). Information exchange in negotiation. *Journal of Experimental Social Psychology*, 27(2), 161–179.

⁴⁵ Zarankin, T. G., & Wall, J. A. (2012). Negotiators' information sharing: The effects of opponent behavior and information about previous negotiators' performance. *Negotiation and Conflict Management Research*, 5(2), 162–181.

⁴⁶ Adair, W. L., & Brett, J. M. (2005). The negotiation dance: Time, culture and behavioral sequences in negotiation. *Organization Science*, 16(1), 33–51.

EXHIBIT 4-2

Types of Information in Negotiation and How Each Affects Negotiators' Ability to Claim and Create Value

Type of Information	Definition (example)	Claiming Value	Creating Value
<i>BATNA (and reservation price)</i>	The alternatives a negotiator has outside of the current negotiation (e.g., "If I don't buy your car, I can buy my uncle's car for \$2,000.")	Revealing this information severely hurts the ability to maximize negotiator surplus.	Revealing or obtaining this information does not hinder integrative agreements; it might help negotiators avoid impasse.
<i>Position (stated demand)</i>	Usually, a negotiator's opening offer; the behavioral manifestation of his/her target point (e.g., "I will give you \$1,500 for your car.")	Opening with an aggressive target point can significantly increase the negotiator's surplus (share of the bargaining zone).	Does not affect integrative agreements
<i>Underlying interests</i>	The underlying needs and reasons a negotiator has for a particular issue (e.g., "I need a car because I need transportation to my job site, which is 15 miles away in a rural zone.")	Revealing this information generally increases the likelihood of obtaining a favorable slice of the pie because negotiators who provide a rationale for their demands are more adept at realizing their targets.	Very important for reaching win-win deals; by (truthfully) revealing underlying interests, negotiators can discover win-win agreements (e.g., one sister tells the other that she wants the orange because she needs to make juice and has no need for rinds).
<i>Priorities</i>	A judgment about the relative importance of the issues to a negotiator (e.g., "I am more concerned about delivery date than volume.")	Increases a negotiator's surplus indirectly, because if more value is created via sharing priorities, then the probability that a negotiator will get a larger slice of the pie increases.	Vital to important for maximizing the pie (e.g., the sister who said she cared more about the rinds <i>relative</i> to the juice created potential for integrative agreement).

(continued)

Type of Information	Definition (example)	Claiming Value	Creating Value
<i>Key Facts</i>	Pertains to information that bears on the quality and the value of the to-be-negotiated issues (e.g., "The car has a rebuilt engine and has been involved in a major collision." "The oranges are genetically modified.")	This information can affect the slice of the pie the negotiator obtains in that facts either increase or decrease the value of the to-be-negotiated issues.	Affects the quality of win-win agreements in that failure to reveal key information may lead a negotiator to over- or undervalue a particular resource (e.g., someone who sells "fresh organic orange juice" does not want to have genetically modified oranges as an ingredient).
<i>Substantiation</i>	Argument either made to support one's own position or to attack the other party's position (e.g., "You will get lots of dates if you buy my car because women like it.")	Most dominant type of distributive tactic can increase a negotiator's slice of the pie because providing a rationale (even an absurd one) can often be effective in obtaining a demand.	A distributive tactic; does not increase win-win negotiation and may, in fact, reduce the likelihood of win-win.

Based on Carnevale, P. J., & Lawler, E. J. (1986). Time pressure and the development of integrative agreements in bilateral negotiations. *Journal of Conflict Resolution*, 30(4), 636–659; Pruitt, D. G. (1981). *Negotiation behavior*. New York: Academic Press; Hyder, E. B., Prietula, M. J., & Weingart, L. R. (2000). Getting to best: Efficiency versus optimality in negotiation. *Cognitive Science*, 24(2), 169–204; Thompson, L., & Hastie, R. (1990). Judgment tasks and biases in negotiation. In B. H. Sheppard, M. H. Bazerman, & R. J. Lewicki, (Eds.), *Research in negotiation in organizations*, Volume 2, (31–54) JAI.

EXHIBIT 4-3

Preparation Worksheet

Issue(s)	Self	Other
Issue A	position 1 underlying interest	other party's position on this issue other party's underlying interest
Issue B	3	
Issue C	4	
Issue D	2	
Issue E	5	
<i>Reservation price</i>		
<i>Target</i>		
<i>BATNA</i>		

Instructions:

1. In the far-left column, identify the issues to be negotiated.
2. Then, indicate your “position” in the top part of the triangle and your underlying interest in the lower part of the triangle in the middle column.
3. Next, rank-order the issues from most to least important (using, say, 1 through 5 in the small boxes).
4. Next, make your best assessment of the other party’s position, interests, and priorities across the issues.
5. Indicate your reservation price (and attempt to assess the reservation price of the other party).
6. Indicate your target point.
7. Indicate your BATNA (and attempt to assess the other party’s BATNA).

Based on Brett, J. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd edition), San Francisco: Jossey-Bass.

Even though many negotiators provide information during a negotiation, the counterparty may not necessarily understand the information. Faulty assumptions may be traceable to the **illusion of transparency**.⁴⁷ The illusion of transparency occurs when negotiators believe they are revealing more than they actually are (i.e., they believe others have access to information

⁴⁷ Gilovich, T., Savitsky, K., & Medvec, V. H. (1998). The illusion of transparency: Biased assessments of others’ ability to read one’s emotional states. *Journal of Personality and Social Psychology*, 75(2), 332–346.

about them when in fact they do not). In one investigation, negotiators judged whether an observer to the negotiation could accurately discern their negotiation goals from their behavior.⁴⁸ Negotiators consistently overestimated the transparency of their objectives. Thus, people feel more like an “open book” with respect to their goals and interests in negotiation than they actually are. Negotiators are also not as clear in their messages as they should be. Indeed, when the information exchanged is amenable to multiple interpretations, it can lead to settlement delays and divergent expectations.⁴⁹ Conversely, when a single interpretation is obvious, information sharing leads to convergence of expectations and speeds settlement.

Unbundle the Issues

One reason negotiations fail is because negotiators haggle over a single issue, such as price. By definition, if negotiations contain only one issue (e.g., price), they are purely distributive (i.e., fixed-pie). Skilled negotiators are adept at expanding the set of negotiable issues. Adding issues, unbundling issues, and creating new issues can transform a single-issue, fixed-pie negotiation into an integrative, multi-issue negotiation with win-win potential.⁵⁰ Integrative agreements require at least two issues. The World Trade Organization was formed by 159 member countries in an effort to reform the international trading system and create a comprehensive global trade agreement. However, progress in reforming international trade rules was at a standstill for five years due to strict adherence to “the single undertaking” principle: nothing can be agreed upon unless everything is agreed upon by all the members. By unbundling the issues related to trade facilitation, members were able to reach an agreement in 2013.⁵¹

Value-Added Trade-offs (Logrolling)

Once negotiators have brainstormed their issues and interests, they can potentially trade off issues in a win-win fashion, such that each negotiator is able to make gains on issues they regard as the most important in exchange for making concessions on lesser-valued issues. As a case in point, consider a value-added trade-off at a global level between the United States and China regarding scrap metal. Because China is still a developing economy, they don't throw away enough stuff (e.g., old cars, computers, furniture, turbines, you name it) to be self-sufficient. For the last decade, China imported more than 70% of the scrap copper it uses. Conversely, the United States throws away more scrap metal than it can possibly use and is quickly filling up landfills. Thus, the U.S. scrap metal market has become very attractive to the Chinese buyer. Americans care about recycling and preserving resources and their most important interest is the knowledge that low-grade scrap metal will not end up in a landfill. Chinese businessman Johnson Zheng of Sunrise Metal Recycling was more than happy to pay \$1 per pound for U.S. scrap metal that was used in products priced at \$0.60–\$2.20 per pound in China.⁵² Thus, the

⁴⁸ Vorauer, J. D., & Claude, S. D. (1998). Perceived versus actual transparency of goals in negotiation. *Personality and Social Psychology Bulletin*, 24(4), 371–385.

⁴⁹ Loewenstein, G. F., & Moore, D. A. (2004). When ignorance is bliss: Information exchange and inefficiency in bargaining. *Journal of Legal Studies*, 33(1), 37–58.

⁵⁰ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

⁵¹ Holland, T. (2013, December 12). To boost business, WTO must ditch “all or nothing” approach. *South China Morning Post*. scmp.com; Walker, A. (2013, December 7). WTO agrees global trade deal worth \$1tn. *BBC News*. bbc.co.uk

⁵² Minter, A. (2013, August 29). To a Chinese scrap-metal hunter, America's trash is treasure. *Bloomberg Businessweek*. businessweek.com

United States and China were able to reach a win–win deal because one party valued the scrap metal more than the other party did.

Multi-issue Offers versus Single-Issue Offers

Most negotiators make the mistake of negotiating each issue independently of others. This approach is a mistake for several reasons: first and foremost, negotiating each issue separately does not allow negotiators to make trade-offs between issues. To capitalize on different strengths of preference, negotiators need to compare and contrast issues and trade them off. Second, it may mean that impasse is more likely, especially if the bargaining zone is narrow and trade-offs are necessary to reach a mutually profitable outcome. Single-issue offers lure negotiators into compromise agreements, which as we have seen, are usually not the best approach for win–win negotiations.

When contract negotiations between Tufts Medical Center and their nurses association stretched on for over 18 months, the nurses' union called a strike over wages, staffing and retirement benefits. Nurses wanted a wage increase, more staffing resources and an enriched pension plan. Hospital administrators wanted to move nurses to a fixed 403b retirement plan, keep money available to the hospital for reinvestment in hospital facilities, and maintain their reputation as a top medical center. The two parties negotiated a multi-issue agreement that involved trading-off issues: the nurses achieved their wage increase and staffing goals, and the hospital moved nurses to the 403b retirement plan. The trade-off allowed both parties to achieve their respective goals.⁵³

MESOs: Multiple Equivalent Simultaneous Offers

In some cases, negotiators are disappointed and frustrated to find that their attempts to provide and seek information are not effective. Can negotiators do anything to change the situation? Fortunately, the answer is yes. The strategy of making **multiple offers of equivalent value simultaneously** (MESOs) can be effective even with the most uncooperative of negotiators.⁵⁴ The MESO strategy involves presenting the other party with at least two (and preferably more) proposals of *equal value* to oneself. For example, in the Walmart negotiation discussed in Exhibit 4-4, the Sequim county engineer, Don McInnes responded to the planning director's protests by outlining three different options: (a) widening three roads to a standard 40-foot width, (b) bringing the roadways up to a higher standard (but not to full standard) through a major over-haul, or (c) creating a cul-de-sac at two of the roads.⁵⁵ The multiple-offer strategy is threefold:

1. **Devise multiple-issue offers**, as opposed to single-issue offers (to get away from sequential bargaining, which can lock people into lose–lose outcomes);
2. **Devise offers that are all of equal value to yourself** (leaving yourself many ways to get what you want before making a concession); and
3. **Make all the offers at the same time**. This last point is the hardest for most people to do because they negotiate like playing tennis: they make one offer and then wait for the other

⁵³ WBUR Newsroom. (2017, December 17). Nurses and Tufts Medical Center agree on contract. WBUR. wbur.org; Bernsau, W.M. (2017, December 18). Tufts Medical Center reaches tentative deal with nurses union. *Boston Business Journal*. bizjournals.com

⁵⁴ Leonardelli, G. J., Gu, J., McRuer, G., Galinsky, A., & Medvec, V. H. (2016). Negotiating with a velvet hammer: Multiple equivalent simultaneous offers. Manuscript submitted for publication.

⁵⁵ Ross, D. (2003, July 30). County proposes mall traffic solution. *Sequim Gazette*, p. A7.

EXHIBIT 4-4

Conflict Leads to a Creative Solution

The mayor of Sequim, Washington, and Walmart's attorney fired verbal shots at the county as the appeals hearing for approving Walmart's construction plans concluded. Shortly thereafter, appeals were filed by the Clallam County Department of Community Development, the Jamestown S'Klallam Indian Tribe, and the community group, Sequim First, to block the city planning director from allowing a Walmart complex to be built in the small town of Sequim (fewer than 5,000 people). The groups opposed to the new 575,000-square-foot shopping center complex argued that the Walmart would create a traffic nightmare, causing "unsafe driving conditions" on the roads, and the storm-water runoff (from all the concrete and pavement) would put toxins in the city's rivers and streams; they argued that the impact could cause anywhere between a 280% and 500% increase in traffic. And they wanted Walmart to pay—in advance—something to the tune of \$100 million to fix the roads. However, Walmart and the mayor of Sequim viewed these protests as a thinly veiled ploy to squeeze a "deep pocket to pay for [the city's] neglect [of its roads]." According to Walmart and the mayor, the county's road maintenance around Sequim had been downright negligent and the county had not maintained the roads. A Walmart analysis of the same roads predicted only a 7% traffic increase. For a while it appeared to be a standoff, and the two sides seemed to be working with completely different data. Then a breakthrough solution was proposed by Mayor Walt Schubert: An independent body would conduct an analysis of possible traffic impacts on the country roads, and Walmart would give the city up to \$100,000 if substantial traffic impacts were proven through the independent study. Through this plan, the Walmart could be built and the city could have money to fix the roads.

Source: Ross, D. (2003, July 9). Walmart united against county during hearing. *Sequim Gazette*, pp. A1, A5.

party to "return" a single offer; then they make a concession, and so on. In the multiple offer strategy, a negotiator presents a "dessert tray" of offers to the other party and invites a response. *Note:* The other party should be cautioned that cherry picking (e.g., selecting the terms from each option that most suit a negotiator) is not permissible. Rather, the offers are truly package deals.⁵⁶

Negotiators who make multiple equivalent offers enjoy more profitable negotiated outcomes and are evaluated more favorably by the other party.⁵⁷ Specifically, they are seen by the other party as being more flexible, and are more satisfied at the end of the negotiation. Making multiple offers increases the discovery of integrative solutions.⁵⁸ MESOs also serve as a more "sticky" anchor than do stand-alone offers in the sense that the counterparty views MESOs to be more cooperative and legitimate than single-issue or single-package offers.⁵⁹

⁵⁶ Schatzki, M., & Coffey, W. R. (1981). *Negotiation: The art of getting what you want*. New York: New American Library.

⁵⁷ Leonardelli, Gu, McRuer, Galinsky, & Medvec, "Negotiating with a velvet hammer"; Leonardelli, G. J., Medvec, V., Galinsky, A. D., & Claussen-Schulz, A. (2018). *Building interpersonal and economic capital by negotiating with multiple equivalent simultaneous offers*. Manuscript under review.

⁵⁸ Hyder, E. B., Prietula, M. J., & Weingart, L. R. (2000). Getting to best: Efficiency versus optimality in negotiation. *Cognitive Science*, 24(2), 169–204.

⁵⁹ Leonardelli, Gu, McRuer, Galinsky, & Medvec, "Negotiating with a velvet hammer."

Negotiators who make multiple, equivalent offers have an edge in five critical aspects. They can: (a) be more aggressive in terms of anchoring the negotiation favorably; (b) gain better information about the other party; (c) be more persistent; (d) signal their priorities more effectively; and (e) overcome concession aversion on the part of the other side.⁶⁰ However, there are some important cautionary considerations to keep in mind when making multiple offers.⁶¹ As noted earlier, the negotiator should not allow the counterparty to “cherry pick” the best parts of different offers. It is important for negotiators to make assertive offers and not risk giving all the gains to the other party.

BE AGGRESSIVE IN ANCHORING Consider how Ken Alex, an attorney at a major international law firm, negotiated a business news database.⁶² For the law firm, the database was critical and renewal was necessary. Not doing so would mean a lot more research librarian time, and recent staff cutbacks had reduced the number of librarians. The amount the firm paid for the renewal in the previous year was \$52,000. Alex had budgeted \$58,000 for this year’s renewal. Alex’s strategy was to use the simultaneous multiple-offer strategy. Because he knew that one of the key issues for the database service was the contracted value of the database, he reasoned that a 2-year contract with a major firm would be quite valuable for the database company. Moreover, signing up for 2 years was a low-risk strategy for him because he was confident that the firm would want the database again next year. Moreover, it also would represent budget certainty for the firm in highly volatile times. Alex made two proposals that he called A and B. Proposal A was a 1-year renewal at \$45,000; Proposal B was a 2-year renewal for \$43,000 for year 1 and \$47,000 for year 2. Ultimately, the database company opted for Proposal B, the 2-year renewal.

GAIN BETTER INFORMATION ABOUT THE OTHER PARTY The multiple-offer strategy is based on the strategy of **inductive reasoning**, meaning that a negotiator can infer what the other party’s true interests are and where the joint gains are. (We present more about inductive, as well as deductive, reasoning in Chapter 9 in a discussion of advanced negotiations and creativity.) By analyzing the counterparty’s response, the negotiator learns about the other party’s preferences. Thus, the negotiator thinks like a detective by drawing conclusions based on the counterparty’s response to the multiple offers.

BE PERSISTENT AND PERSUASIVE REGARDING THE VALUE OF AN OFFER Consider how the multiple-offer strategy helped a team at a major pharmaceutical firm maintain ground in a particularly tense negotiation.⁶³ The situation was a divestiture, and the pharma team had an issue surface from their side (regarding much more inventory than was originally estimated), a significant surprise that appeared as if they had provided incorrect information at the due diligence stage. The issue was of a very significant magnitude relative to the size of the deal (meaning that they wanted the counterparty to pay a substantially higher amount for the existing inventory). The pharmaceutical firm proposed five options, all of equivalent value, that involved various trade-offs between deferred payment terms, cash on close, and not taking some of the inventory,

⁶⁰ Medvec, V. H., & Galinsky, A. D. (2005). Putting more on the table: How making multiple offers can increase the final value of the deal. *HBS Negotiation Newsletter*, 8(4), 4–6.

⁶¹ Brett, J. M. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco, CA: Jossey-Bass.

⁶² Personal communication. (2002, December 4). Names have been altered.

⁶³ Personal communication. (2003, September 14).

among other options. The team made the five proposals and then held their collective breath. “We had already had multiday tirades on issues of who owned the pencil sharpeners, so we were braced for the worst attacks.” The other team calmly said, “We understand,” and the very next day selected one of the options. The pharmaceutical team members reflected, “If we had taken the single-option approach, their obvious position would have been to say ‘That is your problem, you misled us...provide us with the excess inventory for free.’” However, this potential deal-killer was avoided and the deal closed much more successfully than ever anticipated.

OVERCOME CONCESSION AVERSION When people perceive themselves as having more choices (as opposed to only one), they may be more likely to comply. When John F. Kennedy and his wife Jackie were to attend a White House function that Jackie dreaded, White House aides were surprised to see her smiling at the event. When aides asked J.F.K. how he got his wife to attend with such a good attitude, he said “It cost me two symphonies.” Apparently the President was a good negotiator and knew how to present choices that would make those even closest to him more agreeable.⁶⁴

Contingent Contracts

Negotiators not only have differences in interests and preferences, but they can also view the world differently.⁶⁵ A supplier may believe that the sales will be high; the vendor may believe they will be more modest. Different interpretations of the facts may threaten already tenuous relations. Attempts to persuade the other person may be met with skepticism, hostility, and an escalating spiral of conflict. Differences in beliefs—or expectations about uncertain events—pave the way toward integrative agreements. For example, in the Walmart negotiation presented in Exhibit 4-4, the parties held widely differing beliefs about the impact the shopping complex would have on local traffic, with the city estimating a 500% increase in traffic and Walmart estimating only 7%. Given these differing predictions, it is somewhat ironic to think they might be leveraged to create a workable solution. In fact, it is differences, rather than commonalities, that can be more advantageous in negotiations.⁶⁶ The enlightened negotiator realizes that differences in beliefs, expectations, and tastes can create greater value. Most people are uncomfortable when they encounter differences, and, instead of leveraging this opportunity, they either downplay their differences or ignore them.

Negotiators can exploit differences to capitalize on integrative agreements in a variety of ways.⁶⁷ Consider the following differences and the opportunities they create:

- Differences in the valuation of the negotiation issues
- Differences in expectations of uncertain events
- Differences in risk attitudes
- Differences in time preferences
- Differences in capabilities

DIFFERENCES IN VALUATION Negotiators have different strengths of preference for each issue. For example, in a negotiation for scarce office space, one person is more interested in a

⁶⁴ Dinkin, S. (2018, February 4). The friend’s surf shop, the wet floor, and the medical bills. *San Diego Union Tribune*. sandiegouniontribune.com

⁶⁵ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

⁶⁶ Lax & Sebenius, “The manager as negotiator.”

⁶⁷ Lax & Sebenius, “The manager as negotiator.”

large office than a nice view; the other negotiator is more interested in a view than having extra space. They reach an agreement in which one person gets a large, windowless office and the other gets a small office with a great view. The strategy of trading off so as to capitalize on different strengths of preference is known as **logrolling**.⁶⁸

DIFFERENCES IN EXPECTATIONS Because negotiation often involves uncertainty, negotiators differ in their forecasts or beliefs about what will happen in the future. Consider the case of a woman and her brother who inherited a tool store from their father.⁶⁹ The sister expected the profitability of the store to decline steadily; the brother expected the store to succeed. The sister wanted to sell the store; the brother wanted to keep it. A contingent contract was constructed: The brother agreed to buy his sister's share of the store over a period of time at a price based on her bleak assessment of its worth. The sister is guaranteed a certain return; the brother's return is based on the success of the store.

DIFFERENCES IN RISK ATTITUDES In other situations, negotiators agree on the probability of future events but feel differently about taking risks.⁷⁰ For example, two colleagues may undertake a collaborative project, such as writing a novel for which they both agree that the probability of success is only moderate. The colleague with an established career can afford to be risk-seeking; the struggling young novelist may be risk-averse. The two may capitalize on their different risk-taking profiles with a contingent contract: The more risk-averse colleague receives the entire advance on the book; the risk-seeking colleague receives the majority of the risky profits after the publication of the novel. Negotiators who have a **gain frame** (i.e., see the glass as half full) are more likely to logroll or trade-off issues in a win-win fashion; conversely, those with a **loss frame** (i.e., see the glass as half empty) are more likely to accept a contingent contract.⁷¹

DIFFERENCES IN TIME PREFERENCES People may value the same event quite differently depending on when it occurs.⁷² If one party is more impatient than the other, mechanisms for optimally sharing the consequences over time may be devised. Two partners in a joint venture might allocate the initial profits to the partner who has high costs for time, whereas the partner who can wait will achieve greater profits over a longer, delayed period.

DIFFERENCES IN CAPABILITIES People differ not only in their tastes, probability assessments, and risk preferences; they also differ in their capabilities, endowments, and skills. Consider two managers who have different resources, capital, and support staff. One manager has strong quantitative skills and access to sophisticated technology; the other has strong marketing and design skills. Together, they may combine their differing skills and expertise in a mutually beneficial way, such as in the design of a new product concept. The development of successful research collaborations is fostered by differences in skills and preferences.⁷³

⁶⁸ Froman, L. A., & Cohen, M. D. (1970). Research reports. Compromise and logroll: Comparing the efficiency of two bargaining processes. *Behavioral Science*, 15(2), 180–183.

⁶⁹ Personal communication. (1993).

⁷⁰ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

⁷¹ Kray, L. J., Paddock, L. E., & Galinsky, A. D. (2008). The effect of past performance on expected control and risk attitudes in integrative negotiations. *Negotiations and Conflict Management Research*, 1(2), 161–178.

⁷² Lax & Sebenius, "The manager as negotiator."

⁷³ Northcraft, G., & Neale, M. A. (1993). Negotiating successful research collaboration. In J. K. Murnighan (Ed.), *Social psychology in organizations: Advances in theory and research*. Upper Saddle River, NJ: Prentice Hall.

CAUTIONARY NOTE Capitalizing on differences often entails **contingent contracts**, wherein negotiators make bets based upon different world occurrences. For contingent contracts to be effective, they should satisfy the following criteria:

First, they should not create a *conflict of interest*. For example, if a production company, optimistic about sales, negotiates a contingent contract with a venue such that rental fees will be contingent upon sales, the contract should not create an incentive for the production company to attempt to thwart sales.

Second, contingent contracts should focus on the negotiation, not simply focus on making bets. Indeed, the expected value of contingent contracts can be separated into two components: (1) an expected share of *ex post* value creation and (2) an expected transfer of value from one player to another.⁷⁴ Contingent contracts that are based on *ex post* value creation are more beneficial because they best capture negotiators' beliefs about the negotiated items in question (rather than a wager with the other party).

Third, contingent contracts should be *enforceable* and therefore often may require a written contract.

Fourth, contingent contracts should be *clear, measurable, and readily evaluated*, leaving no room for ambiguity. Conditions and measurement techniques should be spelled out in advance.⁷⁵ Further, a date or time line should be mutually agreed upon.

Fifth, contingent contracts require *continued interaction* among parties, because ultimately, the deal needs to be consummated.

Pre-settlement Settlements (PreSS)

Pre-settlement Settlements (PreSS) have three characteristics: they are *formal*, in that they encompass specific, binding obligations; *initial*, because they are intended to be replaced by a formal agreement; and *partial*, in that the parties do not address or resolve all outstanding issues.⁷⁶ PreSS's involve more than a simple handshake or "gentleman's agreement." Rather, a PreSS occurs in advance of the parties undertaking full-scale negotiations and is designed to be replaced by a long-term agreement. A PreSS resolves only a subset of the issues on which the parties disagree (i.e., partial). In some cases, instead of resolving any of the outstanding issues, a PreSS may simply establish a concrete framework for final negotiations. For example, reaching a workable agreement between U.K. broadcasters and independent producers over who owns the rights to broadcast TV shows across broadband and mobile platforms could have taken up to a year. Therefore, a quick resolution to generate revenue from new audiences was crucial for both parties. The parties agreed to negotiate an interim code of practice deal before the consensus on a final agreement.⁷⁷ (For another type of PreSS, see Exhibit 4-5.)

Post-settlement Settlements

In the post-settlement settlement technique, negotiators reach an initial settlement that both parties agree to, but then spend additional time attempting to improve upon (each from their own perspective). In the **post-settlement settlement strategy**, negotiators agree to explore other

⁷⁴ Stuart, H. (2016). Contingent contracts and value creation. *Group Decision and Negotiation*, 26(4), 815–827.

⁷⁵ Bazerman, M. H., & Gillespie, J. J. (1999). Betting on the future: the virtues of contingent contracts. *Harvard Business Review*, 77(5), 155–160.

⁷⁶ Gillespie, J. J., & Bazerman, M. H. (1998). Pre-settlement settlement (PreSS): A simple technique for initiating complex negotiations. *Negotiation Journal*, 14(2), 149–159.

⁷⁷ Jones, G. (2006, March 2). Pact warns solution to digital media rights could take a year. *NMA Magazine*, 4.

EXHIBIT 4-5**Normal Operations with a Financial Strike (NO-FIST)**

Lax and Sebenius suggested a unique type of pre-settlement settlement (PreSS) in a letter written to the editor of *The Wall Street Journal*. They cautioned that a planned strike by American Airlines pilots would result in the airline incurring revenue losses of more than \$200 million per day. To avoid such a lose–lose outcome, they recommended the following: once the strike seemed imminent and negotiations reached impasse, the parties should agree to continue normal business operations, but place some or all of their revenues and salaries into an escrow account controlled by a trusted outside entity. By continuing operations but accruing escrow money—no matter how the escrow fund is eventually divided—both parties will inevitably be better off compared to a typical strike situation. In this sense, NO-FIST promotes a Pareto-superior outcome for all concerned parties, including pilots, shareholders, customers, and nonpilot airline employees.

Source: Based on Lax, D. A., & Sebenius, J. K. (1997, February 24). A better way to go on strike. *The Wall Street Journal*, A22.

options with the goal of finding another option that both prefer more than the current one, or that one party prefers more and to which the other is indifferent.⁷⁸ In this situation, the current settlement becomes both parties' new BATNA. For any future agreement to replace the current one, both parties must be in agreement; otherwise, they revert to the initial agreement. It may seem counterintuitive and perhaps downright counterproductive to resume negotiations once an acceptable agreement has been reached, but the strategy of post-settlement settlements is remarkably effective in improving the quality of negotiated agreements.⁷⁹

Because they can safely revert to their previous agreement, the post-settlement settlement strategy allows both parties to reveal their preferences without fear of exploitation. If better terms are found, parties can be more confident they have reached an integrative agreement. If no better agreement is found, the parties may be more confident that the current agreement is Pareto optimal.

Focal Points and Turning Points

A **focal point** is a single salient coordinating concept, shared by negotiators. Conversely, a **turning point** is a departure that takes place during the course of negotiation, when the trajectory seems to change.⁸⁰ In the case of contentious negotiations that may be headed for impasse, a turning point might allow negotiators to reach mutual agreement by changing the course of negotiation. Negotiators who have a cooperative (as opposed to competitive) orientation are more likely to interpret departures as turning points and reciprocate the counterparty's offer.⁸¹ Moreover, negotiators who make the departure salient by clearly anticipating their intent, as well as the content and function of the turning point offer increase the likelihood of a mutually beneficial offer.

⁷⁸ Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Belknap.

⁷⁹ Bazerman, M. H., Russ, L. E., & Yakura, E. (1987). Post-settlement settlements in two-party negotiations. *Negotiation Journal*, 3(3), 283–292.

⁸⁰ Druckman, D., & Rosoux, V. (2016). Focal points and turning points in negotiation: A comparative analysis. *Negotiation Journal*, 32(2), 127–150.

⁸¹ Griessmair, M., & Druckman, D. (2017). To match or not to match? Reactions to turning points in negotiation. *Group Decision and Negotiation*, 28(2), 1–23.

DECISION-MAKING MODEL OF INTEGRATIVE AGREEMENTS

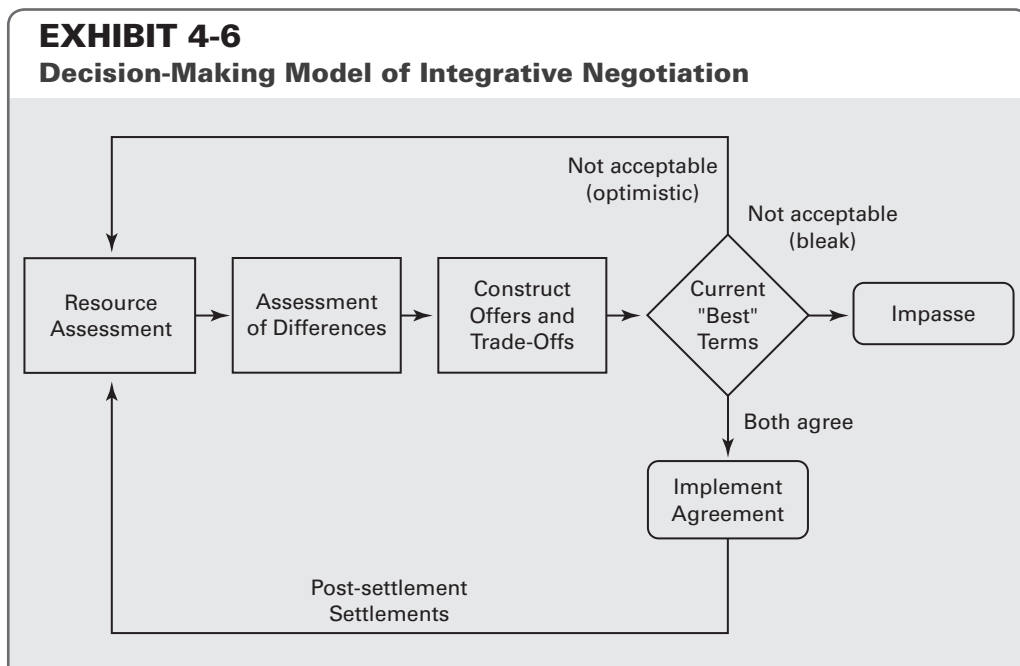
The discovery and creation of integrative agreements is much like problem solving, which requires creativity. Integrative agreements are devilishly obvious after the fact but not before. Because negotiation is an ill-structured task, with few constraints and a myriad of possible “moves,” a sure fire strategy for reaching integrative agreement does not exist. Look at the decision-making model of integrative negotiation in Exhibit 4-6. The model is prescriptive; that is, it focuses on what negotiators *should* do to reach agreement, not what they *actually* do. The model has five major components: resource assessment, assessment of differences, construction of offers and trade-offs, acceptance/rejection of a decision, and renegotiation.

Resource Assessment

Resource assessment involves the identification of the bargaining issues and alternatives. For example, consider an employment negotiation. The bargaining issues may include: salary, vacation, and benefits. In this stage, parties identify the issues that are of concern to them in the negotiation. A superset emerges from the combination of both parties’ issues.

The union of both parties’ issues forms the **issue mix** of the negotiation. In addition to specifying the issue mix, parties also define and clarify the alternatives for each issue. The ultimate set of options for each issue is a superset of both parties’ alternatives.

Later stages of resource assessment move beyond the mere identification of issues and alternatives to more sophisticated processes, namely the **unbundling** of issues and alternatives and the addition of new issues and alternatives. Unbundling issues is important in negotiations that center around a single issue. Because mutually beneficial trade-offs require a minimum of two issues, it is important to fractionate conflict into more than one issue. In other instances, it



may be necessary to add new issues and alternatives. The process of adding issues and alternatives is facilitated by discussing parties' interests.⁸²

Assessment of Differences

Once the issue mix is identified, the negotiators' should focus on assessing the parties' differences in valuation, probability assessment, risk preferences, time constraints, and capabilities.⁸³ Each party should focus on their most important issues. Negotiators' most important issues are their interests; the other issues are secondary. When negotiators are psychologically distant from one another, they focus on secondary issues more than their primary interests, which facilitates integrative agreement when trade-off potential resides in these issues.⁸⁴

Offers and Trade-offs

In this phase, parties should consider several potential trade-offs among valuations, forecasts, risks, time preferences, capabilities, and eliminate those dominated by other alternatives. Parties should focus on issues that are of high value to one party and of low cost for the other party to provide. It makes no sense to pursue a trade-off unless what you are offering is more valuable to the other party than what it costs you to provide.

Acceptance/Rejection Decision

At some point, negotiators may identify a set of terms that both find minimally acceptable and exceeds both parties' reservation points. However, identification of a minimally acceptable agreement does not necessarily mean that settlement is efficient. Negotiators should continue to explore the possibilities, depending on their time costs and their subjective assessments of the likelihood of reaching a superior solution. Negotiators' aspirations and goals may influence the search process in negotiation; negotiators who set specific, challenging goals are more likely to continue to search for integrative agreements than do those who do not set goals or who set easy goals.⁸⁵

Prolonging Negotiation and Renegotiation

Two feedback loops emanate from the decision stage: the decision to prolong negotiations and the decision to renegotiate. Negotiators should prolong negotiations when the best agreement on the bargaining table fails to meet both parties' reservation points. Negotiators should reassess the resources by unbundling the initial set of issues and breaking them down into smaller issues that may be traded off. In addition to unbundling issues, negotiators may add issues and alternatives to the bargaining mix. If parties have identified all the issues, alternatives, and differences to trade off, and a mutually agreeable solution has still not been found, they should call a halt to the

⁸² Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

⁸³ Lax & Sebenius, "The manager as negotiator."

⁸⁴ Giacomantonio, M., De Dreu, C. K. W., Shalvi, S., Sligte, D., & Leder, S. (2010). Psychological distance boosts value-behavior correspondence in ultimatum bargaining and integrative negotiation. *Journal of Experimental Social Psychology*, 46(5), 824–829.

⁸⁵ Huber, V. L., & Neale, M. A. (1986). Effects of cognitive heuristics and goals on negotiator performance and subsequent goal setting. *Organizational Behavior and Human Decision Processes*, 38(3), 342–365.

negotiation and pursue their BATNAs. When Softbank attempted to buy a 20% stake in Uber, Uber prolonged negotiations because the offer was inferior to their reservation point. Uber CEO Khosrowshahi signaled by saying “We have to get the right price... negotiations [are] taking longer than they should.” Frustrated, Softbank CEO Masayoshi Son threatened to pull out of the deal at the last minute and pursue rival Lyft instead. In January 2018, the parties reached a mutual settlement.⁸⁶

CHAPTER CAPSTONE

Virtually all negotiators want to reach integrative (pie-expanding) agreements; however, most negotiators fail to do so, resulting in money and resources being left on the table. In reality, people are usually not aware that their negotiation outcomes are suboptimal. The key reasons for lose–lose outcomes are illusory conflict and the fixed-pie perception. The successful creation of win–win negotiation deals involves: perspective taking; asking questions about interests and priorities; providing the counterparty with information about your priorities and preferences (not your BATNA!); unbundling issues; making multi-issue offers (rather than single-issue offers); making multiple equivalent simultaneous offers; structuring contingent contracts that capitalize on differences in negotiators’ beliefs, expectations, and attitudes, and using pre- and post-settlement settlement strategies. In their attempts to expand the pie, negotiators should not forget about claiming resources.

⁸⁶ Heath, A. (2017, November 9). Uber CEO on Softbank deal: ‘It hasn’t happened yet, but it will’. *Business Insider*. [businessinsider.com](https://www.businessinsider.com); Reuters. (2018, January 19). Softbank is now the largest stakeholder in Uber as deal closes. *Fortune*. [fortune.com](https://www.fortune.com)

5

Part II: Negotiation Skills

UNDERSTANDING PERSONALITY AND MOTIVATION

When Facebook founder Mark Zuckerberg recruited Sheryl Sandberg from a senior position at Google to run business operations at Facebook, he made her a generous offer (by most people's standards). So, Sandberg simply wanted to accept the first offer. However, over dinner that night with her husband and brother, they discussed the wisdom of counteroffering. It was not simply the fact that Sandberg decided to ask for more; it was how she asked. Sandberg looked at Zuckerberg and explained that as Director of Business Operations, she would be negotiating deals on behalf of Facebook and Zuckerberg would want somebody who could push back. Ultimately, Sandberg's job offer included enough Facebook stock to make Sandberg a billionaire on paper (at the time of the offer). After 6 months, Zuckerberg and Sandberg sat down for her first performance review and her 24-year-old boss told her, "Your biggest problem is you worry way too much about everyone liking you all the time." Later, Sandberg wrote her book, *Lean In*, and when it comes to negotiation advice (for women), Sandberg says it with two words, "negotiate communally." Sandberg advises, "Until the world becomes less biased, this is the most effective negotiation strategy for women".¹

The opening example highlights the fact that negotiation behavior is shaped by negotiators' personalities and perspective. In this chapter, we examine how negotiators' personalities and motivations affect negotiation behavior and outcomes.

INDIVIDUAL DIFFERENCES

Individual differences refer to largely stable differences among people that can be used to predict behavior. Individual differences or personality can often be measured or assessed reliably. A variety of individual differences including the "Big 5" personality constructs (described below) affect negotiation behavior. One concern when it comes to studying negotiator personality is whether understanding personality can benefit negotiators. In other words, if personality is viewed as an immutable characteristic or set of skills, then how might a negotiator benefit by understanding personality? The strongest and most reliable predictors of negotiation performance are also those that are most responsive to personal change: namely, positive expectations and comfort with the negotiation consistently predict successful negotiation.²

¹ Stillman, J. (2017, October 24). Sheryl Sandberg's best negotiating advice for women is only 2 words long. *Inc. Magazine*. inc.com

² Elfenbein, H. A. (2015). Individual differences in negotiation. *Current Directions in Psychological Science*, 24(2), 131–136.

Implicit Theories

Implicit theories are the beliefs held by people about personalities. Sometimes there is an element of truth to implicit theories, but other times, there is no actual evidence that supports an implicit theory. It would seem that awareness of one's own negotiation style would lead to successful negotiation. However, many negotiators seem to lack self-awareness. For example, there is no correlation between what negotiators state to be their style (stated negotiation style [SNS]) and their actual style (in-practice negotiation style [INS]).³ In one investigation, over 50% of negotiators stated their style to be collaborative, but only 2.6% actually behaved collaboratively! Similarly, when it comes to assertiveness, there is only a modest link between negotiators' self-views and how the counterparty sees them.⁴ Specifically, negotiators who were regarded by counterparties as either under- or over-assertive were most likely to see themselves as "appropriately" assertive; moreover, many negotiators believed they were overly-assertive, but were actually not. The **line-crossing illusion** refers to the fact that negotiators believe they are coming on too strong, but they actually are not.⁵ One reason for the line-crossing illusion is that counterparties often feign insult and discomfort.

Acoustic and Visual Cues

The goal of understanding personality in negotiation is to better predict behavior, such as the counterparty's acceptance or rejection of a negotiation offer. One investigation used acoustic and visual cues to predict the likely behavior of a counterparty to a proposal.⁶ Specifically, four different sources of information were examined: the nonverbal behavior of the proposer, that of the respondent, mutual behavior between the two related to behavioral symmetry and asymmetry, and past negotiation history. The best predictor of behavior was the head tilt, which predicted behavior above 55%.

"Big 5" Personality Traits

The "Big 5" personality traits refer to a set of traits that can reliably be measured and predict behavior in a number of different situations.⁷ The "Big 5" personality constructs include: openness to experience, conscientiousness, extraversion, agreeableness and neuroticism. The five key constructs conveniently spell the acronym "OCEAN." One meta-analysis found that four of these personality factors (openness to experience; extraversion; agreeableness; neuroticism) affect the strategies that negotiators use, as well as their individual and joint gains.⁸

It is important to consider *both* negotiators' personalities when predicting behavior and outcomes in negotiation. Indeed, when both negotiators are similar on two of the Big 5 traits, meaning that both parties are high or low on agreeableness and extraversion or when both

³ Miller, O. (2014). The negotiation style: A comparative study between the stated and in-practice negotiation style. *Procedia - Social and Behavioral Sciences*, 124, 200–209.

⁴ Ames, D. R., & Wazlawek, A. S. (2014). Pushing in the dark. Causes and consequences of limited self-awareness for interpersonal assertiveness. *Personality and Social Psychology Bulletin*, 40(6), 775–790.

⁵ Ames & Wazlawek, "Pushing in the dark."

⁶ Park, S., Scherer, S., Gratch, J., Carnevale, P. J., & Morency, L. (2015). I can already guess your answer: Predicting respondent reactions during dyadic negotiation. *IEEE Transactions on Affective Computing*, 6(2), 86–96.

⁷ Goldberg, L.R. (1992). The development of markers for the Big-Five factor structure. *Psychological Assessment*, 4(1), 26–42.

⁸ Sharma, S., Bottom, W. P., & Elfenbein, H. A. (2013). On the role of personality, cognitive ability, and emotional intelligence in predicting negotiation outcomes: A meta-analysis. *Organizational Psychology Review*, 3(4), 293–336.

parties express more positive emotional displays, they reach agreements faster. In this case, both parties perceive less relationship conflict and develop more positive impressions of their partners, than when negotiators are dissimilar on these traits.⁹

Psychopathic Personality Traits

Psychopathic personality traits include the absence of conscience, remorse or scruples in business settings. Negotiators who hold psychopathic personality traits have a more competitive world-view, including more selfish social motivations and the illusion of conflict with others.¹⁰ In mixed-motive negotiations, negotiators with psychopathic personality traits make more money when success favors competitive actions, but lose money when success depends on cooperation.

One type of psychopathic personality trait is narcissism, or excessive interest in oneself and extreme selfishness and a craving for admiration. Narcissistic negotiators view their opponents as less competent and less benevolent and are consequently less trusting of their opponents.¹¹

Dyadic Interaction

Because negotiations are inherently dyadic, understanding “individual” differences may not be as useful as understanding “dyadic” characteristics. In one investigation, negotiators were paired in terms of two complementary styles: dominant and submissive.¹² The dominant negotiators asserted their desires whereas the submissive negotiators asked questions to find ways to satisfy their own interests without escalating conflict. The complementary styles were more likely to reach integrative agreements.

Another investigation estimated the relative importance of individual differences versus dyadic characteristics using a twin sibling methodology.¹³ Participants engaged in one-on-one negotiations with counterparties, while their co-twins engaged in the same series of negotiations with the co-twins of the counterparties. Dyadic interaction effects explained more variation in *economic* negotiation outcomes than individual differences did; but individual differences explained more than twice as much variation in *subjective perceptions* of outcomes.

Attachment Style

One individual difference that relates to interaction itself is attachment style. Attachment theory argues that people develop different attachment styles to others.¹⁴ The three most commonly studied attachment styles are: secure attachment, avoidant attachment and insecure (or anxious) attachment. Attachment anxiety occurs when a person feels insecure about their relationship to

⁹ Wilson, K. S., Derue, D. S., Matta, F. K., Howe, M., & Conlon, D. E. (2016). Personality similarity in negotiations: Testing the dyadic effects of similarity in interpersonal traits and the use of emotional displays on negotiation outcomes. *Journal of Applied Psychology, 101*(10), 1405–1421.

¹⁰ Ten Brinke, L., Black, P. J., Porter, S., & Carney, D. R. (2015). Psychopathic personality traits predict competitive wins and cooperative losses in negotiation. *Personality and Individual Differences, 79*, 116–122.

¹¹ Kong, D.T. (2015). Narcissists' negative perception of their counterpart's competence and benevolence and their own reduced trust in a negotiation context. *Personality and Individual Differences, 74*, 196–201.

¹² Wiltermuth, S., Tiedens, L. Z., & Neale, M. (2015). The benefits of dominance complementarity in negotiations. *Negotiation and Conflict Management Research, 8*(3), 194–209.

¹³ Elfenbein, H. A., Eisenkraft, N., Curhan, J. R., & DiLalla, L. F. (2017). On the relative importance of individual-level characteristics and dyadic interaction effects in negotiations: Variance partitioning evidence from a twins study. *Journal of Applied Psychology, 103*(1), 88–96.

¹⁴ Ainsworth, M., Blehar, M., Waters, E., & Wall, S. (1978). *Patterns of attachment*. Hillsdale, NJ: Erlbaum.

another party. In one investigation, attachment anxiety had deleterious effects on the ability to initiate negotiations.¹⁵ Negotiators with avoidant attachment styles had a greater propensity to negotiate with an insecurely-attached counterparty compared to a secure counterparty.

MOTIVATIONAL ORIENTATION

Motivational orientation refers to the goals that people have in general social interactions as well as in negotiation. There are several different motivations that people may have in negotiation, but the most commonly studied three are: cooperation, competition, and self-interest (individualistic). To examine your own motivational style, look at Exhibit 5-1. For a quick assessment of your own motivational orientation, answer the nine questions in Exhibit 5-2. About 78% of MBA students describe their style as “cooperative”; 22% describe themselves as “aggressive.”¹⁶ To best optimize your negotiation style, look at the tips in Exhibit 5-3.

Cooperative Negotiator

Cooperative negotiators like to maximize joint gain and prefer to minimize differences in outcomes. When both negotiators have a cooperative orientation, they can be more effective in terms of maximizing the pie.¹⁷ For example, cooperative groups outperform individualists in terms of

EXHIBIT 5-1
Motivational Orientation

	Motivational Orientation		
	Individualistic	Competitive	Cooperative
Objective	Self-interest	Victory	Joint welfare
View of others	Self-interested	Competitive	Heterogeneous: some cooperative; some competitive; some individualistic
Situational factors that trigger this motivational orientation	Incentives to maximize own gain	Group competition; when organizations make interpersonal comparisons salient	Social identity; superordinate goals

¹⁵ Bear, J. B., & Segel-Karpas, D. (2015). Effects of attachment anxiety and avoidance on negotiation propensity and performance. *Negotiation and Conflict Management Research*, 8(3), 153–173.

¹⁶ Lewicki, R. J., & Robinson, R. J. (1998). Ethical and unethical bargaining tactics: An empirical study. *Journal of Business Ethics*, 17(6), 665–682.

¹⁷ Olekalns, M., & Smith, P. L. (1999). Social value orientations and strategy choices in competitive negotiations. *Personality and Social Psychology Bulletin*, 25(6), 657–668; Olekalns, M., & Smith, P. L. (2003). Testing the relationships among negotiators’ motivational orientations, strategy choices, and outcomes. *Journal of Experimental Social Psychology*, 39(2), 101–117; Pruitt, D. G., & Lewis, S. A. (1975). Development of integrative solutions in bilateral negotiation. *Journal of Personality and Social Psychology*, 31(4), 621–633; Weingart, L. R., Bennett, R. J., & Brett, J. M. (1993). The impact of consideration of issues and motivational orientation on group negotiation process and outcome. *Journal of Applied Psychology*, 78(3), 504–517; Weingart, L. R., Brett, J. M., Olekalns, M., & Smith, P. L. (2007). Conflicting social motives in negotiating groups. *Journal of Personality and Social Psychology*, 93(6), 994–1010.

EXHIBIT 5-2

Motivational Style Assessment

Each question presents three possible distributions of money (A, B, and C) to you and an opponent. Your task is to choose which of these distributions you most prefer. Indicate your true preference, not what you think you should choose. Be honest with yourself and circle only one alternative per question.

Payoff to You				
	Payoff to Other	A	B	C
1	You	\$2,400	\$2,700	\$2,400
	Other party	\$400	\$1,400	\$2,400
2	You	\$2,800	\$2,500	\$2,500
	Other party	\$1,500	\$2,500	\$500
3	You	\$2,600	\$2,600	\$2,900
	Other party	\$2,600	\$600	\$1,600
4	You	\$2,500	\$2,800	\$2,450
	Other party	\$500	\$1,500	\$2,450
5	You	\$2,800	\$2,500	\$2,450
	Other party	\$1,500	\$2,500	\$450
6	You	\$2,500	\$2,500	\$2,850
	Other party	\$2,500	\$500	\$1,500
7	You	\$2,550	\$2,800	\$2,550
	Other party	\$2,550	\$1,500	\$550
8	You	\$2,750	\$2,500	\$2,500
	Other party	\$1,500	\$500	\$2,500
9	You	\$2,400	\$2,450	\$2,700
	Other party	\$2,400	\$500	\$1,500

Compute your cooperative score by giving yourself one point for:

#1-C, #2-B, #3-A, #4-C, #5-B, #6-A, #7-A, #8-C, #9-A.

Compute your competitive score by giving yourself one point for:

#1-A, #2-C, #3-B, #4-A, #5-C, #6-B, #7-C, #8-B, #9-B.

Compute your individualist score by giving yourself one point for:

#1-B, #2-A, #3-C, #4-B, #5-A, #6-C, #7-B, #8-A, #9-C.

Source: Based on Kuhlman, D. M., & Marshello, A. (1975). Individual differences in the game motives of own, relative, and joint gain. *Journal of Research in Personality*, 9(3), 240–251.

EXHIBIT 5-3

Advice for Negotiators

Advice for Cooperative Negotiators	Advice for Competitive Negotiators
<i>Avoid becoming anchored by your reservation price.</i> Instead, prepare your target and develop high aspirations. <i>Develop your BATNA.</i> Try to improve it. <i>Get an agent and delegate the negotiation task.</i> It is not an admission of failure to appoint an agent if you think that person can act more assertively for you than you can for yourself. <i>Find a Constituency.</i> People negotiate more assertively when they are accountable. So, tell someone about your negotiation, make promises, and then report results. <i>Monitor your concessions.</i> Rehearse not saying yes to the first offer.	<i>Focus on value creation, not exclusively value-claiming.</i> You can increase your slice of the pie by creating a bigger pie. <i>Ask more questions than you think you should.</i> It pays to really understand the other party's objectives and needs. <i>Focus on fairness.</i> Other people respond well to arguments based upon standards of fairness and objectivity. <i>Hire a relationship manager.</i> It is not a sign of failure to consult with someone concerning how to manage the "people side" of negotiations. <i>Practice good-faith bargaining.</i> Keep your word. Remember the egocentric bias: We see ourselves as more ethical than others do. <i>Focus on the long-term relationship.</i> Very few negotiations are one-off; focus on the relationship.

Source: Based on Amanatullah, E. T., Morris, M. W., & Curhan, J. R. (2008). Negotiators who give too much: Unmitigated communion, relational anxieties, and economic costs in distributive and integrative bargaining. *Journal of Personality and Social Psychology*, 95(3), 723–738; Shell, G. R. (1999). *Bargaining for advantage: Negotiation strategies for reasonable people*. New York: Viking.

pie-expansion.¹⁸ Highly cooperative negotiators use more integrative strategies (such as information exchange), make more proposals for mutual coordination, and use fewer distributive tactics.¹⁹ Moreover, the more cooperatively-motivated people present in a negotiation, the more integrative (pie-expanding) information is exchanged.²⁰ According to the dual concern model of negotiation, high concern for oneself and the other party is most likely to lead to integrative (win–win) outcomes.²¹

Is there a downside to cooperation? Often, two cooperators end up with a lose–lose agreement because they fail to make their interests known to the other party.²² When a pro-social cooperator negotiates with a competitor, they are more likely to accept an unfair offer (such as an “\$8

¹⁸ Weingart, L. R., Bennett, R. J., & Brett, J. M. (1993). The impact of consideration of issues and motivational orientation on group negotiation process and outcome. *Journal of Applied Psychology*, 78(3), 504–517; Tzafrir, S. S., Sanchez, R. J., & Tirosh-Unger, K. (2012). Social motives and trust: Implications for joint gains in negotiations. *Group Decision and Negotiation*, 21(6), 839–862.

¹⁹ Olekalns, M., & Smith, P. L. (1999). Social value orientations and strategy choices in competitive negotiations. *Personality and Social Psychology Bulletin*, 25(6), 657–668.

²⁰ Weingart, L. R., Brett, J. M., Olekalns, M., & Smith, P. L. (2007). Conflicting social motives in negotiating groups. *Journal of Personality and Social Psychology*, 93(6), 994–1010.

²¹ Pruitt, D. G., & Carnevale, P. J. (1993). *Negotiation in social conflict*. Pacific Grove, CA: Brooks-Cole; Rubin, J. Z., Pruitt, D. G., & Kim, S. H. (1994). *Social conflict: Escalation, stalemate and settlement*. New York: McGraw-Hill.

²² Thompson, L., & Deharpport, T. (1998). Relationships, goal incompatibility, and communal orientation in negotiations. *Basic and Applied Social Psychology*, 20(1), 33–44.

for me/\$2 for you” split), as compared to individualists and competitors.²³ Even in populations of successful business executives, negotiators can experience relational anxiety and fear that they need to make concessions to avoid straining relationships.²⁴ Negotiators who show “unmitigated communion” make large concessions to accommodate the counterparty and reap less profit; when both parties are high in unmitigated communion, joint gains are lower.²⁵ Negotiators who are high in agreeableness fare better in integrative (pie-expanding) negotiations; conversely, negotiators low in agreeableness are best suited for purely distributive (win–lose) negotiations. In an investigation of how workers and managers divide a single output between them, workers who were more agreeable got significantly lower earnings—roughly 8% per standard deviation.²⁶

Competitive Negotiator

Competitive negotiators desire to maximize the difference between their own and the other’s outcomes, thereby “winning” or “beating” the other party. In an analysis of more than 700 practicing attorneys, adversarial behavior was regarded by peers to be distinctly ineffective. In fact, more than 50% of adversarial negotiators were regarded as ineffective.²⁷ As negotiators become more irritating, stubborn, and unethical, their effectiveness ratings drop. One way in which competitive negotiators differ from cooperative (and individualistic) negotiators is in terms of civility at the bargaining table. **Trash-talking** is incivility expressed in competition, and negotiators who trash-talk are more likely to feel rivalry and engender competition in the opponent.²⁸ Indeed, negotiators who are on the receiving-end of a competitive trash-talking negotiator are more likely to cheat, be less creative, and be more destructive.

Individualistic Negotiator

The individualistic, or self-interested negotiator prefers to maximize their own gain and is indifferent to how much the other person is getting. When individualistically-motivated negotiators are at the table, distributive strategies increase (e.g., positional statements and substantiation). Conversely, cooperators and individualists take different roads to reach win–win outcomes.²⁹ Individualists use the multiple-offer strategy and indirect information exchange; in contrast, cooperators share information about interests and priorities directly.

²³ Karagoniar, G., & Kuhlman, D. M. (2013). The role of social value orientation in response to an unfair offer in the ultimatum game. *Organizational Behavior and Human Decision Processes*, 120(2), 228–239.

²⁴ Amanatullah, E. T., Morris, M. W., & Curhan, J. R. (2008). Negotiators who give too much: Unmitigated communion, relational anxieties, and economic costs in distributive and integrative bargaining. *Journal of Personality and Social Psychology*, 95(3), 723–738.

²⁵ Amanatullah, Morris, & Curhan, “Negotiators who give too much.”

²⁶ Dimotakis, N., Conlon, D. E., & Ilies, R. (2012). The mind and heart (literally) of the negotiator: Personality and contextual determinants of experiential reactions and economic outcomes in negotiation. *Journal of Applied Psychology*, 97(1), 183–193; Rahman, D., & Evdokimov, P. (2013). *Personality and bargaining power*. Unpublished manuscript, Heller-Hurwicz Economics Institute, University of Minnesota, Minneapolis, MN.

²⁷ Schneider, A. K. (2002). Shattering negotiation myths: Empirical evidence on the effectiveness of negotiation style. *Harvard Negotiation Law Review*, 7(1), 143–233.

²⁸ Yip, J.A., Schweitzer, M.E., & Nurmohamed, S. (2017). Trash-talking: Competitive incivility motivates rivalry, performance, and unethical behavior. *Organizational Behavior and Human Decision Processes*, 8(6), 706–714.

²⁹ Olekalns, M., & Smith, P. L. (2003). Testing the relationships among negotiators’ motivational orientations, strategy choices, and outcomes. *Journal of Experimental Social Psychology*, 39(2), 101–117.

Many people describe themselves as individualistic, but their actual behavior reveals a different motive. For example, in one investigation, people were given several choices concerning the division of money between themselves and another person (e.g., \$300 you/\$300 other versus \$500 you/\$800 other).³⁰ They were asked to indicate how satisfactory each division of money was. If people were purely individualistic, satisfaction would only be driven by the amount of money for oneself. In fact, people were highly concerned with how much the “other person” received, so much so that people often preferred to earn less money, if it meant that this would equate outcomes between themselves and another person. For example, many people preferred \$300 self/\$300 other over \$500 self/\$800 other. When faced with a choice between \$300 self/\$300 other versus \$800 self/\$500 other, people still preferred equality, but not as strongly as when the self was disadvantaged.

The relationship we have with the other party can affect our own motivational orientation. Consider the following choices³¹:

Choice A: \$4,000 for yourself

Choice B: 50% chance at \$3,000; 50% chance at \$5,000

Which do you choose? We asked 111 MBA students, and most of them (73%) chose the sure thing: Choice A. This example confirms the risk-aversion principle we discussed in Chapter 2. We then asked a separate, but comparable, group of MBA students to choose between the following:

Choice C: \$4,000 for yourself; \$6,000 for another person

Choice D: Self: 50% chance at \$3,000; 50% chance at \$5,000; Other: 50% chance at \$7,000; 50% chance at \$5,000

A close look at all four choices (A, B, C, and D) reveals that Choice C is identical to Choice A (except for the payoff to the other person), and Choice D is identical to Choice B (except for the payoff to the other person). Thus, if people were perfectly rational and consistent, they would choose C over D (given that most choose A over B). However, that’s not what happens. People’s choices are driven in large part, by their *relationship* with the other party. Negotiators who have a positive relationship with the other person prefer the sure thing of Choice C (56%) over the gamble of Choice D; in contrast, those who had a negative relationship with the other person prefer to gamble on D (67%) over C. Distinct differences are evident between the pie-expanding and pie-slicing strategies used by cooperators versus those used by competitors. Cooperators not only increase the size of the pie, they also prefer an equitable division of the pie in comparison to individualists and competitors. Furthermore, cooperation is strongly related to reciprocity: relative to individualists and competitors, cooperators are more likely to engage in the same level of cooperation as their opponent.³²

Strategic Issues concerning Motivational Style

Once you know your own (and the other party’s) motivational style, how can you best use this information? Several strategic issues are relevant when it comes to motivational style.

³⁰ Loewenstein, G. F., Thompson, L., & Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social Psychology*, 57(3), 426–441.

³¹ Loewenstein, Thompson, & Bazerman, “Social utility and decision making.”

³² Van Lange, P. A. M. (1999). The pursuit of joint outcomes and equality in outcomes: An integrative model of social value orientation. *Journal of Personality and Social Psychology*, 77(2), 337–349.

MOTIVATIONAL STYLE AND NEGOTIATION PERFORMANCE How do different negotiation styles affect negotiation performance? A meta-analysis of tough (competitive) and soft (cooperative) bargaining strategies reveals that hardline strategies lead to greater *economic* gain (better outcomes), whereas softline strategies lead to better *socioemotional* outcomes.³³

RECIPROCITY EFFECT Integrative (value-creating) and distributive (value-claiming) behaviors tend to be reciprocated.³⁴ If you want to discourage a competitive motivational orientation in the counterparty, then don't reciprocate. When different types of players faced a pro-social (cooperative) opponent, pro-social and individualistic players cooperated more than competitive players. Pro-socials and individualists competed when the other party competed, but competitive players competed regardless of the behavior of the other party.³⁵ However, when a cooperative person negotiated with an individualistic negotiator, both experienced significantly more positive negotiation processes and outcomes than did purely individualistic dyads.³⁶

MOTIVATIONAL CONVERGENCE During negotiation, people's strategies often change in response to how they view the other party and the situation. In particular, when a cooperator meets a competitor, the cooperator is the one to change. For example, consider what happens when a person with a cooperative orientation negotiates with a competitive person. The cooperator begins the negotiation in a cooperative fashion, but when she realizes that she is facing a competitor, she changes her own style. People with a cooperative orientation behave competitively when paired with a competitive opponent, whereas competitive players do not change.³⁷ Thus, a strong tendency toward convergence of styles is likely to occur at the bargaining table.³⁸ Convergence of outcomes, as well as bargaining styles, occurs in later stages of negotiation.³⁹ As deadlines approach, people exchange specific proposals and make concessions.⁴⁰

EPISTEMIC MOTIVATION Epistemic motivation refers to a person's need to understand his or her world.⁴¹ To reach integrative agreements, negotiators should have not only a cooperative (social) orientation but also a deep understanding of the task (epistemic motivation).

³³ Hüffmeier, J., Freund, P. A., Zerres, A., Backhaus, K., & Hertel, G. (2014). Being tough or being nice? A meta-analysis on the impact of hard- and softline strategies in distributive negotiations. *Journal of Management*, 40(3), 866–892.

³⁴ Brett, J. M., Shapiro, D. L., & Lytle, A. L. (1998). Breaking the bonds of reciprocity in negotiations. *Academy of Management Journal*, 41(4), 410–424; Donohue, W. A. (1981). Analyzing negotiation tactics: Development of a negotiation interact system. *Human Communication Research*, 7(3), 273–287; Putnam, L. L. (1983). Small group work climates: A lag-sequential analysis of group interaction. *Small Group Research*, 14(4), 465–494.

³⁵ McClintock, C. G., & Liebrand, W. B. (1988). Role of interdependence structure, individual value orientation, and another's strategy in social decision making: A transformational analysis. *Journal of Personality and Social Psychology*, 55(3), 396–409.

³⁶ Schel, V., Rognes, J. K., & Shapiro, D. L. (2011). Can individualists and cooperators play together? The effect of mixed social motives in negotiations. *Journal of Experimental Social Psychology*, 47(2), 371–377.

³⁷ Kelley, H. H., & Stahelski, A. J. (1970). Social interaction basis of cooperators' and competitors' beliefs about others. *Journal of Personality and Social Psychology*, 16(1), 66–91.

³⁸ Weingart, L. R., Brett, J. M., Olekalns, M., & Smith, P. L. (2007). Conflicting social motives in negotiating groups. *Journal of Personality and Social Psychology*, 93(6), 994–1010.

³⁹ Gulliver, M. P. (1979). The effect of the spatial visualization factor on achievement in operations with fractions. *Dissertation Abstracts International*, 39(9-A), 5381–5382.

⁴⁰ Lim, S. G., & Murnighan, J. K. (1994). Phases, deadlines, and the bargaining process. *Organizational Behavior and Human Decision Processes*, 58(2), 153–171; Stuhlmacher, A. F., Gillespie, T. L., & Champagne, M. V. (1998). The impact of time pressure in negotiation: A meta-analysis. *International Journal of Conflict Management*, 9(2), 97–116.

⁴¹ Kruglanski, A. W. (1989). *Lay epistemics and human knowledge: Cognitive and motivational bases*. New York: Plenum Press.

Negotiators who are high in both epistemic and cooperative motivation develop greater trust and reach more integrative agreements than those low in cooperation or low in epistemic motivation.⁴²

GENDER AND NEGOTIATION

A common question is how do women fare relative to men when seated at the bargaining table? In this section, we examine several important measures of negotiation in regards to gender, including: economic negotiation outcomes, opening offers, the propensity to initiate negotiations, perceptions of the other party, and how men and women are treated by the counterparty.

Economic Outcomes

A number of studies have investigated how men and women perform in terms of their negotiated economic outcomes, most notably, salary negotiations in laboratory simulations and experiments. Across the board, men are more successful than women in terms of claiming value—they inevitably get a bigger slice.⁴³ And, when men and women negotiate against one another, men get a larger slice of the pie. In 1999, a large meta-analysis revealed that men negotiated significantly better outcomes than did women; opponent gender, power, mode of communication, nature of the task, and year of the investigation did not explain this robust effect.⁴⁴ A 2015 meta-analysis revealed that men achieved better economic outcomes than women, but that gender differences in outcomes depend on the context: gender differences favoring men are reduced when negotiators had experience, when they received information about the zopa, and when they negotiated on behalf of another person.⁴⁵

It is one thing to find gender differences in simulated salary negotiations; it is quite another question to document them in real-world situations. As can be seen in Exhibit 5-4, gender differences exist in actual job and salary negotiations. These differences are not explained by career clustering (i.e., differences in job class), indeed, women in the same fields with the same jobs and same education earn less than men.

In many situations, gender and power are correlated, raising the question of whether power or gender influence economic outcomes. One investigation created four combinations of power and gender.⁴⁶ Male negotiators were more dominating and females were more obliging and compromising. High power negotiators were less dominating and more collaborating, obliging and avoiding than low-power opponents. Feminine and high-power behaviors induced agreement, but masculine and low-power behaviors enhanced individual gain.

⁴² De Dreu, C. K. W., Beersma, B., Stroebe, K., & Euwema, M. C. (2006). Motivated information processing, strategic choice, and the quality of negotiated agreement. *Journal of Personality and Social Psychology*, 90(6), 927–943.

⁴³ Kray, L., Thompson, L., & Galinsky, A. (2001). Battle of the sexes: Gender stereotype confirmation and reactance in negotiations. *Journal of Personality and Social Psychology*, 80(6), 942–958; Kray, L., Galinsky, A., & Thompson, L. (2002). Reversing the gender gap in negotiations: An exploration of stereotype regeneration. *Organizational Behavior and Human Decision Processes*, 87(2), 386–409.

⁴⁴ Stuhlmacher, A., & Walters, A. (1999). Gender differences in negotiation outcome: A meta-analysis. *Personnel Psychology*, 52(3), 653–677.

⁴⁵ Mazei, J., Huffmeier, J., Freund, P.A., Stuhlmacher, A.F., Bilke, L., & Hertel, G. (2015). A meta-analysis on gender differences in negotiation outcomes and their moderators. *Psychological Bulletin*, 141(1), 85–104.

⁴⁶ Nelson, N., Bronstein, I., Shacham, R., & Ben-Ari, R. (2015). The power to oblige: Power, gender, negotiation behaviors, and their consequences. *Negotiation and Conflict Management Research*, 8(1), 1–24.

EXHIBIT 5-4**Pay Gaps among Men and Women in the Real World**

In 2003, the wage gap between men and women graduating from elite MBA programs was almost negligible. However, by 2013, the pay gap significantly widened. Female graduates earned 93 cents for every dollar earned by their male classmates. Differences in compensation can increase exponentially over time. For example, suppose a man and a woman are both offered a \$50,000 salary when they are 25 years old. Suppose the man negotiates a 10% increase, but the woman does not. Next, assume that both the man and the woman get a steady, 5% annual raise every year for the next 40 years, until they both retire at age 65. The man will earn over \$600,000 more than his female colleague.

Full-time working women in the U.S. earn about 80% of what men do. A Glassdoor study showed that even when controlling for education and experience, women in finance make 6.4% less than men with the same jobs. According to the Institute for Women's Policy Research, the most significant reason why women make 80% of what men do is that they are clustered into lower-paying fields. However, women aren't earning less money just because they pursue and/or are pushed into low-paying work (career clustering), women working in the same field, same job with same education and experience as men earn less—about 5%, which may not seem like a lot, but it adds up. One study analyzed salaries of 10,000 physicians employed by medical schools: women made \$51,000/year less than men. And, the gap occurred within specific fields: female orthopedic surgeons made \$41,000 less than male orthopedic surgeons; female oncologists \$38,000 less and so on. What's more, the disparity appears to grow overtime: the gap increases as women age and as they advance into higher-paying careers.

Source: Based on Marks, M., & Harold, C. (2011). Who asks and who receives in salary negotiation. *Journal of Organizational Behavior*, 32(3), 371–394; Suddath, C. (2017, June 26). Paid in semi full. *Businessweek*. scribd.com; Hayes, J. (2017, December). *Private sector workers lack pay transparency: Pay secrecy may reduce women's bargaining power and contribute to gender wage gap*. Washington, DC: Institute for Women's Policy Research. iwpr.org; Anupam, J. B., Olenski, A. R., & Blumenthal, D. M. (2016, September). *Sex differences in physician salary in US public medical schools*. *JAMA Internal Medicine*, 174(9), 1294–1304.; Blau, F. D., & Kahn, L. M. (2016, January). *The gender wage gap: Extent, trends, and explanations*. Working paper No. 21913. The National Bureau of Economic Research. nber.org/papers/w21913

Opening Offers

A key determinant of how well men and women do is their opening offer. Opening offers reveal men and women's aspirations. Women set lower aspirations (and ask for less) in their opening offers than do men, holding constant their previous experience, education, and bargaining position. A meta-analysis of how gender influences negotiation performance revealed that 48% of the investigations involved monetary purchases, 25% involved compensation, and 28% involved legal issues.⁴⁷ When negotiators believe a negotiation simulation is diagnostic of their true negotiation ability, men do even better relative to women.

⁴⁷ Stuhlmacher, A., & Walters, A. (1999). Gender differences in negotiation outcome: A meta-analysis. *Personnel Psychology*, 52(3), 653–677; Damast, A. (2012). She works hard for less money. *Businessweek*, 4310, 31–32.

Initiating Negotiations

The ability to initiate negotiations, rather than avoid them and simply accept the first offer that is tendered, is a key to negotiation success in the management world. Some investigations have found that women are less likely to initiate negotiations than men.⁴⁸

When it comes to negotiating compensation, women are more likely to avoid negotiation than are men.⁴⁹ A 2017 meta-analysis of 55 effect sizes with 17,504 people examined gender differences in initiating negotiation.⁵⁰ Women were indeed less likely to initiate negotiation than men. The gender difference was smaller when situational ambiguity (regarding the appropriateness of negotiation) was low rather than high. Moreover, gender differences were smaller when situational cues were more consistent with the female gender role than with the male gender role. As a case in point, in one investigation, women were more likely to avoid negotiation about compensation than men, but men were more likely to avoid negotiation about access to a lactation room.⁵¹ Gender differences were not related to the degree of gender inequity in the countries studied.

A study of 2,500 job seekers revealed that when there is no explicit statement that wages are negotiable, men are more likely to negotiate for a higher wage, whereas women are more likely to signal their willingness to work for a lower wage.⁵² However, when it is explicitly mentioned that wages are negotiable, gender differences completely disappear. For these reasons, men prefer job environments where the “rules of wage determination” are ambiguous because it leads to greater gender gap wage differences.⁵³

If women are less likely to initiate negotiations in ambiguous situations than men, what factors explain this? There are four key reasons that act as barriers for women asking for what they want⁵⁴:

- They don’t feel a given situation is negotiable.
- They think they will be given things when they “deserve” them.
- They do not establish aggressive goals.
- They do not want to damage the relationship.

Willingness to engage in, versus avoid, negotiation may also depend on whom one is negotiating with. Thus, a relevant question concerns whether women or men are more or less likely to initiate negotiations with a man or woman. In one job simulation investigation, people had to decide whether to initiate negotiation for a higher salary.⁵⁵ Men were more likely than women to initiate negotiating their compensation: 42% of the male versus only 28% of the

⁴⁸ Small, D., Gelfand, M., Babcock, L., & Gettman, H. (2007). Who goes to the bargaining table? The influence of gender and framing on the initiation of negotiation. *Journal of Personality and Social Psychology*, 93(4), 600–613.

⁴⁹ Bear, J. (2011). “Passing the buck”: Incongruence between gender role and topic leads to avoidance of negotiation. *Negotiation and Conflict Management Research*, 4(1), 47–72.

⁵⁰ Reif, J. A. & Brodbeck, F. C. (2017, January). When do people initiate a negotiation? The role of discrepancy, satisfaction, and ability beliefs. *Negotiation and Conflict Management Research*, 10(1), 46–66; Kugler, K. G., Reif, J. A. M., Kaschner, T., & Brodbeck, F. C. (2018). Gender differences in the initiation of negotiations: A meta-analysis. *Psychological Bulletin*, 144(2), 198–222.

⁵¹ Bear, J. “Passing the buck.”

⁵² Leibrandt, A., & List, J. A. (2015). Do women avoid salary negotiations? Evidence from a large-scale natural field experiment. *Management Science*, 61(9), 2016–2024.

⁵³ Leibrandt & List, “Do women avoid salary negotiations?”

⁵⁴ Medvec, V. (2013). *Women and negotiation*. Presentation at Kellogg School of Management.

⁵⁵ Eriksson, K. H., & Sandberg, A. (2012). Gender differences in initiation of negotiation: Does the gender of the negotiation counterpart matter? *Negotiation Journal*, 28(4), 407–428.

female participants initiated negotiations. However, this gender difference was only observed when the negotiation counterparty was a female. Indeed, when the counterparty was a female, women were less likely to negotiate as compared to men, but when the counterparty was a male, women were only 5% less likely to initiate negotiations.

The Backlash Effect

Why are women less likely to initiate negotiation, ask for less, and settle for lower economic outcomes at the bargaining table? The **backlash effect** refers to the negative social reaction directed at women who are seen as violating gender norms because they engage in counter-stereotypical (agentic) behaviors during negotiation.⁵⁶ Might there be repercussions for initiating negotiations and advocating for one's own interests? Unfortunately, women encounter both social and economic backlash when they behave assertively at the bargaining table. The backlash is most evident when gender stereotypes that prescribe communal, nurturing behavior are activated.⁵⁷ When women behave in a stereotypically feminine way, such as flirting, they are judged as more likeable, but less authentic.⁵⁸

Negotiating effectively means acting assertively by stating one's interests and aspirations. Women believe that assertive behavior will elicit a negative response from the counterparty. As it turns out, this is not a faulty perception: women who "ask" are viewed more negatively than men who ask, and evaluators penalize women who ask more than men who ask.⁵⁹

Female negotiators are more reluctant to assert their interests and consequently do not reap as much as self-advocating females or males. Self-advocating female negotiators suffer negative social judgments—that is, backlash.⁶⁰ Specifically, women who ask for what they want in negotiation—that is, women who self-advocate—are less well-liked than women who do not self-advocate. Self-advocating women are associated with high-negative masculine and low-negative feminine characteristics. Nonassertive, other-advocating women suffer a leadership backlash, and are regarded as less competent because their behavior is regarded to be high-negative feminine and low-positive masculine. Male negotiators do not suffer any backlash consequences.

Women who eschew traditional gender norms and "ask" incur financial penalties for initiating negotiation that can sometimes be attenuated if women have achieved externally-conferred status.⁶¹

The Costs of "Leaning In"

One investigation found that women who initiate negotiations incur a cost—namely, they are less likely to achieve their goals and more likely to economically suffer. In this investigation, people engaged in a worker–employer simulation.⁶² At the start, workers contributed some money to

⁵⁶ Amanatullah, E., & Tinsley, C. (2013). Ask and ye shall receive? How gender and status moderate negotiation success. *Negotiation and Conflict Management Research*, 6(4), 253–272.

⁵⁷ Tinsley, C. H., Cheldelin, S. I., Schneider, A. K., & Amanatullah, E. T. (2009). Women at the bargaining table: Pitfalls and prospects. *Negotiation Journal*, 25(2), 233–248.

⁵⁸ Kray, L. J., & Locke, C. C. (2008). To flirt or not to flirt? Sexual power at the bargaining table. *Negotiation Journal*, 24(4), 483–493.

⁵⁹ Bowles, H. R., Babcock, L., & Lai, L. (2007). Social incentives for gender differences in the propensity to initiate negotiations: Sometimes it does hurt to ask. *Organizational Behavior and Human Decision Processes*, 103(1), 84–103.

⁶⁰ Amanatullah, E. T., & Tinsley, C. H. (2013). Punishing female negotiators for asserting too much...or not enough: Exploring why advocacy moderates backlash against assertive female negotiators. *Organizational Behavior and Human Decision Processes*, 120(1), 110–122.

⁶¹ Amanatullah, & Tinsley, "Ask and ye shall receive?"

⁶² Exley, C., Niederle, M., & Vesterlund, L. (2016). *Knowing when to ask: The cost of leaning in*. Working Paper No. 22961. National Bureau of Economic Research. nber.org

a collective pot and their firms contributed either \$4 less, \$2 less, matched, or \$2 more. Then, the worker–employer teams engaged in a negotiation (via instant-messaging), without revealing their identity. In some conditions, negotiation was “optional.” The dilemma: if negotiations did not end well, there would be a financial penalty incurred—thus, it was risky to negotiate. Women did not opt to negotiate as often as men did when negotiation was “optional.” This was not because women were “afraid” to ask, but rather because they knew the negotiation would not end well (i.e., result in a cost if they leaned in to negotiate) and they would incur a penalty.

Lying and Misrepresentation

Several studies suggest that men are more likely than women to lie in negotiations. Specifically, men endorse and engage in lying more than women in negotiation.⁶³ However, other investigations report that women are equally as dishonest as men.⁶⁴ According to one investigation, competitiveness and empathy motives explain the incidence of lying in negotiation, such that men feel more competitive than women and greater competitiveness is associated with more lying.⁶⁵ Indeed, when women are prompted to feel competitive; and when men are prompted to feel empathy, gender differences in lying are reduced.

Discrimination

Thus far, we’ve reviewed evidence suggesting that women are less likely to initiate negotiations than are men, and when they do, they do not reap as much of the bargaining zopa, and when they do self-advocate, they are disliked. A relevant question is whether men are offered better prices, salaries, and terms than are women? A landmark investigation of how new car dealers quote prices to prospective buyers revealed that dealers quoted significantly lower prices to white males than to black or female test buyers using identical scripted bargaining strategies.⁶⁶ White female buyers were asked to pay a 40% higher markup than white males, black males were asked to pay more than twice the markup offered to the white males, and black females were asked to pay more than three times the markup of white males. A follow-up study replicated the finding that dealers systematically offer lower prices to white males than to white females and black males and females, with black females being particularly discriminated against in terms of price quotes.⁶⁷

One type of discrimination is when people are treated differently merely on the basis of their appearance. One study found that negotiators immediately make judgments of counterparties based on their facial femininity.⁶⁸ For example, regardless of the sex of the counterparty, negotiators preferred to negotiate with more feminine-featured faces, because they believe that

⁶³ Erat, S. & Gneezy, U. (2012). White lies. *Management Science*, 58(4), 723-733; Kray, L. J., & Haselhuhn, M. P. (2012). Male pragmatism in negotiators’ ethical reasoning. *Journal of Experimental Social Psychology*, 48(5), 1124–1131; Robinson, R. J., Lewicki, R. J., & Donahue, E. M. (2000). Extending and testing a five factor model of ethical and unethical bargaining tactics: Introducing the SINS scale. *Journal of Organizational Behavior*, 21(6), 649–664; Pierce, J. & Thompson, L. (2018). *Gender and ethically-questionable negotiation strategies*. Working paper.

⁶⁴ Childs, J. (2012, February). Gender differences in lying. *Economics Letters*, 114(2), 147-149; Vesely, S. (2014). Ultimatum game with asymmetric information: A study of deception and fairness. *Studia Psychologica*, 56(1), 53–66.

⁶⁵ Pierce & Thompson, “*Gender and ethically-questionable negotiation strategies*”.

⁶⁶ Ayres, I., & Siegelman, P. (1995). Race and gender discrimination in bargaining for a new car. *The American Economic Review*, 85(3), 304–321.

⁶⁷ Ayres, I. (1995). Further evidence of discrimination in new car negotiations and estimates of its cause. *Michigan Law Review*, 94(1), 109–147.

⁶⁸ Gladstone, E., & O’Connor, K. (2014). A counterpart’s feminine face signals cooperativeness and encourages negotiators to compete. *Organizational Behavior And Human Decision Processes*, 125(1), 18–25.

they can demand more from someone who appears to be cooperative. However, when these same negotiators selected an agent (to negotiate on their behalf), their preference reversed, choosing the most masculine-featured agents.

Another investigation found that men with “masculine” faces (as measured by facial width-to-height) achieve more favorable economic outcomes.⁶⁹ Specifically, men with greater width-to-height ratios are less cooperative than men with smaller face ratios, and this lack of cooperation allows them to claim more value when negotiating with other men, but ultimately curtails their ability to craft integrative agreements.

Gender and Third-Party Dispute Resolution

Whereas women are often the target of backlash in their own negotiations, a key question is how they fare relative to men when they act as third parties in conflict resolution. In an investigation of the effectiveness of third-party intervention, women who lacked authority over disputants (i.e., could not impose an outcome, but could suggest process ideas) were more successful than men in terms of facilitating an outcome that was both acceptable to disputants and met larger organizational objectives.⁷⁰ The effectiveness of women in the third-party peer role was due to women eschewing agentic behavior; in contrast, men engaged in agentic behavior.

Leveling the Playing Field

Given the differences in outcomes that men and women receive at the negotiation table, the natural question is whether anything can level the playing field or help women attain better outcomes.

ADDRESSING BARRIERS It is important to acknowledge that differences in economic outcomes are not a reflection of skill, but rather barriers: *cognitive* barriers stem from negative stereotypes about women’s negotiating abilities; *motivational* barriers stem from the desire to prevent women from excelling in a masculine domain. *Paradigmatic* barriers stem from how negotiation is measured.⁷¹ Moreover, training women to “negotiate like men is obviously not the solution.”⁷² Women possess unique advantages, including greater cooperativeness and stronger ethics, strengths which should define performance in organizations.

STEREOTYPE REGENERATION **Stereotype regeneration** refers to the process by which members of traditionally stereotyped groups redefine their own beliefs about their group.⁷³ For example, if the traditional stereotype of women is that they are relationship-oriented and accommodating, a regeneration of such a stereotype might be that women are highly

⁶⁹ Haselhuhn, M. P., Wong, E. M., Ormiston, M. E., Inesi, M. E., & Galinsky, A. D. (2014). Negotiating face-to-face: Men’s facial structure predicts negotiation performance. *The Leadership Quarterly*, 25(5), 835–845.

⁷⁰ Benharda, I., Brett, J. M., & Lempereur, A. (2013). Gender and role in conflict management: Female and male managers as third parties. *Negotiation and Conflict Management Research*, 6(2), 79–93.

⁷¹ Kennedy, J., & Kray, L. (2015). A pawn in someone else’s game?: The cognitive, motivational, and paradigmatic barriers to women’s excelling in negotiation. *Research in Organizational Behavior*, 35, 3–28.

⁷² Kennedy, & Kray, “A pawn in someone else’s game?”

⁷³ Kray, L. J., Galinsky, A. D., & Thompson, L. (2002). Reversing the gender gap in negotiations: An exploration of stereotype regeneration. *Organizational Behavior and Human Decision Processes*, 87(2), 386–409.

goal-oriented and assertive. We tested the hypothesis that even highly successful female managers from major companies may falter at the negotiation table because of the pervasive cultural stereotype that “women are docile.” To be sure, women who are in management and hold status in organizations may not see themselves as docile, but they are no doubt aware that a cultural female stereotype exists. Thus, we hypothesized that even though the successful females in management roles are anything but docile, the mere knowledge that this stereotype about women exists may act as a mental roadblock in the negotiations. Conversely, if the cultural stereotype about women was brought out in the open, perhaps women would be able to dismantle it. In a job negotiation simulation in which the classic female stereotype was explicitly mentioned, highly competent female MBA students not only actively dismissed the stereotype, but they also claimed more of the pie than did their fellow male MBA students. The message? Stereotypes that lurk below the surface creep into our subconscious and interfere with our performance. By exposing those negative stereotypes—getting them out in the open and then attacking them mentally—women can do much better at the bargaining table.

This effect is even stronger when people want to make a good impression on others. In one investigation, men and women in high-status roles responded to impression motivation in a way that contradicted classic gender stereotypes: men actually became more docile, and women responded by acting more assertively.⁷⁴ Women persisted more with male naysayers than with female naysayers, but they did so in a stereotypically low status (more indirect than direct) manner. Moreover, women’s persistence with the male naysayers helped close a gender gap in performance.⁷⁵

Negotiation is a skill that involves both relationship-building and economic prowess. To the extent that women (or men) believe that the skills required for successful negotiation are indeed consistent with their gender stereotype, they should do very well. Thus, we should expect women to do well when negotiation is depicted as requiring relationship skills. Indeed, in a negotiation simulation in which it was clearly suggested that success in negotiation requires people skills—listening, verbal prowess, nonverbal acumen, and so on—all the elements of the classic female stereotype, women perform better than do men.⁷⁶ This suggests that when a task (such as negotiation) is positively linked to people’s own gender stereotypes, they perform better. (See also Exhibit 5-5 for an example of how a powerful female leader leveraged her role.)

REMOVE AMBIGUITY FROM NOVEL-APPEARING SITUATIONS Relative to men, women tend to perform worse in negotiations when the situation is ambiguous.⁷⁷ Conversely, when situations are less ambiguous—such as when it is commonly expected that people will negotiate opening salary offers—gender differences are eliminated. Similarly, in employment fields and domains in which starting salaries are well known, gender differences are not as pronounced

⁷⁴ Curhan, J. R., & Overbeck, J. R. (2008). Making a positive impression in a negotiation: Gender differences in response to impression motivation. *Negotiation and Conflict Management Research*, 1(2), 179–193.

⁷⁵ Bowles, H. R., & Flynn, F. (2010). Gender and persistence in negotiation: A dyadic perspective. *Academy of Management Journal*, 53(4), 769–787.

⁷⁶ Kray, Galinsky, & Thompson, “Reversing the gender gap in negotiations.”

⁷⁷ Bowles, H. R., Babcock, L., & McGinn, K. (2005). Constraints and triggers: Situational mechanics of gender in negotiation. *Journal of Personality and Social Psychology*, 89(6), 951–965.

EXHIBIT 5-5**The Verbal and Nonverbal Skills of Power**

Madeleine Albright served as the first female Secretary of State in U.S. history, and at the time, was also the highest-ranking woman ever to serve in the executive branch of government. The tough-talking, wisecracking, former Georgetown University professor sought the job and accepted it eagerly, making no pretense of reluctance and offering no sham modesty about her stellar credentials. During her reign as Secretary of State, “Last Word” Albright compiled an impressive list of powerful accomplishments: She forged an alliance that finally faced down Serb aggression in the Balkans and held it together during the war, and she did it without a total rupture with Moscow. At the same time, she kept the Israeli–Palestinian peace negotiations from falling apart completely while Benjamin Netanyahu was prime minister so that Netanyahu’s successor, Ehud Barak, could build on a foundation that was still intact. She nursed a relationship with China and opened the door to better relations with Iran. Her secret to power? “Interrupt!” At least that is the advice she gives to young women: “Don’t wait for men to solicit your input.” And she walks the talk: in her course at Georgetown, she instituted a “no hand-raising” rule because she believes that if students are told to raise their hands before speaking, women will do so, but men will not. Her successes with the variety of people she has dealt with reveal her remarkable persuasive skills and her bargaining power.

Source: Based on Lippman, T. W. (2000, June 3). Madame secretary. *National Journal*, 32(23), 1736–1744.

as in fields in which starting salaries are less well documented. The greater the amount of situational ambiguity in a given situation, the more a negotiation will be affected by gender. A given situation is less ambiguous to the stereotype-consistent gender and more ambiguous to the other gender.⁷⁸

ACCOUNTABILITY TO A CONSTITUENCY When women negotiate on behalf of someone other than themselves (e.g., their family, children, constituency), gender differences are minimized as compared to when they negotiate on behalf of themselves.⁷⁹ Why? The key reason is that when women feel that they are accountable to a larger constituency, they are more comfortable and more likely to express their interests, make more assertive offers, and hold out for a better set of terms.

CHAPTER CAPSTONE

We examined several individual differences in negotiation, including the “Big 5” personality traits. When examining how individual differences, such as personality affect negotiation behavior and outcomes, it is important to consider the personality of the counterparty. We explored motivational orientation (individualistic, cooperative, or competitive). In general, there is a strong reciprocity effect, particularly for competitive strategies. We then examined one of

⁷⁸ Miles, E. W. & Clenney, E. F. (2010). Gender differences in negotiation: A status characteristics theory view. *Negotiation and Conflict Management*, 3(2), 130–144.

⁷⁹ Bowles, Babcock, & McGinn, “Constraints and triggers.”

the most profound individual differences, gender. Gender differences in negotiation exist and are accentuated in ambiguous situations, such as job negotiations for fields that do not have well-known starting salaries. Gender differences are also magnified when men and women negotiate on their own behalf; conversely, when women negotiate on behalf of someone or another group, gender differences are reduced. There does appear to be a backlash effect such that when female negotiators act assertively, they are not as well liked and thus negotiations may backfire.

6

MANAGING EMOTIONS AND CONTENTIOUS NEGOTIATIONS

In June 2020, the International Transport Workers' Federation (ITF) lost patience with governments around the world. Negotiations on action to help the repatriation of around 200,000 cargo ship crew members around the world in the face of COVID-19 restrictions had been getting nowhere. The ITF argued that their members should be classed as key workers and as such be exempt from COVID-19 travel restrictions. ITF President Paddy Crumlin decided it was time to make a stand; crew members were exhausted and missing their homes but unable to return due to the restrictions. Many had no option but to sign up for an extension to their voyages, and by June this meant that some ships' crews had been on board ship for 11 months. With no progress in negotiations, Crumlin warned both governments and employers that the union members would be exercising their rights not to renew contracts and would come home instead. However, the lack of available crew would mean severe disruptions to global shipping and trade. Yet the ITF found willing allies in cargo vessel operators, including Hapag-Lloyd AG, the fifth largest container company, which had tried to change its crew at ports where the restrictions were not as inflexible. A.P. Moller-Maersk A/S, the world's largest shipping company, which runs around 20% of all container ships, also praised the dedication of their 6,600 seafarers and asked for governments to come up with an immediate solution. This was a rare example of the ITF and the employers being in full accord.¹

Negotiations like those between the ITF and global governments often involve emotion and may lead to disputes. Knowing how to recognize emotions and effectively manage contentious negotiations can preserve relationships, as seen in the opening case. In this chapter, we examine emotions at the bargaining table—positive and negative, genuine and contrived. We consider how emotional intelligence can be an asset in negotiation. Then we examine two types of negotiation situations that often lead negotiators to become emotional—disputes and social dilemmas.

EMOTIONS

Emotions are inevitable in conflict and negotiations. **Emotions** are relatively fleeting states that are usually fairly intense and often a result of a particular experience. **Moods** are more chronic and more diffuse, meaning that whereas emotions are a result of, and can be directed at certain events or people, moods are usually not directed at someone. Unlike emotions, which are very specific, such as anger, regret, relief, gratitude, and so on, moods

¹ Bloomberg. (2020, June 17). Union backs seafarers' right to stop work despite risk to global trade. *gCaptain*. gcaptain.com

are often classified as simply being in a “good mood” or a “bad mood.” Emotions and moods can be either a consequence or a determinant of negotiation behavior and outcomes. Emotions often follow a norm of reciprocity in negotiation. Moreover, emotional responses generated from profitable and unprofitable exchanges motivate people to “settle scores” with others.²

Genuine versus Strategic Emotion

A key question when it comes to emotion at the bargaining table concerns whether emotions are **genuine** (authentic; behavioral manifestations of felt emotions) or **strategic** (contrived; carefully designed orchestration to take the counterparty off guard). Negotiators might respond very differently to a counterparty who they see as either *authentically* angry or *strategically* angry. (See Exhibits 6-1 and 6-2 to assess your own strategic use of emotion.)

One investigation examined surface acting anger (showing anger that is not truly felt inside) versus deep-acting anger (showing anger that is truly felt inside). As compared to deep anger (genuine emotion), surface-acting anger (strategic emotion) led to increased demands and reduced trust.³ By contrast, deep-acting anger decreased the demands made by the counterparty; thus, faking anger may be detrimental to conflict resolution. Another study examined the impact of happy versus angry negotiators who were either seen as authentic or inauthentic and found that counterparties concede more to angry negotiators than happy negotiators when they believe the emotion is authentic, but the reverse is true when the negotiators are viewed as inauthentic.⁴

Negotiators who use negative emotion may feign temper tantrums as a way of threatening the counterparty to make a concession. However, negotiators who are *really* angry and feel little compassion for the counterparty are less effective in terms of expanding the pie than are happy negotiators.⁵ Moreover, they are not as effective in terms of slicing the pie.⁶ In contrast, negotiators who are *strategically angry* are more likely to gain concessions from their opponent because the counterparty assumes the angry person is close to their reservation point.⁷ Angry negotiators induce fear in their opponent, and their opponents are more likely to succumb when they are motivated.⁸ For these reasons, negotiators who make a strategic flinch in negotiation can often prevail. A **strategic flinch** is a verbal or physical display of shock, disgust or disbelief made to an opening offer, and negotiators who flinch claim more value than negotiators who don't flinch.⁹ However, counterparties who are the target of a flinch view the relationship less positively.

² Mislin, A., Boumgarden, P., Jang, D., & Bottom, W. (2015). Accounting for reciprocity in negotiation and social exchange. *Judgment and Decision Making*, 10(6), 571–589.

³ Cote, S., Hildeg, I., & van Kleef, G. A. (2013). The consequences of faking anger in negotiations. *Journal of Experimental Social Psychology*, 49(3), 453–463.

⁴ Tng, H.-Y., & Au, A. K. C. (2014). Strategic display of anger and happiness in negotiation: The moderating role of perceived authenticity. *Negotiation Journal*, 30(3), 301–327.

⁵ Allred, K. G., Mallozzi, J. S., Matsui, F., & Raia, C. P. (1997). The influence of anger and compassion on negotiation performance. *Organizational Behavior and Human Decision Processes*, 70(3), 175–187.

⁶ Allred, K. G. (2000). Anger and retaliation in conflict: The role of attribution. In M. Deutsch & P. T. Coleman (Eds.), *The handbook of conflict resolution: Theory and practice* (pp. 236–255). San Francisco: Jossey-Bass.

⁷ van Kleef, G. A., De Dreu, C. K. W., & Manstead, A. S. R. (2004). The interpersonal effects of anger and happiness in negotiations. *Journal of Personality and Social Psychology*, 86(1), 57–76.

⁸ van Kleef, De Dreu, & Manstead, “The interpersonal effects of anger and happiness.”

⁹ Fassina, N. E., & Whyte, G. R. (2014). “I am disgusted by your proposal”: The effects of a strategic flinch in negotiations. *Group Decision and Negotiation*, 23(4), 901–920.

EXHIBIT 6-1

Emotional Styles

	Rational	Positive	Negative
Focus	Conceal or repress emotion	Create positive emotion in other party; create rapport	Use irrational-appearing emotions to intimidate or control other party
Distributive strategies (pie-slicing)	Invoking norms of fair distribution	Compromise for the sake of the relationship	Threats; often tough bargaining
Integrative strategies (pie-expansion)	Systematic analysis of interests	Positive emotion stimulates creative thinking	Negative emotion may inhibit integrative bargaining
Implications for future negotiations and relationship	May come across as "distant"	Greater feelings of commitment to relationship partner	Pressure to carry out threats or lose credibility

EXHIBIT 6-2

Emotional Style Questionnaire

Read each statement, and indicate whether you think it is true or false for you in a negotiation situation. Force yourself to answer each one as generally true or false (i.e., do not respond with "I don't know").

1. In a negotiation situation, it is best to "keep a cool head."
2. I believe that in negotiations you can "catch more flies with honey."
3. It is important to me that I maintain control in a negotiation situation.
4. Establishing a positive sense of rapport with the other party is key to effective negotiation.
5. I am good at displaying emotions in negotiation to get what I want.
6. Emotions are the downfall of effective negotiation.
7. I definitely believe that the "squeaky wheel gets the grease" in many negotiation situations.
8. If you are nice in negotiations, you can get more than if you are cold or neutral.
9. In negotiation, you have to "fight fire with fire."
10. I honestly think better when I am in a good mood.
11. I would never want to let the other party know how I really felt in a negotiation.
12. I believe that in negotiations you can "catch more flies with a flyswatter."
13. I have used emotion to manipulate others in negotiations.
14. I believe that good moods are definitely contagious.
15. It is very important to make a very positive first impression when negotiating.
16. The downfall of many negotiators is that they lose personal control in a negotiation.
17. It is best to keep a "poker face" in negotiation situations.
18. It is very important to get the other person to respect you when negotiating.
19. I definitely want to leave the negotiation with the other party feeling good.

(continued)

20. If the other party gets emotional, you can use it to your advantage in a negotiation.
21. I believe that it is important to “get on the same wavelength” as the other party.
22. It is important to demonstrate “resolve” in a negotiation.
23. If I sensed that I was not under control, I would call a temporary halt to the negotiation.
24. I would not hesitate to make a threat in a negotiation situation if I felt the other party would believe it.

Scoring Yourself:

Computing your “R” score: Look at items #1, #3, #6, #11, #16, #17, #20, #23. Give yourself 1 point for every “true” answer and subtract 1 point for every “false” answer. Then combine your scores for your R score (rational).

Computing your “P” score: Look at items #2, #4, #8, #10, #14, #15, #19, #21. Give yourself 1 point for every “true” answer and subtract 1 point for every “false” answer. Then combine your scores for your P score (positive).

Computing your “N” score: Look at items #5, #7, #9, #12, #13, #18, #22, #24. Give yourself 1 point for every “true” answer and subtract 1 point for every “false” answer. Then combine your scores for your N score (negative).

Acting somewhat insane can achieve similar effects, like when AOL’s Myer Berlow announced to his opponents during the middle of negotiations that his favorite movie was *The Godfather* and quoted his philosopher-hero, Machiavelli, saying, “It is safer to be feared than loved.”¹⁰

It is important to draw a distinction between *expressing* emotion and *feeling* emotion. Even though a negotiator may feel emotion, he or she may not express that emotion. Thus, another type of contrived emotion is the deliberate attempt to *conceal* emotions. In one investigation, three strategic uses of emotion were examined: expressing truly felt emotions; hiding felt emotions; and feigning unfelt emotions.¹¹ Hiding truly felt anger and feigning anger benefited negotiators in terms of monetary outcomes. Feigning rapport with the counterparty is especially useful for garnering concessions, as is feigning resentment. Elation or joy, however, is an emotion that is best kept hidden from the counterparty.

One type of strategic emotion is feigned liking. Presumably, negotiators feign liking as a way of gaining favor and achieving their ultimate interaction goals. However, using “fake” emotions can take its toll on the negotiator: people who fake positive emotion are more likely to feel stress and actually get lower service delivery ratings (e.g., ratings by customers).¹²

The ability to detect fake emotion would seem to be an advantage for negotiators. People who are low on *dialectical thinking* are more likely to believe that counterparties might be using negative emotion in opportunistic ways and in turn, react negatively.¹³ Dialectical thinking refers to the ability to accept inconsistencies in behavior. The implication is that the use of anger displays with counterparties low in dialectical thinking may have unintended, negative effects.

¹⁰ Klein, A. (2003, June 15). Lord of the flies. *The Washington Post*, p. W06.

¹¹ Levine, R. C., Amanatullah, E. T., & Morris, M. (2009). *Untangling the web of emotional deceit: Measuring strategic use of emotions in negotiations*. Paper presented at the 22nd Annual IACM Conference Kyoto, Japan.

¹² Grandey, A. A. (2003). When “the show must go on”: Surface acting and deep acting as determinants of emotional exhaustion and peer-rated service delivery. *Academy of Management Journal*, 46(1), 86–96.

¹³ Hideg, I., & van Kleef, G. A. (2017). When expressions of fake emotions elicit negative reactions: The role of observers’ dialectical thinking. *Journal of Organizational Behavior*, 38(8), 1196–1212.

Anger

There are a variety of negative emotions that might emerge at the negotiation table, the most common is anger. Negotiators who express anger are often successful in eliciting concessions, but there are some important considerations. Anger impairs negotiators' goal attainment and results in less profitable outcomes, and anger is often detrimental for the development of joint gains.¹⁴

CONTEXT DEPENDENCE Anger is not uniformly effective in eliciting concessions from an opponent. Anger is most effective in *mixed-motive* negotiations that involve both cooperation and competition.¹⁵ When negotiations are predominantly cooperative or competitive, expressing anger is not effective. Moreover, when both parties are angry, cooperation decreases; cooperation is lowest when angry people interact with other angry individuals.¹⁶

ANGER, POWER, AND THREATS Anger, power, and threats often go together in negotiation, but they have different effects. Negotiators are more effective in extracting concessions from the counterparty if they make a threat as compared to acting angry.¹⁷ For example, in June 2020, the International Transport Workers' Federation (ITF) gave governments around the world an ultimatum to reclassify shipping vessel crew as "key workers" and to allow them to finish their contracts and return to their homes during the coronavirus pandemic.¹⁸

When negotiators use anger, the effectiveness of that emotion depends on how powerful the negotiator is. In general, displays of anger are helpful for powerful negotiators, but not for low-power negotiators. Why? Powerful negotiators feel more focused and assertive, and claim more value when they are angry.¹⁹ Conversely, low-power negotiators lose focus and yield value when they are angry. Displays of anger evoke a complementary emotion (fear) when coming from a high-power negotiator, but evoke a reciprocal emotion (anger) when coming from a low-power negotiator.²⁰ However, displays of disappointment evoke a complementary emotion (guilt) and lead to better outcomes regardless of the perceived power of the disappointed negotiator.

COSTS OF ANGER There is a cost to expressing anger in negotiation. When a negotiator expresses anger, the counterparty may attempt to sabotage the negotiation. In a series of studies, when negotiators were subjected to an "angry" opponent, they made concessions, but also sabotaged their opponents covertly.²¹ Thus, the value-claiming advantages of expressing anger

¹⁴ Hunsaker, D. A. (2017). Anger in negotiations: A review of causes, effects, and unanswered questions. *Negotiation and Conflict Management Research*, 10(3), 220–241.

¹⁵ Adam, H., & Brett, J. M. (2015). Context matters: The social effects of anger in cooperative, balanced, and competitive negotiation situations. *Journal of Experimental Social Psychology*, 61, 44–58.

¹⁶ Motro, D., Kugler, T., & Connolly, T. (2016). Back to the basics: How feelings of anger affect cooperation. *International Journal of Conflict Management*, 27(4), 523–546.

¹⁷ Sinaceur, M., van Kleef, G. A., Neale, M. A., Hajo, A., & Haag, C. (2011). Hot or cold: Is communicating anger or threats more effective in negotiation? *Journal of Applied Psychology*, 96(5), 1018–1032.

¹⁸ Bloomberg. (2020, May 28). Ship crews stuck at sea are facing a "humanitarian crisis." *gCaptain*. gcaptain.com.

¹⁹ Mason, M. F., Lee, A. J., Wiley, E. A., & Ames, D. R. (2013). Precise offers are potent anchors: Conciliatory counteroffers and attributions of knowledge in negotiations. *Journal of Experimental Social Psychology*, 49(4), 759–763.

²⁰ Lelieveld, G.-J., van Dijk, E., van Beest, I., & van Kleef, G. A. (2012). Why anger and disappointment affect others' bargaining behavior differently: The moderating role of power and the mediating role of reciprocal and complementary emotions. *Personality and Social Psychology Bulletin*, 38(9), 1209–1221.

²¹ Wang, L., Northcraft, G. B., & van Kleef, G. A. (2012). Beyond negotiated outcomes: The hidden costs of anger expression in dyadic negotiation. *Organizational Behavior and Human Decision Processes*, 119(1), 54–63.

needs to be weighed against the costs of eliciting covert retaliation. The effects of emotion on negotiation success also depend on whether the emotion is **integral** (related to the situation) or **incidental** (lacking a clear target in the situation). **Incidental emotions** from the past (e.g., anger stemming from an argument with a spouse) can influence trust even more dramatically in an unrelated setting (e.g., the likelihood of trusting a coworker).²² In short, anger about anything—even in our past with another person—makes us less likely to trust anyone else in the future.

One cost to using anger is the potential for jeopardizing post negotiation deal implementation when the counterparty believes that the negotiator feigned anger to extract concessions. The **blowback effect** refers to the action–reaction cycle that results in genuine anger and diminishes trust in both the negotiator and counterpart.²³

EASI MODEL According to the **Emotion as Social Information (EASI) model**, displays of anger can lead to concessions by the counterparty, but only under certain conditions. When anger provides information about the negotiator's limits (i.e., reservation price), it can motivate the counterparty to make concessions.²⁴ However, this effect depends on: (1) the counterparty's expectation that low offers will be rejected; (2) the negative consequences of rejecting the angry negotiator's offer²⁵ (i.e., the counterparty party has a good BATNA); (3) the counterparty's power²⁶; (4) the object of the negotiator's anger—the person or the behavior²⁷; (5) whether the counterparty views the anger as authentic²⁸; (6) whether the anger is expressed privately, not publicly²⁹; and (7) whether the negotiation context is predominantly cooperative (e.g., negotiating a business relationship) or competitive.³⁰ Moreover, the impact of emotions on the larger organizational context depend on whether negotiators' emotional expressions have *symmetrical effects*, such that positive expressions yield benefits for the expresser; whereas negative expressions lead to poor outcomes; versus *asymmetrical effects* such that negative emotions lead to economic benefits for the expresser, and positive emotions lead to negative effects.³¹

²² Lytle, A. L., Brett, J. M., & Shapiro, D. L. (1999). The strategic use of interests, rights and power to resolve disputes. *Negotiation Journal*, 15(1), 31–52.

²³ Campagna, R. L., Mislin, A. A., Kong, D. T., & Bottom, W. P. (2015). Strategic consequences of emotional misrepresentation in negotiation: The blowback effect. *Journal of Applied Psychology*, 101(5), 605–624.

²⁴ van Kleef, G. A., Anastasopoulou, C., Nijstad, B. A. (2010, November). Can expressions of anger enhance creativity? A test of the emotions as social information (EASI) model. *Journal of Experimental Social Psychology*, 46(6), 1042–1048.

²⁵ van Dijk, E., van Kleef, G. A., Steinel, W., & van Beest, I. (2008). A social functional approach to emotions in bargaining: When communicating anger pays and when it backfires. *Journal of Personality and Social Psychology*, 94(4), 600–614.

²⁶ van Kleef, G. A., De Dreu, C. K. W., Pietroni, D., Manstead, A. S. R. (2006, July). Power and emotion in negotiation: Power moderates the interpersonal effects of anger and happiness on concession making. *European Journal of Social Psychology*, 36(4), 557–581.

²⁷ Lelieveld, G.-J., van Dijk, E., van Beest, I., Steinel, W., van Kleef, G. A. (2011, May). Disappointed in you, angry about your offer: Distinct negative emotions induce concessions via different mechanisms. *Journal of Experimental Social Psychology*, 47(3), 635–641; Steinel, W., van Kleef, G. A., Harinck, F. (2008, March). Are you talking to me?! Separating the people from the problem when expressing emotions in negotiation. *Journal of Experimental Social Psychology*, 44(2), 362–369.

²⁸ Tng, H.-Y., & Au, A. K. C. (2014, July). Strategic display of anger and happiness in negotiation: The moderating role of perceived authenticity. *Negotiation Journal*, 30(3), 301–327.

²⁹ Pietroni, D., van Kleef, G. A., Steinel, W., & Rumiati, R. (2008). Shut the door and then get angry: The interpersonal effects of emotions in public and private negotiations. *Psicologia Sociale, Rivista Quadrimestrale*, 3, 409–424.

³⁰ Adam, H., & Brett, J. M. (2015, November). Context matters: The social effects of anger in cooperative, balanced, and competitive negotiation situations. *Journal of Experimental Social Psychology*, 61, 44–58.

³¹ van Kleef, G. A. (2014). Understanding the positive and negative effects of emotional expressions in organizations: EASI does it. *Human Relations*, 67(9), 1145–1164.

Negotiators who have particularly poor alternatives are most affected by angry displays by the counterparty, and therefore make more concessions.³² The motivations and goals of the negotiator also influence the degree to which they react to the counterparty's display of negative emotion. For example, whereas negotiators tend to make more concessions to an angry opponent than to a happy one, this tends to be more true when negotiators are motivated to understand the other party, such as when they are not under time pressure (and, therefore, have resources to engage in thought processing).³³ When expressing anger, negotiators should direct it to a specific *behavior* rather than another *person*, thereby separating the people from the problem.³⁴ Moreover, when negotiators concede to an angry opponent, they will also tend to concede to that person in the future because they perceive the other as tough.³⁵ Communicating anger can sometimes backfire, such as when their opponent has the possibility to deceive them during the negotiation and when the consequences of rejecting the angry negotiator's offer are small.³⁶

Disappointment

Anger is not the only negative emotion that is expressed in negotiation. Negotiators might display disappointment, guilt, or sadness. Not all negative emotions have the same consequences or activate the same regions of the brain.³⁷ It may seem that expressing disappointment would communicate weakness; on the other hand, it may invite the other party to help. One investigation examined how negotiators responded to an opponent who was disappointed or worried (supplication), guilty or regretful opponent (appeasement), versus an unemotional opponent. Negotiators conceded more when the opponent showed supplication (disappointment and worry) and conceded the least when the opponent showed guilt.³⁸ People who are self-interested (pro-self) are more likely to concede to a disappointed opponent as compared to pro-socials, because they see disappointment as a threat to getting what they want.³⁹ Communicating disappointment results in greater success when it evokes guilt in the counterparty. Disappointment is more effective when the counterparty is an in-group member, rather than an out-group member.⁴⁰

Sadness

The use of strategic negative emotion is not limited to displays of anger and temper tantrums. Displays of sadness, helplessness, pouting, and hurt feelings also can be used to manipulate others. Negotiators who can elicit sympathy from the counterparty can

³² Sinaceur, M., & Tiedens, L. (2006). Get mad and get more than even: When and why anger expression is effective in negotiation. *Journal of Experimental Social Psychology*, 42(3), 314–322.

³³ van Kleef, De Dreu, & Manstead, "The interpersonal effects of anger and happiness in negotiations."

³⁴ Steinel, W., van Kleef, G. A., & Harnick, F. (2008). Are you talking to me?! Separating the people from the problem when expressing emotions in negotiation. *Journal of Experimental Social Psychology*, 44(2), 362–369.

³⁵ van Kleef, G. A., & De Dreu, C. K. W. (2010). Longer-term consequences of anger expression in negotiation: Retaliation or spillover? *Journal of Experimental Social Psychology*, 46(5), 753–760.

³⁶ van Dijk, E., van Kleef, G. A., Steinel, W., & van Beest, I. (2008). A social functional approach to emotions in bargaining: When communicating anger pays and when it backfires. *Journal of Personality and Social Psychology*, 94(4), 600–614.

³⁷ Olekalns, M., & Druckman, D. (2014). With feeling: How emotions shape negotiation. *Negotiation Journal*, 30(4), 455–478.

³⁸ van Kleef, G. A., De Dreu, C. K. W., & Manstead, A. S. R. (2006). Supplication and appeasement in conflict and negotiation: The interpersonal effects of disappointment, worry, guilt and regret. *Journal of Personality and Social Psychology*, 91(1), 124–142.

³⁹ van Kleef, G. A., & van Lange, P. A. M. (2008). What other's disappointment may do to selfish people: Emotion and social value orientation in a negotiation context. *Personality and Social Psychology Bulletin*, 34(8), 1084–1095.

⁴⁰ Lelieveld, G., van Dijk, E., van Beest, I., & van Kleef, G. (2013). Does communicating disappointment in negotiations help or hurt? Solving an apparent inconsistency in the social-functional approach to emotions. *Journal of Personality and Social Psychology*, 105(4), 605–620.

benefit economically.⁴¹ For example, Effa Manley, a female baseball executive and owner of the Newark Eagles baseball franchise in the 1930s and 1940s, was not above shedding tears to get what she wanted at the negotiation table. Pittsburgh sports writer Wendell Smith recalls, “If she did not get what she wanted, Mrs. Manley would wrinkle up her pretty face and turn on the sprinkling system.”⁴²

Sympathy appeals improve negotiators’ performance more than rational appeals.⁴³ In a series of studies, counterparties conceded more to sad negotiators when the sadness seemed socially appropriate, such as when the negotiator lacked power, anticipated future interaction, and viewed the relationship as collaborative.⁴⁴ Expressing sadness can also be effective in eliciting concessions, if a negotiator associates moral significance to the object of negotiation. Specifically, displays of anger reduce concessions made by the counterparty, but displays of sadness increase concession making.⁴⁵ Moral significance fosters the matching of emotional sorrow, such that sorrow elicits sorrow from the other party. When high power negotiators use sympathy, they suffer a relational cost because their sympathy appeals are seen as less appropriate, even manipulative.⁴⁶

Ambivalence

Negotiators who express **emotional ambivalence** may pave the way toward the creation of joint gains. Expressing ambivalence elicits inferences of submissiveness, thereby motivating a negotiator to create more integrative agreements. Thus, the negotiator who thinks the opponent is ambivalent believes they can influence the counterparty.⁴⁷

Positive Emotion

Expressing positive emotion might have positive consequences in negotiations.⁴⁸ People process information differently when in a positive mood, as opposed to a negative or neutral mood.⁴⁹ Good moods promote creative thinking,⁵⁰ which in turn leads to innovative problem solving.⁵¹

⁴¹ Shirako, A., Kilduff, G. J., & Kray, L. J. (2015). Is there a place for sympathy in negotiation? Finding strength in weakness. *Organizational Behavior and Human Decision Processes*, 131, 95–109.

⁴² Moritz, O. (2003, June 20). First lady Effa Manley. *New York Daily News*, p. 33.

⁴³ Shirako, Kilduff, & Kray, “Is there a place for sympathy in negotiation?”

⁴⁴ Sinaceur, M., Kopelman, S., Vasiljevic, D., & Haag, C. (2015). Weep and get more: When and why sadness expression is effective in negotiations. *Journal of Applied Psychology*, 100(6), 1847–1871.

⁴⁵ Morteza D., Carnevale, P. J., & Gratch, J. (2014). Interpersonal effects of expressed anger and sorrow in morally charged negotiation. *Judgment and Decision Making*, 9(2), 104–113.

⁴⁶ Shirako, Kilduff, & Kray, “Is there a place for sympathy in negotiation?”

⁴⁷ Rothman, N. B., & Northcraft, G. B. (2015). Unlocking integrative potential: Expressed emotional ambivalence and negotiation outcomes. *Organizational Behavior and Human Decision Processes*, 126, 65–76.

⁴⁸ Kumar, R. (1997). The role of affect in negotiations: An integrative overview. *Journal of Applied Behavioral Science*, 33(1), 84–100; Kramer, R. M., Pommerenke, P., & Newton, E. (1993). The social context of negotiation: Effects of social identity and interpersonal accountability on negotiator decision making. *Journal of Conflict Resolution*, 37(4), 633–654.

⁴⁹ Isen, A. M. (1987). Positive affect, cognitive processes, and social behavior. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 20* (203–253). San Diego, CA: Academic Press, Inc.

⁵⁰ Isen, A. M., Daubman, K. A., & Nowicki, G. P. (1987). Positive affect facilitates creative problem solving. *Journal of Personality and Social Psychology*, 52, 1122–1129.

⁵¹ Carnevale, P. J. D., & Isen, A. M. (1986). The influence of positive affect and visual access on the discovery of integrative solutions in bilateral negotiation. *Organizational Behavior and Human Decision Processes*, 37(1), 1–13.

For example, in one investigation, negotiators watched a funny movie and were given a gift. These negotiators reached more integrative outcomes and generated more creative ideas than negotiators who did not watch the movie and were not given a gift.⁵² And negotiators who use humor in their negotiations improve the negotiation process.⁵³ Negotiators who are in a positive mood use more cooperative strategies, engage in more information exchange, generate more alternatives, and use fewer contentious tactics than do negative or neutral-mood negotiators.⁵⁴

The effectiveness of three different emotions (positive emotion, negative emotion, and “poker face” [no emotion]) was tested in a distributive bargaining situation.⁵⁵ The positive and “poker face” strategies were distinctly more effective than the negative emotional strategy in obtaining a favorable outcome from a counterparty.

Emotions in negotiation can create a self-fulfilling prophecy, in which negotiators’ emotions stimulate those emotions in the counterparty. In one investigation, people in a job contract negotiation achieved lower joint gains when they experienced high levels of anger and low levels of compassion toward each other than when they experienced positive emotion.⁵⁶ Furthermore, angry negotiators were less willing to work with each other and more likely to retaliate.⁵⁷ However, when negotiators expressed happiness on the counterparty’s high-priority issue and anger on the low-priority issue, this reduced the fixed-pie perception and increased integrative behavior.⁵⁸

When people are in a positive mood, they are more creative, generate integrative information, and are more flexible in conveying their thoughts.⁵⁹ Why does positive emotion work? It is largely due to a combination of the self-fulfilling prophecy, information processing, and the fact that positive affect is associated with more creative and varied cognitions. For example, people who experience positive emotion see relationships among ideas and link together non-typical

⁵² Allred, K. G., Mallozzi, J. S., Matsui, F., & Raia, C. P. (1997). The influence of anger and compassion on negotiation performance. *Organizational Behavior and Human Decision Processes*, 70(3), 175–187; Barry, B., & Oliver, R. L. (1996). Affect in dyadic negotiation: A model and propositions. *Organizational Behavior and Human Decision Processes*, 67(2), 127–143; Forgas, J. P. (1996). The role of emotion scripts and transient moods in relationships: Structural and functional perspectives. In G. J. O. Fletcher & J. Fitness (Eds.), *Knowledge structures in close relationships: A social psychological approach* (pp. 275–296). Mahwah, NJ: Erlbaum.

⁵³ Liu, M. (2013). A phasic analysis of strategy sequences and their mediating effects on interaction goals and negotiation outcomes. *Communication Research*, 40(3), 337–359.

⁵⁴ Carnevale & Isen, “The influence of positive affect and visual access on the discovery of integrative solutions in bilateral negotiation.”

⁵⁵ Kopelman, S., Rosette, A. S., & Thompson, L. (2006). The three faces of Eve: Strategic displays of positive, negative, and neutral emotion in negotiations. *Organizational Behavior and Human Decision Processes*, 99(1), 81–101.

⁵⁶ Allred, K. G., Mallozzi, J. S., Matsui, F., & Raia, C. P. (1997). The influence of anger and compassion on negotiation performance. *Organizational Behavior and Human Decision Processes*, 70(3), 175–187.

⁵⁷ Allred, Mallozzi, Matsui, & Raia, “The influence of anger and compassion.”

⁵⁸ Pietroni, D., van Kleef, G. A., De Dreu, C. K. W., & Pagliaro, S. (2008). Emotions as strategic information: Effects of other’s emotional expressions on fixed-pie perception, demands and integrative behavior in negotiation. *Journal of Experimental Social Psychology*, 44(6), 1444–1454.

⁵⁹ Baron, R. A. (1990). Environmentally induced positive affect: Its impact on self-efficacy, task performance, negotiation, and conflict. *Journal of Applied Social Psychology*, 20(5), 368–384; Isen, Daubman, & Nowicki, “Positive affect facilitates creative problem solving”; Isen, A. M., Niedenthal, P. M., & Cantor, N. (1992). An influence of positive affect on social categorization. *Motivation and Emotion*, 16(1), 65–78.

category exemplars.⁶⁰ This response builds rapport, which in turn, helps to avoid impasse and facilitates the negotiation process.⁶¹

Happiness

Happiness is an extreme positive emotion that might appear conducive for effective negotiation. Anticipated happiness is the happiness that people expect to experience if certain events do or do not occur. Negotiators who anticipate happiness are more likely to initiate negotiations and reach more successful outcomes, presumably because they are focused on reaching a desired goal.⁶² However, “very happy” people are actually less effective at the bargaining table than “moderately happy” people.⁶³ Why? Very happy people are perceived as more naïve than moderately happy negotiators and are ultimately exploited in conflicts of interest and distributive negotiations.

Emotional Consistency

A key consideration concerns the *consistency* of emotions. Paradoxically, when negotiators exhibit emotional *inconsistency* and unpredictability, they achieve more profitable outcomes for themselves. In a series of experiments, the counterparty made greater concessions when the negotiator alternated between anger and happiness (inconsistent display) compared to expressing consistent anger.⁶⁴ This was because the counterparty felt less in control of the negotiation. In another investigation, people who negotiated with partners who “became angry” (i.e., move from happy to angry), attained worse outcomes but formed better impressions of their partners, as compared to people who negotiated with partners who displayed steady-state anger.⁶⁵

Emotional Intelligence

Emotional intelligence (EQ) is the ability of people (and negotiators) to understand emotions in themselves and others and to use emotional knowledge to lead to positive outcomes. Indeed, business students with higher emotional intelligence create greater rapport in negotiations leading to more trust, satisfaction and desire to work together in the future.⁶⁶

⁶⁰ Forgas, J. P. (1998). On feeling good and getting your way: Mood effects on negotiator cognition and bargaining strategies. *Journal of Personality and Social Psychology*, 74(3), 565–577; Isen, Niedenthal, & Cantor, “An influence of positive affect on social categorization.”

⁶¹ Drolet, A. L., & Morris, M. W. (2000). Rapport in conflict resolution: Accounting for how face-to-face contact fosters cooperation in mixed-motive conflicts. *Journal of Experimental Social Psychology*, 36, 26–50; Moore, D. A., Kurtzberg, T. R., Thompson, L., & Morris, M. W. (1999). Long and short routes to success in electronically mediated negotiations: Group affiliations and good vibrations. *Organizational Behavior and Human Decision Processes*, 77(1), 22–43; Thompson, L., Nadler, J., & Kim, P. H. (1999). Some like it hot: The case for the emotional negotiator. In L. Thompson, J. Levine, & D. M. Messick (Eds.), *Shared cognition in organizations: The management of knowledge* (pp. 139–162). Mahwah, NJ: Erlbaum.

⁶² Kong, D. T., Tuncel, E., & Parks, J. M. (2011). Anticipating happiness in a future negotiation: Anticipated happiness, propensity to initiate a negotiation, and individual outcomes. *Negotiation and Conflict Management Research*, 4(3), 219–247; Janis, I. L., & Mann, L. (1977). *Decision making: A psychological analysis of conflict, choice, and commitment*. New York: Free Press.

⁶³ Barasch, A., Levine, E. E., & Schweitzer, M. E. (2016). Bliss is ignorance: How the magnitude of expressed happiness influences perceived naiveté and interpersonal exploitation. *Organizational Behavior and Human Decision Processes*, 137, 184–206.

⁶⁴ Sinaceur, M., Hajo, A., van Kleef, G. A., & Galinsky, A. D. (2013). The advantages of being unpredictable: How emotional inconsistency extracts concession in negotiation. *Journal of Experimental Social Psychology*, 49(3), 498–508.

⁶⁵ Filipowicz, A., Barsade, S. M., & Melwani, S. (2011). Understanding emotional transitions: The interpersonal consequences of changing emotions in negotiation. *Journal of Personality and Social Psychology*, 101(3), 541–556.

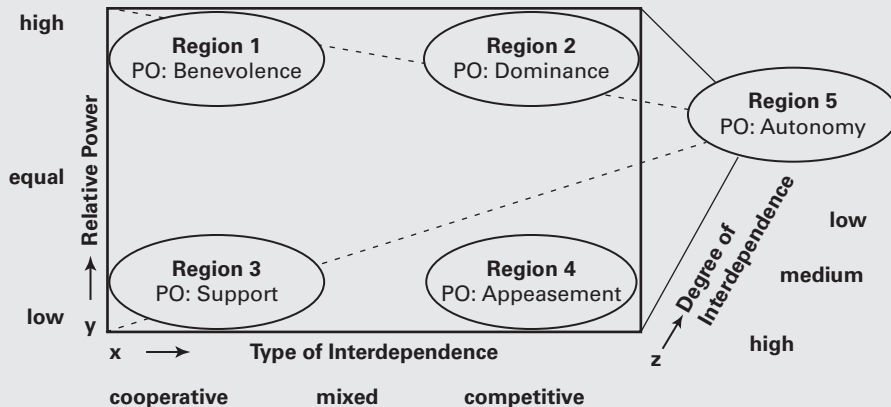
⁶⁶ Kim, K., Cundiff, N., & Choi, S. (2015). Emotional intelligence and negotiation outcomes: Mediating effects of rapport, negotiation strategy, and judgment accuracy. *Group Decision and Negotiation*, 24(3), 477–493.

One aspect of emotional intelligence is the ability to adapt. **Conflict adaptivity** is the capacity to respond to different conflict situations in accordance with the demands of the situation. A negotiator's conflict adaptivity is based on how they adjust their strategy (e.g., support, autonomy, dominance, benevolence, and appeasement) to changing demands of a conflict situation. According to the model in Exhibit 6-3, there are three basic dimensions of social relations that create the conflict stimulus field: the mix of goal interdependence (i.e., the ratio of cooperation to competition); the relative distribution of power (high, equal, or low power relative to the other party); and the degree of interdependence (high versus low goal interdependence, signifying relational importance). At any moment in time, a negotiator's focus might be in a given region of the conflict field. These different regions reflect distinct psychological orientations (POs) to conflict including: benevolence, dominance, support, appeasement, and autonomy.

Another aspect of emotional intelligence is resilience; negotiation resilience is the ability of negotiators to cope with difficulties in negotiation.⁶⁷ The **negotiation resilience inventory** (NRI) predicts negotiators' ability to respond to challenging situations; NRI scores predict negotiators' objective outcomes in mixed-motive business negotiations.⁶⁸ Negotiator resilience is comprised of five factors including: (1) empathy toward the self (e.g., "I am good at recognizing my thoughts and the way they affect my mood"); (2) empathy toward the other party (e.g., "I easily sense the feelings of people around me"); (3) social sensitivity (e.g., "I won't explore my thoughts if that might hurt others"); (4) self-improvement (e.g., "I believe that one can benefit from failure"); and (5) perception of meaning (e.g., "I believe that there is meaning to everything that happens").

EXHIBIT 6-3

The Situated Model Of Conflict In Social Relations



Source: Coleman, P. T., & Kugler, K. G. (2014). Tracking managerial conflict adaptivity: Introducing a dynamic measure of adaptive conflict management in organizations. *Journal of Organizational Behavior*, 35(7), 945–968.

⁶⁷ Spector, P.E. (2006). Method variance in organizational research: Truth or urban legend? *Organizational Research Methods*, 9(2), 221–232.

⁶⁸ Nelson, N., Shacham, R., & Ben-Ari, R. (2016). Trait negotiation resilience: A measurable construct of resilience in challenging mixed-interest interaction. *Personality and Individual Differences*, 88, 209–218.

EQ AND NEGOTIATION OUTCOMES The relationship between measured EQ and negotiation outcomes is not totally straightforward.⁶⁹ On one hand, framing negotiations in affective (as opposed to purely cognitive intellectual) terms allows negotiators to be more involved and positive; however, they simultaneously have lower levels of trust and are less likely to use cooperative negotiation tactics.⁷⁰ People who are high in measured emotional intelligence experience greater subjective outcomes in negotiation than do people lower in emotional intelligence; however, high EQ negotiators achieve lower objective outcomes.⁷¹ Apparently, people high in emotional intelligence feel better emotionally and create objective value for their counterparty but not for themselves.

ACCURACY The ability to accurately read emotions in others, particularly the counterparty, is important for successful outcomes. Indeed, a consistent positive correlation exists between **emotion recognition accuracy** (ERA) and goal-oriented performance.⁷² In one investigation, greater recognition of facial expressions predicted how well negotiators did in a buyer–seller negotiation in terms of both distributive and integrative outcomes.⁷³

SELF-EFFICACY Self-efficacy refers to a negotiator's belief in their own negotiation ability. **Distributive self-efficacy** refers to a negotiator's belief in his or her ability to claim resources effectively (e.g., “gain the upper hand,” “persuade others to make the most concessions”); in contrast, **integrative self-efficacy** refers to a negotiator's belief in her or his ability to create resources (e.g., “establish rapport,” “find tradeoffs”).⁷⁴

Managing Emotions at the Table

Emotional intelligence is the ability to effectively manage one's own and respond to other's emotions.

SELF-MONITORING Negotiators should resist the urge to gloat or show signs of smugness following negotiation.⁷⁵ In one investigation, some negotiators gloated following their negotiation (“I really feel good about the negotiation—I got everything I wanted!”). Other negotiators made self-effacing remarks (such as “I really didn't do that well”). Later, negotiators who overheard the other party gloat or make self-effacing remarks were given an opportunity to provide valuable stock options to these same parties. Those parties who gloated received significantly fewer stock options than those who made the self-effacing remark.⁷⁶

⁶⁹ Fulmer, I. S., & Barry, B. (2004). The smart negotiator: Cognitive ability and emotional intelligence in negotiation. *International Journal of Conflict Management*, 15(3), 245–272.

⁷⁰ Hunt, C. S., & Kernan, M. C. (2005). Framing negotiations in affective terms: Methodological and preliminary theoretical findings. *International Journal of Conflict Management*, 16(2), 128–156.

⁷¹ Foo, M. D., Elfenbein, H., Tan, H. H., & Aik, V. C. (2004). Emotional intelligence and negotiation: The tension between creating and claiming value. *International Journal of Conflict Management*, 15(4), 411–429.

⁷² Elfenbein, H. A., Foo, M. D., White, J., Tan, H. H., & Aik, V. C. (2007). Reading your counterparty: The benefit of emotion recognition accuracy for effectiveness in negotiation. *Journal of Nonverbal Behavior*, 31(4), 205–223.

⁷³ Elfenbein, Foo, White, Tan, & Aik, “Reading your counterparty.”

⁷⁴ Sullivan, B. A., O'Connor, K. M., & Burris, E. R. (2006). Negotiator confidence: The impact of self-efficacy on tactics and outcomes. *Journal of Experimental Social Psychology*, 42(5), 567–581.

⁷⁵ Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Belknap.

⁷⁶ Thompson, L., Valley, K. L., & Kramer, R. M. (1995). The bittersweet feeling of success: An examination of social perception in negotiation. *Journal of Experimental Social Psychology*, 31(6), 467–492.

REINFORCEMENT People often make concessions to another person just to shut them up. What they may not realize is that this reinforces the very behavior they are trying to extinguish. Negative reinforcement, or escape behavior, explains the increased likelihood of behavior that eliminates or removes an aversive stimulus.⁷⁷ For example, if obnoxious music is emanating from a radio, you will turn off the radio, thus eliminating the unpleasant sounds. In a similar vein, because most people find it unpleasant to be around someone who is openly hostile, negative, and unpredictable, they may be willing to capitulate to the other party just to remove themselves from this aversive situation. Unfortunately, if someone acts irrationally and you acquiesce, you increase the likelihood of that person engaging in negative behavior in the future.

SELF-REGULATION Self-regulation is the ability to effectively manage one's own emotions at the bargaining table. One type of self-regulation is an if-then plan (i.e., a contingency plan). Angry negotiators who have if-then plans are more successful than negotiators who do not have if-then plans.⁷⁸

It makes sense that many people might want to suppress emotions as a means of self-management. However, suppressing (negative) emotions might have very undesirable effects. For example, people who spend more time trying to suppress their negative moods are the most likely to suffer from persistent emotional problems, such as depression and anxiety.⁷⁹ Suppression of emotion is particularly ineffective if the anger that is suppressed is integral to the negotiation, versus incidental. For example in one investigation, negotiators who suppressed their anger were less able to focus on the negotiation, which decreased their performance.⁸⁰

EMOTIONAL CONTAGION If one negotiator conveys positive emotion, the other negotiator is likely to “catch” this positive emotional state and convey positive emotion as well.⁸¹ However, the same is true for negative emotion. Other people's emotions are a significant predictor of our own emotions, even after controlling for our perceptions of other's emotions. Stated another way, we don't need to be consciously aware of somebody else's emotion for it to affect our own emotion and our decision making.⁸²

EMOTIONAL STIMULI Certain phrases evoke emotion in negotiation. In one investigation, the emotional impact of six different types of words were measured (see Exhibit 6-4).⁸³ Of all the different types of words, those that labeled the other person negatively or told the other person what he or she ought to do triggered the greatest anger and frustration.

⁷⁷ Skinner, B. F. (1938). *The behavior of organisms: An experimental analysis*. New York, London: D. Appleton Century.

⁷⁸ Jäger, A., Loschelder, D.D., & Friese, M. (2017). Using self-regulation to overcome the detrimental effects of anger in negotiations. *Journal of Economic Psychology*, 58, 31–43.

⁷⁹ Wegner, D. M., & Wenzlaff, R. M. (1996). Mental control. In E. T. Higgins & A. W. Kruglanski (Eds.), *Social psychology: Handbook of basic principles* (pp. 466–492). New York: Guilford Press.

⁸⁰ Shao, B., Wang, L., Cheng, D., & Doucet, L. (2015). Anger suppression in negotiations: The roles of attentional focus and anger source. *Journal of Business and Psychology*, 30(4), 747–758.

⁸¹ Hatfield, E., Cacioppo, J. T., & Rapson, R. L. (1992). Primitive emotional contagion. In M. S. Clark (Ed.), *Review of personality and social psychology: Vol. 14, Emotion and social behavior* (pp. 151–177). Newbury Park, CA: Sage.

⁸² Parkinson, B., & Simons, G. (2009). Affecting others: Social appraisal and emotion contagion in everyday decision making. *Personality and Social Psychology Bulletin*, 35(8), 1071–1084.

⁸³ Schroth, H. A., Bain-Chekal, J., & Caldwell, D. F. (2005). Sticks and stones may break bones and words can hurt me: Words and phrases that trigger emotions in negotiations and their effects. *International Journal of Conflict Management*, 16(2), 102–127.

EXHIBIT 6-4

Emotional Trigger Words and Phrases

Type of Emotional Trigger	Example Phrases	Words
Labeling the other person negatively	"You are lying." "Don't be stupid." "You are being unfair." "It was your fault."	Unfair, silly, liar, stupid
Telling the other person what to do or what they can't do	"No way." "You need to..." "You need to give me a better deal."	Can't, must, never, should
Appealing to a higher source; blaming; abdicating responsibility	"From a legal standpoint..." "This is how we've always done it." "You should have known that." "I don't think you understand."	Fair, ethical, moral, better
Rude; not listening; explicative; insincere praise; sarcasm; educating the other	"Yes, but..." "I like you, but..." "With all due respect..." "It is easy to see that..."	Whatever, you always, you never
Labeling your own behavior as superior	"I'm being reasonable." "This is a good deal." "I know what I'm doing."	Reasonable, deserve
Implied threats	"You will comply or else." "We are going to ruin your reputation."	Or else, either or

Source: Adapted from Schroth, H. A., Bain-Chekal, J., & Caldwell, D. F. (2005). Sticks and stones may break bones and words can hurt me: Words and phrases that trigger emotions in negotiations and their effects. *International Journal of Conflict Management*, 16(2), 102–127.

DISPUTES

Disputes are negotiations in which one party has made a claim and the other party has rejected the claim.⁸⁴ Disputes differ from transactional negotiations because negotiators often come to the table feeling angry and misunderstood. In disputes, unlike transactional negotiations, parties cannot simply walk away from the table and exercise their respective BATNAs if they are unable to reach an agreement. In disputes, parties who are unable to reach mutual agreement, often escalate conflict by engaging in contentious behavior, such as lawsuits, strikes, protest, and in some cases war. Consider what happened on April 9, 2017, when a United Airlines flight from Chicago, Illinois to Louisville, Kentucky was at capacity. Four United employees needed to board the flight to Louisville to catch and join another flight team later that day, and so, the gate agent

⁸⁴ Goldberg, S. B., & Brett, J. (2017). *How mediation works: Theory, research, and practice*. Bingley, UK: Emerald Publishing.

offered four specific boarded passengers money to leave the flight and rebook. Three of those selected passengers exited the plane and took the flight vouchers. A fourth selected passenger, a Dr. David Dao of Louisville, flatly refused to get off the plane, citing his responsibility to work at a hospital the next day. United called airport security, and Dao was dragged out of his seat screaming in protest. During the scuffle, Dr. Dao's face hit an armrest, and he was dragged unconscious and bloodied down the aisle and off the plane. Nearby passengers filmed the unfolding drama on their phones, and the videos quickly spread online. The viral nature of the videos soon forced United's CEO, Oscar Munoz, to address the incident, citing the airline's policy of "re-accommodating the customers," and referring to Dr. Dao as a disruptive and belligerent passenger. Public outcry intensified after the CEO's statement, with the internet uproar even receiving social media attention from the President. CEO Munoz then issued what was perceived as a more sincere apology and promised to change policies at United to ensure that such an incident would never happen in the future. Eventually United and Dr. Dao were able to negotiate an amicable settlement and United's policy for "bumping" future passengers was overhauled, prompting other airlines to follow suit.⁸⁵

Interests, Rights, and Power Model

Negotiators often use three types of approaches when embroiled in disputes: interests, rights, and power.⁸⁶ The United Airlines incident reveals all three types of approaches.

INTERESTS Interests are a person's needs, desires, concerns, and fears—in general, the things a person cares about or wants. Interests underlie people's positions in negotiation (the things they *say* they want). For example, when Dr. Dao explained that he needed to return to his clinic to work the following day, he was citing his interests. Reconciling interests in negotiation is not easy. It involves understanding motivations, devising creative solutions, looking for trade-offs, searching for compatible issues, devising bridging solutions, and structuring contingency contracts. Negotiators who use an interests-based approach frequently ask other parties about their needs and concerns and in turn, disclose their own needs and concerns.⁸⁷ Negotiators who focus on interests attempt to learn about the other party's underlying needs, desires, and concerns.⁸⁸ Interests-based negotiators attempt to reconcile differences in a way that addresses parties' most pressing needs and concerns.

RIGHTS Negotiators who focus on **rights** apply standards of fairness to negotiation, including contracts, legal rights, precedent, or expectations based upon norms. The rights-based negotiator relies on some independent standard with perceived legitimacy or fairness to determine who is right in a situation. Some rights are formalized by law or contract. For example, when United

⁸⁵ Goldstein, M. (2017, December 20). Biggest travel story of 2017: The bumping and beating of Dr. David Dao. *Forbes*. forbes.com

⁸⁶ Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

⁸⁷ Poitras, J., & Le Tareau, A. (2008). Dispute resolution patterns and organizational dispute states. *International Journal of Conflict Management*, 19(1), 72–87.

⁸⁸ Fisher, R., Ury, W., & Patton, B. (1991). *Getting to yes: Negotiating agreement without giving in* (2nd ed.). Boston: Houghton Mifflin.

argued that removing passengers on overbooked flights to accommodate United employees is their policy, they were using a rights-based approach. Rights-based arguments also refer to socially-accepted standards of behavior, such as reciprocity, precedent, equality, and seniority. Negotiators who use a rights-based approach frequently say things like “I deserve this” or “this is fair.” (See the cartoon in Exhibit 6-5 for a humorous example of a rights-based response.)

POWER Negotiators who focus on power use status, rank, threats, and intimidation to get their way. **Power** is the ability to coerce someone to do something he or she would not otherwise do. Exercising power typically means imposing costs on the other side or threatening to do so. Exercising power may manifest itself in acts of aggression, such as sabotage, physical attack, or withholding benefits derived from a relationship. When Dr. Dao was physically dragged off the plane, leaving him bloodied and bruised, this was by use of power and force. Power moves include behaviors that range from insults and ridicule to strikes, protests, and warfare.

EXHIBIT 6-5

Humorous Example of a Rights-Based Move in a Divorce



Source: Michael Maslin/Cartoonbank.com

Power tactics have the intent to coerce the counterparty to settle on terms more satisfactory to the wielder of power. Two types of power-based approaches are **threats** (in which one or both parties makes a threat) and **contests** (in which parties take action to determine who will prevail).⁸⁹ Determining who is more powerful without a decisive and potentially destructive power contest may be difficult because power is ultimately a matter of perception. People may fail to take into account the possibility that the other party will invest greater resources in the contest than expected, out of fear that a change in the perceived distribution of power will affect the outcomes of future disputes. Many power contests involve threatening avoidance (e.g., divorce), actually engaging in it temporarily to impose costs on the other side (e.g., striking or breaking off diplomatic relations), or ending the relationship altogether.

As an example of the difference between interests, rights, and power-based approaches, consider this statement made by an employer: “I am afraid I cannot meet your desired salary requirements, but I hope you will realize that working in our company is a wonderful opportunity and join us.” Before reading further, take a moment to consider how you would respond if an employer made this statement to you. Three different negotiators might respond to the employer’s statement in ways unique to their own approach:

Interests-based response: “I am very interested in joining your company if my interests can be met. I would like to share some of my key goals and objectives. I want to learn more about the company’s interests from your standpoint. Salary is a key concern for me. I am the sole wage earner in my family, and I have a number of educational loans. You did not mention other aspects of the offer, such as stock options, vacations, and flex time. Can we discuss these issues at this point?”

Rights-based response: “I am very interested in joining your company if we can come up with a fair employment package. My salary requirements are in line with those of other people joining similar companies. I would think it would be a competitive advantage for your company to offer employment packages that are competitive with those offered by other companies. I believe that my record and previous experience mean that a higher salary is fair in this case.”

Power-based response: “I am very interested in joining your company, but other companies are offering me more attractive deals at this point. I would like to invite you to reconsider the offer so that I do not have to resort to turning your offer down, given that I think that we make a good match for one another. I hope you will be able to make a competitive offer.” (For a more complete description of interests-, rights-, and power-based approaches, see Exhibit 6-6.)

Time Course of Interests, Rights, and Power

During the process of negotiating or resolving disputes, the focus may shift from interests to rights to power and back again. For example in one investigation, negotiators’ statements were recorded during a negotiation. Each statement was coded in terms of whether it reflected an interests-, rights-, or power-based approach.⁹⁰ Parties moved frequently among

⁸⁹ Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

⁹⁰ Lytle, A. L., Brett, J. M., & Shapiro, D. L. (1999). The strategic use of interests, rights and power to resolve disputes. *Negotiation Journal*, 15(1), 31–52.

EXHIBIT 6-6

Approaches to Negotiation

	Approach		
	Interests	Rights	Power
Goal	Self-interest Dispute resolution Understanding other's concerns	Fairness Justice	Winning Respect
Temporal focus	Present (<i>What needs and interests do we have right now?</i>)	Past (<i>What has been dictated by the past?</i>)	Future (<i>What steps can I take in the future to overpower others?</i>)
Distributive strategies (pie-slicing)	Compromise	Often produces a "winner" and a "loser"; thus, unequal distribution	Often produces a "winner" and a "loser"; thus, unequal distribution
Integrative strategies (pie-expansion)	Expand the pie via addressing parties' underlying needs	Difficult to expand the pie unless focus is on interests	Difficult to expand the pie unless focus is on interests
Implications for future negotiations and relationship	Greater understanding Satisfaction Stability of agreement	Possible court action	Resentment Possible retaliation Revenge

interests, rights, and power in the same negotiation (23 of 25 dyads), with more emphasis on rights and power in the first and third quarters than in the second and fourth quarters. As another example, consider the negotiations between Cubs owner, Tom Ricketts and the Wrigleyville rooftop owners.⁹¹ Under pressure to renovate the aging Wrigley Field, Ricketts obtained legal approval to renovate the field (rights). However, the rooftop owners and local bars balked because the intended renovations would block views, so they donated \$171,000 to Alderman Tom Tunney to leverage their position (power and interests). The Cubs sued the rooftop owners because their combined revenues of \$25 million were deemed unfair (rights). Under a revenue-sharing deal reached between the Cubs and rooftop owners, views (from the rooftops) are protected until 2023 (interests). However, the rooftop owners prepared for a showdown fight with Ricketts who they viewed as threatening their long-term interests (power).

Strategic Issues concerning Interests, Rights, and Power

Negotiators should keep in mind the following principles when choosing their approach.

⁹¹ Suddath, C. (2013, September 5). Wrigley Field's planned renovation threatens a Chicago rooftop tradition. *Businessweek*. businessweek.com

RECIPROCITY The style you use in negotiation will often be reciprocated by the other party. In one investigation, interests were reciprocated the most (42%), followed by power (27%), and rights (22%).⁹²

VALUE CREATION Focusing on interests can usually resolve the problem underlying the dispute more effectively than focusing on rights or power. A focus on interests can help uncover “hidden” problems and help identify which issues are of the greatest concern to each party. Put the focus on interests early in the negotiations. This suggestion raises an obvious question: if interests are effective, why doesn’t everyone use them? There are several possible reasons, including lack of skill, the tendency to reciprocate rights and power, and strong cultural or organizational norms.⁹³

Refocusing

Suppose you enter a negotiation with an interests-based approach, but the counterparty uses rights or power. You realize that if you reciprocate power and rights, you enter a lose–lose situation. How do you exit the spiral? Consider the following strategies:⁹⁴

DO NOT RECIPROCATE! Resist the urge to reciprocate.⁹⁵ By not reciprocating, you refocus your opponent. In one investigation, when the other negotiator reciprocated, the focal negotiator stayed with rights and power arguments 39% of the time; however, when the other did not reciprocate, the focal negotiator stayed with rights and power arguments only 22% of the time (and, hence, was refocused 78% of the time).⁹⁶

FACE TO FACE INTERACTION Often, rights- and power-based approaches emerge when parties are uncertain about the intentions of the other side. Getting parties together for informal discussions can move them toward interests. When people are face-to-face, they often can’t help but feel some compassion for the other party. Consider top negotiator, Kenneth Feinberg who negotiated profile payout cases such as the 9/11 terrorist attacks, the BP–Deepwater Horizon oil spill, the Boston Marathon bombing, and the General Electric ignition switch recalls. “There’s no substitute for face-to-face negotiation. You can’t do these things on the telephone.” While working on the Boston marathon bombing case, where he was charged with negotiating the distribution of \$61 million to victims, Feinberg connected on an emotional level, meeting with victims himself in the Boston Public Library.⁹⁷

⁹² Lytle, A. L., Brett, J. M., & Shapiro, D. L. (1999). The strategic use of interests, rights and power to resolve disputes. *Negotiation Journal*, 15(1), 31–52.

⁹³ Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

⁹⁴ Ury, Brett, & Goldberg, “*Getting disputes resolved*.”

⁹⁵ Fisher, R., Ury, W., & Patton, B. (1991). *Getting to yes: Negotiating agreement without giving in* (2nd ed.). Boston: Houghton Mifflin; Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

⁹⁶ Lytle, Brett, & Shapiro, “The strategic use of interests.”

⁹⁷ Ryan, K. (2017, May). Why the best negotiator in the country doesn’t do anything unless it’s face to face. *Inc. Magazine*. inc.com

DON'T GET PERSONAL Many negotiators attack the other party's character. In their classic book, *Getting to Yes*, Fisher and Ury advocate separating the people from the problem. The same principle characterizes successful marriages!⁹⁸ Gottman and Levenson tracked couples over a 14-year period.⁹⁹ Based upon an initial observation of the couples' fighting style early in their marriage, the researchers predicted which couples got divorced and which stayed together with 93% accuracy. The biggest determinant of divorce was not the amount of arguing, nor the amount of anger, but the use of personal attacks.

BEHAVIORAL REINFORCEMENT Make sure that you are not rewarding the other party's rights- or power-based behavior. In other words, if you have been planning to make a concession, do not offer it to the other party immediately after he or she has misused rights or power. If you do, you reward the very behavior you want to extinguish. One of the most effective ways to extinguish a behavior is simply not to react. If you do react, you may unwittingly reward the behavior (e.g., if the other party benefits from the attention associated with a conflict spiral).

Making unilateral concessions is not effective for refocusing negotiations. In one study, concession-making was less effective in refocusing negotiations away from rights and power (60% refocused), as compared to other uncontentious communications (77% refocused).¹⁰⁰ Why? A unilateral concession may be seen as a reward for contentious behavior; therefore, it may encourage the repetition of such behavior.

MIXED MESSAGES Reciprocation is instinctive, especially under stress.¹⁰¹ Thus, you may find that your opponent is making you angry and you need to "flex your muscles." One effective strategy is to reciprocate rights or power, but *combine* it with interests-based questions or proposals.¹⁰² Sending the counterparty a "mixed message" (rights and interests) gives them a chance to choose what to reciprocate—interests, rights, or power.

PROCESS INTERVENTION Process interventions are tactics that are interests-based with the goal of moving the counterparty back to interests-based negotiation. Effective processes can include any of the pie-expanding strategies we discussed in Chapter 4 (e.g., multiple offers, revealing information about priorities, etc.), as well as several other dispute resolution strategies (indicated next). In a direct test of the effectiveness of process interventions, Ury, Brett, and Goldberg examined the success rate of various tactics¹⁰³: least effective was reciprocation (66%); most effective method was process intervention (82% success rate). Other methods included the mixed-message approach (74% success rate), and simply resisting the urge to reciprocate (self-discipline; 76% success rate).

⁹⁸ Fisher, R., Ury, W., & Patton, B. (1991). *Getting to yes: Negotiating agreement without giving in* (2nd ed.). Boston: Houghton Mifflin.

⁹⁹ Gottman, J. M., & Levenson, R. W. (2000). The timing of divorce: Predicting when a couple will divorce over a 14-year period. *Journal of Marriage & the Family*, 62(3), 737–745.

¹⁰⁰ Lytle, Brett, & Shapiro, "The strategic use of interests."

¹⁰¹ Lerner, H. G. (1985). *The dance of anger*. New York: Harper and Row.

¹⁰² Ury, Brett, & Goldberg, "Getting disputes resolved."

¹⁰³ Ury, Brett, & Goldberg, "Getting disputes resolved."

STRATEGIC COOLING-OFF PERIODS It is easy to muster a rights-based response or power display in the heat of conflict. An interests-based approach requires deeper levels of cognitive processing. Thus, it often serves parties' interests to build in some cooling-off periods that allow them to better assess their own needs and interests, independent of rights and power issues. Consider the contentious negotiations at Disney when the union rejected the proposed 50-cent raise for hourly employees in 2017. Employees started chanting, "Union!" "Fight!" "If we don't get it, shut it down!" Both sides decided to take a break and reconvene in early 2018 when they could return to the table absent the negative emotion.¹⁰⁴

PARAPHRASING Negotiators often struggle in their attempt to transform a rights- or power-based argument into an interests-based discussion. Negotiators should not abandon their interests-based approach but rather, persist in their attempt to understand the other party's underlying needs. People are often so emotionally invested that they cannot listen. (For an example, see Exhibit 6-7.)

EXHIBIT 6-7 Resolving Differences

The following is a summary of an intervention led by Steven Covey between two parties who had no trust for one another:

The president of Company A asked Covey to act as a third-party facilitator in a lawsuit with Company B, the key reason being that there was no trust between the parties.

Covey stated that the disputants did not actually need a third party because they possessed the power to handle the conflict themselves. Covey suggested putting all the issues on the table and asking if they would be willing to search for a solution. Covey called the president of Company B and made the invitation. The president of Company B declined the offer and said he wanted the legal process to handle it.

The president of Company A suggested that he send his material and documents to Company B and meet face-to-face. He promised not to bring an attorney and told Company B president that he could bring his attorney if he wished. He further said it was not even necessary that Company B president speak. They could just have lunch. In short, there was nothing to lose and possibly everything to gain.

The presidents met for lunch and Company A president said, "Let me see if I can make your case for you since you are not going to speak." Company A president tried to show genuine empathy and took pains to describe Company B president's position in depth. He then asked if his understanding was correct or not.

At this point, the silence was broken. The president of Company B spoke up and said that the summary was 50% accurate but he wanted to correct some inaccuracies. At that point, the attorney advised Company B president to not say another word. At this juncture Company B president told the attorney to shut up because he could feel the power of the dialogue that was happening.

The lunch meeting progressed with both parties standing shoulder-to-shoulder making notes, using flip charts, and brainstorming alternatives. At the close of the lunch, the disagreement was resolved.

Source: Based on Covey, S. R. (1999). Resolving differences. *Executive Excellence*, 16(4), 5–6.

¹⁰⁴ Russon, G. (2017, December). Union workers reject Disney's wage proposal. *Orlando Sentinel*. orlandosentinel.com

LABEL THE PROCESS If the counterparty uses a rights- or power-based approach after you have tried to focus on interests, it might be useful to label the strategy you see the counterparty using. Recognizing or labeling a tactic as ineffective can neutralize or refocus negotiations.¹⁰⁵

High Costs Associated with Power and Rights

Focusing on who is right or who is more powerful usually leaves at least one person feeling like a loser. Losers often do not give up but instead appeal to higher courts or plot revenge. Rights are less costly than power. Generally, power costs more in resources consumed and opportunities lost. For example, strikes cost more than arbitration, and violence costs more than litigation. Costs are incurred not only in efforts invested but also from the destruction of each side's resources. Power contests often create new injuries and a desire for revenge. Interests are less costly than rights. Focusing on interests, compared to rights and power, produces higher satisfaction with outcomes, better working relationships, and less recurrence; it may also mean lower transaction costs.

When to Use Rights and Power

Resolving all disputes by reconciling interests is neither possible nor desirable.¹⁰⁶ Rights and power procedures are often used when they are not necessary; a procedure that should be the last resort too often becomes the first move. Rights and power may be appropriate to use in the following situations¹⁰⁷:

- ***The other party refuses to come to the table.*** In this case, no negotiation is taking place, and rights and power are necessary for engagement.
- ***Negotiations have broken down and parties are at an impasse.*** A credible threat, especially if combined with an interests-based proposal, may restart negotiations. For example, contentious talks between NFL Commissioner Roger Goodell, the football league's compensation committee, and Dallas Cowboys team owner Jerry Jones dragged on for months amid reports that Jones opposed the proposed structure of Goodell's contract extension. All parties seemed at an impasse, and Jones had so many disagreements with the terms of Goodell's contract that he threatened to forestall the talks altogether with a lawsuit against the league. Goodell and his attorneys restarted negotiations with a calm demeanor, took time to talk to each owner, and pointed out that Goodell was the best person to see the league through upcoming labor deals with players and the renegotiation of TV contracts. In addition, Goodell showed that he was willing to make some concessions, such as a semi-incentive-based compensation, rather than a fully-guaranteed pay structure.¹⁰⁸
- ***The other party needs to know you have power.*** Sometimes, people need to wield power simply to demonstrate they have it.¹⁰⁹ However, threats must be backed up with actions

¹⁰⁵ Fisher, R., Ury, W., & Patton, B. (1991). *Getting to yes: Negotiating agreement without giving in* (2nd ed.). Boston: Houghton Mifflin.

¹⁰⁶ Ury, Brett, & Goldberg, "Getting disputes resolved."

¹⁰⁷ Ury, Brett, & Goldberg, "Getting disputes resolved."

¹⁰⁸ NFL spokesman: Roger Goodell views new contract as his last. (2017, December 13). *Wall Street Journal*. wsj.com; Barrabi, T. (2017, December 6). NFL, Commissioner Roger Goodell complete contract extension. *Fox Business*. fox-business.com; Beaton, A. (2017, December 7). NFL completes Commissioner Roger Goodell's contract extension. *Wall Street Journal*. wsj.com

¹⁰⁹ Ury, Brett, & Goldberg, "Getting disputes resolved."

to be credible. Furthermore, the weaker party may fail to fully comply with a resolution based on power, thus requiring the more powerful party to engage in expensive policing.

- ***Someone violates a rule or breaks the law.*** In this situation, it is appropriate to use rights or power.
- ***Interests are so opposed that agreement is not possible.*** Sometimes, parties' interests are so disparate that agreement is not possible. For example, when fundamental values are at odds, resolution can occur only through a rights contest (a trial) or power contest (a demonstration or legislative battle).
- ***Negotiators are moving toward agreement and parties are "positioning" themselves.*** In other words, parties are committed to reaching a deal, and now they are dancing in the bargaining zone.

How to Use Rights and Power

Consider the following before making a threat¹¹⁰:

THREATEN THE OTHER PARTY'S INTERESTS To effectively make a threat, a negotiator needs to attack the other party's underlying interests. Otherwise, the other party will feel little incentive to comply with your threat. For example, in 2017, Uber revealed that hackers had stolen the personal information of more than 57 million of the ride-sharing service's customers and drivers. The hackers threatened to sell the files on the dark web unless Uber paid a ransom. Deeply concerned that publicity of this breach would negatively affect Uber customers and drivers, as well as jeopardize negotiations with different governments about the services they offered, Uber paid the hackers their extortion money.¹¹¹

CLARITY Negotiators need to be clear about what actions are needed by the other party. When the International Transport Workers' Federation (ITF) announced their ultimatum to the world's governments, a month passed before there was any development at all. Governments conceded that they needed to bring in exemptions and protocols to clarify and solve the problem of repatriating the hundreds of thousands of crew members aboard shipping vessels who were unable to return home despite their contracts being at an end. Some 13 governments made pledges at the July International Maritime Virtual Summit on Crew Changes, but a universal clarified solution was still out of reach. Action was still needed on visas, quarantining, and flights.¹¹²

CREDIBILITY Power-based approaches typically focus on the future (e.g., "If you do not do such-and-such, I will withdraw your funding"). To be effective, the other party must believe that you have the ability to carry out the threat. If you are not seen as credible, people will call your bluff.

¹¹⁰ Brett, J. M. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco, CA: Jossey-Bass.

¹¹¹ Liedtke, M. (2017, November 22). Uber reveals cover-up of hack affecting 57M riders, drivers. *Yahoo Finance*. finance.yahoo.com

¹¹² 300,000 seafarers trapped at sea: Mounting crew change crisis demands faster action from governments. (2020, July 16). Press release. International Transport Workers' Federation. www.itfglobal.org.

FACE-SAVING It is important to leave a pathway back to interests-based discussion. Ury, Brett, and Goldberg call it the “loop-back to interests.”¹¹³ Threats are expensive to carry out; thus, it is critical that you are able to turn off a threat, allowing the other party to save face and reopen negotiations. If you do not provide yourself with a loop back to interests, you force yourself to carry out the threat. Furthermore, after you use your threat, you lose your power and ability to influence. If you are going to use rights or power, you should use the following sequence: (a) state a specific, detailed demand and deadline; (b) state a specific, detailed, credible threat (which harms the other side’s interests); and (c) state a specific, detailed, positive consequence that will follow if the demand is met.¹¹⁴

SOCIAL DILEMMAS

Another type of contentious negotiation that elicits strong negative emotions are social dilemmas. In **social dilemmas**, negotiators are faced with a choice to cooperate or compete with the counterparty. The dilemma is that it is always better for negotiators to act in a self-serving (individualistic) fashion if they want to maximize their own economic outcomes. Social dilemmas differ in four key ways from traditional negotiations. First, in traditional negotiations, parties work with explicit contracts; in social dilemmas, there are usually no formal contracts. Second, in traditional negotiations, people know what they are getting before they agree; in social dilemmas, people don’t know what they will get until others act, thus there is uncertainty. Third, in traditional negotiations, people come to the table voluntarily; in social dilemmas, people are often pulled into negotiations without their consent. Finally, in traditional negotiations, parties negotiate via proposals and can explain and justify their offers; conversely, in social dilemmas, people negotiate through their behaviors and actions.

Social Dilemmas in Business

Business competitors routinely face social dilemmas, such as price wars. Social dilemmas are situations in which the rational pursuit of self-interest by the involved parties leads to collective disaster. In a price competition, it is certainly “rational” for individual players to attempt to gain market share (by reducing prices); however, if all parties lower their prices and compete with one another, profit margins decline and stock prices fall. For example, when Target lowered their prices on thousands of items to compete with Amazon.com and Walmart’s aggressive pricing, their stock price shares tumbled 3%.¹¹⁵

Social dilemmas do not just occur between mammoth-size competitors. For example, when managers in a team all compete for the same scarce resources (e.g., attractive clients and the most talented staff), it is more difficult to accomplish their goals.

Prisoner’s Dilemma

The prisoner’s dilemma is an example of a two-person social dilemma. In the classic prisoner’s dilemma, two people are arrested on suspicion of having committed a crime. Each

¹¹³ Ury, Brett, & Goldberg, “*Getting disputes resolved*.”

¹¹⁴ Lytle, Brett, & Shapiro, “The strategic use of interests.”

¹¹⁵ Wahba, P. (2017, September 8). Target’s prices are getting cheaper and so is its stock. *Fortune*. fortune.com

suspect is approached separately and presented with two options: confess to the crime or remain silent (do not confess). The consequences of each course of action depend on what the other decides to do. Negotiators cannot communicate prior to making an independent, irrevocable decision. The decision each negotiator faces is illustrated in Exhibit 6-8, which indicates both parties will go to prison for as many as 15 years, depending upon what their partner chooses.

Ideally, it is desirable for both parties to not confess, thereby minimizing the prison sentence to 1 year for each (cell A). This option is risky, however. If one party confesses, then the party who does not confess goes to prison for the maximum sentence of 15 years—an extremely undesirable outcome (cell B or C). In fact, the most desirable situation from the standpoint of each negotiator is to confess, but have the other person not confess. Then, the confessing party would be released, and his or her partner goes to prison for the maximum sentence of 15 years.

When each person pursues the course of action that is most rational from her point of view, the result is a lose–lose outcome. That is, both parties go to prison for 10 years (cell D). The paradox of the prisoner’s dilemma is that the pursuit of individual self-interest leads to collective disaster.

The reason why the situation is a dilemma is that no matter what the counterparty does (remains silent or confesses), it is always better for the negotiator to confess (and defect on their partner). It would seem that negotiators might extricate themselves from the dilemma if they could communicate and trust each other, but communication is not possible or in many cases not binding, and in some cases, illegal! For example, antitrust legislation prohibits companies from price fixing, which requires that each company establish prices on its own, without agreeing with a competitor.

EXHIBIT 6-8

Illustration of Prisoner’s Dilemma

		YOU	
		Do Not Confess (Remain Silent)	Confess
COUNTERPARTY	Do Not Confess (Remain Silent)	A You: 1 yr Other: 1 yr	B You: 0 yrs Other: 15 yrs
	Confess	C You: 15 yrs Other: 0 yrs	D You: 10 yrs Other: 10 yrs

Note: Entries represent prison term length.

Actual Behavior in Dilemmas

Many individual characteristics of people have been studied, such as gender, race, Machiavellianism, status, age, and so forth.¹¹⁶ Few, if any, individual differences reliably predict behavior in a dilemma game. In general, people cooperate more than rational models predict. Moreover, people's behavior in social dilemmas is highly consistent across time and situations. For example, one investigation observed the behaviors of the same people across five games, including two prisoner's dilemma games, a trust game, a dictator game, and a faith game, separated by intervals of several months.¹¹⁷ Those who were pro-social stayed pro-social; those who were pro-self consistently behaved in a pro-self fashion. An examination of cooperative behavior revealed that business people were the least cooperative as compared to students, professionals, employees, and so on.¹¹⁸

Tit-for-Tat

Tit-for-tat is a behavioral strategy that advises negotiators involved in a social dilemma to act pro-socially (i.e., cooperate) initially, and then do exactly what the counterparty does in each subsequent interaction.¹¹⁹ However, very few people who play prisoner's dilemma games actually follow the tit-for-tat strategy. For example, in our analysis of more than 600 executives playing the prisoner's dilemma game, the defection rate is nearly 40%, and average profits are only one-tenth of the possible maximum!

Inducing Trust and Cooperation in Social Dilemmas

Given that many business situations can be thought of as dilemmas where people are tempted to gain the upper hand and conflict spirals, consider the following strategies to induce win-win outcomes.

COMMUNICATION A key determinant of cooperation is communication.¹²⁰ When people are allowed to communicate with the members of the group prior to making their choices, cooperation increases dramatically.¹²¹ The type of communication matters as well. Task-related communication (as opposed to non-task-related communication) promotes greater cooperation by activating interpersonal norms related to fairness and trust.¹²²

¹¹⁶ Kopelman, S., Weber, J. M., & Messick, D. M. (2002). Factors influencing cooperation in commons dilemmas: A review of experimental psychological research. In E. Ostrom, T. Dietz, N. Dolšák, P. C. Stern, S. Stonich, & E. U. Weber (Eds.) *Committee on the Human Dimensions of Global Change, Division of Behavioral and Social Sciences and Education, The drama of the commons* (pp. 113–156). Washington, DC: National Academy Press.

¹¹⁷ Yamagishi, T., Mifune, N., Li, Y., Shinada, M., Hashimoto, H., Horita, Y., Miura, A., Inukai, K., Tanida, S., Kiyonari, T., Takagishi, H., & Simunovic, D. (2013). Is behavioral pro-sociality game-specific? Prosocial preference and expectations of pro-sociality. *Organizational Behavior and Human Decision Processes*, 12(2), 260–271.

¹¹⁸ Rapoport, A. (1988). Experiments with N-person social traps: Prisoner's dilemma, weak prisoner's dilemma, volunteer's dilemma, and largest number. *Journal of Conflict Resolution*, 32(3), 457–472.

¹¹⁹ Gintis, H. (2000). *Game theory evolving*. Princeton, NJ: Princeton University Press; Axelrod, R., & Hamilton, W. D. (1981). The evolution of cooperation. *Science*, 211(4489), 1390–1396.

¹²⁰ Komorita, S. S., & Parks, C. D. (1994). *Social dilemmas*. Madison, WI: Brown and Benchmark; Liebrand, W. B. G., Messick, D. M., & Wilke, H. (Eds.). (1992). *Social dilemmas: Theoretical issues and research findings*. Oxford, England: Pergamon Press; Messick & Brewer, "Solving social dilemmas"; Sally, D. F. (1995). Conversation and cooperation in social dilemmas: Experimental evidence from 1958 to 1992. *Rationality and Society*, 7(1), 58–92.

¹²¹ Sally, D. F. (1995). Conversation and cooperation in social dilemmas: Experimental evidence from 1958 to 1992. *Rationality and Society*, 7(1), 58–92.

¹²² Cohen, T. R., Wildschut, T., & Insko, C. A. (2010). How communication increases interpersonal cooperation in mixed-motive situations. *Journal of Experimental Social Psychology*, 46(1), 39–50.

Two reasons explain this increase in cooperation.¹²³ First, communication enhances group identity or solidarity. Second, communication allows group members to make public commitments to cooperate. Verbal commitments in such situations indicate the willingness of others to cooperate. They reduce the uncertainty people have about others in such situations and provide a measure of reassurance to decision makers. Of the two explanations, it is the commitment factor that is most important.¹²⁴

In our investigations on the relative effectiveness of face-to-face communication as compared to written-only or no communication, people who communicate face-to-face are much more likely to reach a mutually profitable deal because they are able to coordinate on a price above each party's BATNA.¹²⁵

Commitments also shape subsequent behavior. People are extremely reluctant to break their word, even when their words are nonbinding. If people are prevented from making verbal commitments, they attempt to make nonverbal ones.

The other reason why communication is effective in engendering cooperation is that it allows group members to develop a shared group identity. Communication allows people to get to know one another and feel more attached to their group. People derive a sense of identity from their relationships to social groups.¹²⁶ When our identity is traced to the relationships we have with others in groups, we seek to further the interests of these groups. This identification leads to more cooperative, or group-welfare choices, in social dilemmas.

SIGNAL INTENTIONS “Talk is cheap” in a prisoner's dilemma game because people can always say one thing, but do another. Nevertheless, when people make verbal commitments, they tend to honor them, even if they are not binding.¹²⁷ In one investigation, 40% of people made voluntary promises, and these people were 50% more likely to cooperate than people who did not make promises.¹²⁸ When negotiators alternate making proposals with a confirmation stage, they are more likely to cooperate.¹²⁹ Confirmation acts as a tacit message that signals players' willingness to cooperate.

PSYCHOLOGICAL CONTRACTS Legal contracts involve paperwork and are binding. In contrast, **psychological contracts**, commonly known as “handshake deals,” are not binding in a court of law, but create psychological pressure to commit. People are more likely to cooperate

¹²³ Dawes, R. M., van de Kragt, A. J. C., & Orbell, J. M. (1990). Cooperation for the benefit of us—Not me, or my conscience. In J. Mansbridge (Ed.), *Beyond self-interest* (pp. 97–110). Chicago: University of Chicago Press.

¹²⁴ Kerr, N. L., & Kaufman-Gilliland, C. M. (1994). Communication, commitment, and cooperation in social dilemma. *Journal of Personality and Social Psychology*, 66(3), 513–529.

¹²⁵ Valley, K., Thompson, L., Gibbons, R., & Bazerman, M. H. (2002). How communication improves efficiency in bargaining games. *Games and Economic Behavior*, 38, 127–155.

¹²⁶ Tajfel, H. (1979). The exit of social mobility and the voice of social change: Notes on the social psychology of intergroup relations. *Przegląd Psychologiczny*, 22(1), 17–38.

¹²⁷ Bazerman, M. H., Gibbons, R., Thompson, L., & Valley, K. L. (1998). Can negotiators outperform game theory? In J. Halpern, & R. N. Stern (Eds.), *Debating rationality: Nonrational aspects of organizational decision making* (pp. 78–98). Ithaca, NY: ILR Press.

¹²⁸ Belot, M., Bhaskar, V., & van de Ven, J. (2010). Promises and cooperation: Evidence from a TV game show. *Journal of Economic Behavior and Organization*, 73(3), 396–405.

¹²⁹ Attanasi, G., García-Gallego, A., Georgantzis, N., & Montesano, A. (2013). An experiment on Prisoner's Dilemma with confirmed proposals. *Organizational Behavior and Human Decision Processes*, 120(2), 216–227.

¹³⁰ Cialdini, R. B. (1993). *Influence: Science and practice*. New York: HarperCollins.

when they promise to cooperate. Although such promises are nonbinding and are therefore “cheap talk,” people nevertheless act as if they are binding. The reason for this behavior, according to the **norm of commitment**, is that people feel psychologically committed to honor their word.¹³⁰ The norm of commitment is so powerful that people often do things that are completely at odds with their preferences or that are highly inconvenient.

ECONOMICS VERSUS RELATIONSHIP Our behavior in social dilemmas is influenced by our perceptions about what kinds of behavior are appropriate and expected in a given context. In one investigation, people engaged in a prisoner’s dilemma task that was called the “Wall Street game”; others played the exact same game, but it was called the “Community game.”¹³¹ The game, the choices, and the outcomes were identical—the only difference was in the name. Cooperation (trust) was three times higher in the Community game versus the Wall Street game presumably because people associate “business” with cut-throat, self-interested people who behave more competitively in social dilemmas involving economic decisions compared to those involving noneconomic decisions.¹³² People majoring in economics or who have taken multiple economics courses keep more money in an allocation task than those who have not taken economics courses.¹³³ Education in economics is associated with more acceptance of greed.

PEOPLE, NOT COMPANIES People often behave as if they were interacting with an entity or organization rather than a person. For example, an embittered customer claims that the *airline* refused to refund her when in fact it was a representative of the airline who did not issue a refund. To the extent that others can be personalized, people are more motivated to cooperate than if they believe they are dealing with a dehumanized bureaucracy. Even more important is that people see you as a cooperator. People cooperate more when others have cooperated in a previous situation.¹³⁴

A simulation of small firm behavior revealed that as firms grow larger they become more like prisoner’s dilemmas, which pit self-interest against cooperation.¹³⁵ Some managers shared a history of coordinating their behavior; others did not. Those who had a history of coordinating their actions were more likely to cooperate in a subsequent prisoner’s dilemma situation. Further, the difference was dramatic: Those who had a previous history cooperated in the prisoner’s dilemma game about 71% of the time, whereas those without a history only cooperated 15% to 30% of the time.

¹³¹ Liberman, V., Samuels, S. M., & Ross, L. (2004). The name of the game: Predictive power of reputations versus situational labels in determining prisoner’s dilemma game moves. *Personality and Social Psychology Bulletin*, 30, 1175–1185.

¹³² Pillutla, M. M., & Chen, X. (1999). Social norms and cooperation in social dilemmas: The effects of context and feedback. *Organizational Behavior and Human Decision Processes*, 78(2), 81–103.

¹³³ Wang, L., Malhotra, D., & Murnighan, J. K. (2011). Economics, education, and greed. *Academy of Management Learning and Education*, 10(4), 643–660.

¹³⁴ Pillutla & Chen, “Social norms and cooperation in social dilemmas.”

¹³⁵ Knez, M., & Camerer, C. (2000). Increasing cooperation in prisoner’s dilemmas by establishing a precedent of efficiency in coordination games. *Organizational Behavior and Human Decision Processes*, 82(2), 194–216.

FOCUS ON BENEFITS OF COOPERATION The probability that a person will make a particular choice in a social dilemma is a function of the attraction of that choice in terms of its ability to return a desirable outcome immediately.¹³⁶ Our attraction to a choice is usually a reflection of our ability to imagine or mentally simulate good outcomes.¹³⁷ In a direct examination of people's ability to think positively in a prisoner's dilemma game, participants were instructed to think about some alternatives that were "worse" or "better" than what actually happened, then they played some more. The results were startling: Negotiators' subsequent cooperation with their partner was directly related to the number of best-case scenarios they generated, and negotiators who generated worst-case scenarios defected a lot.¹³⁸ The message? Thinking about how good we can be greatly increases cooperation.

Restoring Broken Trust

After a trust violation, some negotiators are quick to forgive, but others never trust the other party again. Desire to punish others is determined by feelings of anger. As people get older, they are less likely to seek retribution (punish others who have violated their trust).¹³⁹ People who believe that moral character can change over time (incremental beliefs) are more likely to trust the counterparty following an apology, but people who believe that moral character cannot change (entity beliefs) are not.¹⁴⁰ For example, people who read an essay in which a person's moral character changes are more likely to trust another person than people who read an essay in which people's moral character remains unchanged over time.

When trust is violated in prisoner's dilemma situations, a key question concerns how transgressors make amends and whether such amends are accepted by the victim. A widely used strategy is having the transgressor pay financial compensation to the victim. When the transgressor makes voluntary (as opposed to forced) compensation to the victim, this communicates more repentance to victims than when the compensation is imposed, particularly when people have a low tendency to forgive.¹⁴¹ Larger compensations elicit more trust as compared to exact or partial compensations, but not when the transgressor's bad intentions are obvious.¹⁴²

¹³⁶ Anderson, C. M., & Camerer, C. (2000). Experience-weighted attraction learning in sender-receiver signaling games. *Economic Theory*, 16, 689–718; Camerer, C., & Ho, T. H. (1998). Experience-weighted attraction learning in coordination games: Probability rules, heterogeneity, and time variation. *Journal of Mathematical Psychology*, 42, 305–326; Camerer, C., & Ho, T. H. (1999). Experience-weighted attraction learning in games: Estimates from weak-link games. In D. V. Budescu, I. Erev, & R. Zwick (Eds.), *Games and human behavior* (31–51). Mahwah, NJ: Erlbaum; Camerer, C., & Ho, T. H. (1999). Experience-weighted attraction learning in normal form games. *Econometrica*, 67(4), 827–874.

¹³⁷ Parks, C. D., Sanna, L. J., & Posey, D. C. (2003). Retrospection in social dilemmas: How thinking about the past affects future cooperation. *Journal of Personality and Social Psychology*, 84(5), 988–996.

¹³⁸ Parks, Sanna, & Posey, "Retrospection in social dilemmas."

¹³⁹ van den Bos, W., van Dijk, E., & Crone, E. A. (2012). Learning whom to trust in repeated social interactions: A developmental perspective. *Group Processes and Intergroup Relations*, 15(2), 243–256.

¹⁴⁰ Haselhuhn, M. P., Schweitzer, M. E., & Wood, A. M. (2010). How implicit beliefs influence trust recovery. *Psychological Science*, 21(5), 645–648.

¹⁴¹ Desmet, P. T. M., DeCremer, D., & van Dijk, E. (2011). Trust recovery following voluntary or forced financial compensations in the trust game: The role of trait forgiveness. *Personality and Individual Differences*, 51(3), 267–273.

¹⁴² Desmet, P. T. M., DeCremer, D., & van Dijk, E. (2011). In money we trust? The use of financial compensation to repair trust in the aftermath of distributive harm. *Organizational Behavior and Human Decision Processes*, 114(2), 75–86.

How to Encourage Cooperation in Social Dilemmas When Parties Should Not Collude

In the examples thus far, we've suggested ways negotiators can entice others to cooperate. However, in many situations, it is illegal for parties to cooperate. Consider the problem of price fixing among companies within an industry. The following principles encourage cooperation in social dilemmas when companies should not privately collude¹⁴³:

- **Keep your strategy simple.** The simpler your strategy, the easier it is for your competitors to predict your behavior. The correspondence is nearly one-to-one between uncertainty and competitive behavior: greater uncertainty leads to more competitive behavior¹⁴⁴; thus, it helps to minimize uncertainty for your competitors.
- **Signal via actions.** The adage that behaviors speak louder than words is important. A person in a group who shows unwavering, consistent cooperation can effectively catalyze cooperation in the group because the consistent cooperator shapes the norms of the group.¹⁴⁵
- **Do not be the first to defect.** It is difficult to recover from escalating spirals of defection. Thus, do not be the first to defect.
- **Focus on your own payoffs, not your payoffs relative to others.** Social dilemmas trigger competitive motives. The competitive motive is a desire to “beat” the other party. Instead, focus on your profits.
- **Be sensitive to egocentric bias.** Most people view their own behavior as more cooperative than that of others. We see ourselves as more virtuous, more ethical, and less competitive than others see us. When planning your strategy, consider the fact that your competitors will see you less favorably than you perceive yourself.

CHAPTER CAPSTONE

In this chapter, we explored how emotions, particularly anger imperil negotiations and lead to escalation of conflict at great economic and social cost. In some instances, displays of emotion can be effective in inducing the counterparty to make a concession, particularly when the emotion is considered genuine (versus contrived) and the negotiator is close to his or her reservation point. Negotiators need to not only respond to the emotions of the counterparty, but they need to be aware of their own emotions. Positive emotion can have a number of beneficial effects on negotiation. Emotional intelligence is the ability to identify and regulate emotions at the bargaining table. Disputes are situations in which one party has made a claim and the other party has rejected the claim. In disputes, negotiators usually come to the bargaining table feeling angry and deceived. Disputes are particularly challenging because parties' BATNAs are connected, meaning that the alternatives to crafting a mutually agreeable solution is to escalate conflict

¹⁴³ Brett, J. M. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco: Jossey-Bass.

¹⁴⁴ Kopelman, S., Weber, J. M., & Messick, D. M. (2002). Factors influencing cooperation in commons dilemmas: A review of experimental psychological research. In E. Ostrom, T. Dietz, N. Dolšák, P. C. Stern, S. Stonich, & E. U. Weber (Eds.) & Committee on the Human Dimensions of Global Change, Division of Behavioral and Social Sciences and Education, *The drama of the commons* (113–156). Washington, DC: National Academy Press.

¹⁴⁵ Weber, J. M., & Murnighan, J. K. (2008). Suckers or saviors? Consistent contributors in social dilemmas. *Journal of Personality and Social Psychology*, 95, 1340–1353.

or file a lawsuit or perhaps engage in other forms of power or rights. The interests-rights-and-power model focuses on three different behaviors that disputants often engage in. The norm of reciprocity often prevails and thus, using rights or power often escalates conflict. We discussed methods by which negotiators can bring angry, and rights- and power-based negotiators back to interests. Social dilemmas, such as the prisoner's dilemma are situations in which the rational pursuit of self-interest leads to lose–lose outcomes. We discussed methods for inducing trust and cooperation in dilemmas.

7

ESTABLISHING TRUST AND BUILDING RELATIONSHIPS

In June 2020, the United Kingdom and Switzerland signed a joint statement that would cement the cooperation and trust between the two countries and reduce trade barriers between them. Both countries have large financial sectors that are crucial to their economies. Although the negotiations were carried out by the respective civil services, the deal was signed by Rishi Sunak, the UK Chancellor of the Exchequer, and Ueli Maurer, the Head of Switzerland's Federal Department of Finance. Switzerland and the United Kingdom committed themselves to the highest standards of regulation and openness, pledging transparency and innovation going forward. This was made possible by decades of open trade and financial transactions between the two countries. Nearly 50% of all Swiss financial service imports are UK-based, and several Swiss finance companies, including Credit Suisse and UBS, rely on London as a major market. Signed in a virtual meeting, the agreement included cross-border market access for insurance, banking, asset management, and capital market infrastructure. In contrast, a similar deal between the European Union and the United Kingdom was branded unacceptable.¹

The opening example illustrates that trust and shared ambition are important in negotiations. Negotiators have different ways of building trust. In this chapter, we focus on economic aspects of negotiation, such as money and resources, as well as more subjective components, including relationships and rapport.

MONEY VERSUS RELATIONSHIPS

Successful negotiation is often equated with the maximization of monetary wealth. At the same time, successful negotiation involves building and maintaining effective relationships. Skilled negotiators realize that trust, respect, and liking—the elements of successful relationships—are as important as maximizing monetary return. Making more money may not always make us feel more successful or more satisfied.² The point we make in this chapter is that maximizing monetary wealth need not come at the expense of building relationships.

¹ HM Treasury. (2020, June 30). Switzerland and UK to negotiate a bilateral financial services agreement. *gov.uk*. www.gov.uk; Koltowitz, S., & Jones, H. (2020, June 30). Switzerland and UK to cooperate more closely on financial services. *uk.reuters.com*.

² Thompson, L. (1995). The impact of minimum goals and aspirations on judgments of success in negotiations. *Group Decision Making and Negotiation*, 4(6), 513–524; Thompson, L., Valley, K. L., & Kramer, R. M. (1995). The bittersweet feeling of success: An examination of social perception in negotiation. *Journal of Experimental Social Psychology*, 31(6), 467–492; Galinsky, A. D., Mussweiler, T., & Medvec, V. H. (2002). Disconnecting outcomes and evaluations: The role of negotiator focus. *Journal of Personality and Social Psychology*, 83(5), 1131–1140.

Subjective Value

Subjective value refers to the perceived quality of negotiation that cannot be easily measured in economic terms. To be sure, people involved in negotiations are not simply concerned only with the exchange of economic value, but also other factors. Exhibit 7-1 identifies six different types of resources people can exchange in interdependent relationships: love, money, services, goods, status, and information.³ Each of these resources varies in terms of **particularism** (how much utility we derive depends on who is providing it—a kiss from one’s own child is valued much more than a kiss from a complete stranger) and **concreteness** (how tangible it is). Love and social status are less concrete than services or goods, for example.

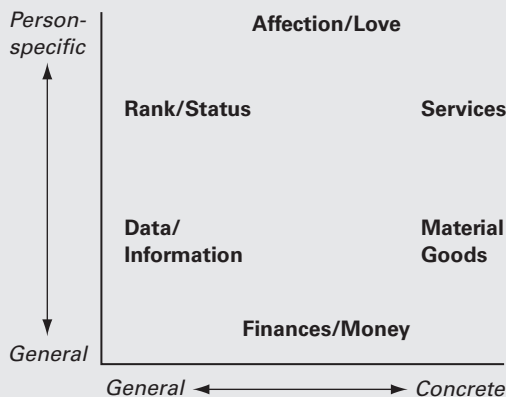
The **Subjective Value Inventory (SVI)** assesses four major concerns held by negotiators: (1) feelings about instrumental outcomes; (2) feelings about themselves; (3) feelings about the process; and (4) feelings about their relationships with whom they are negotiating.⁴ Subjective value predicts MBA students’ satisfaction with their employment compensation, job satisfaction, and reduces intentions to seek a different job a year later.⁵ (See Exhibit 7-2.)

Rapport

Rapport refers to feelings of closeness, understanding, and harmony among people in relationships. Verbal behavior is key to the creation of rapport between negotiators. The **Verbal Rapport Assessment** scale assesses how negotiators build rapport, and focuses on 13 verbal

EXHIBIT 7-1

Resources that May be Exchanged in a Relationship



Source: Adapted from Foa, U., & Foa, E. (1975). *Resource theory of social exchange*. Morristown, NJ: General Learning Press.

³ Foa, U., & Foa, E. (1975). *Resource theory of social exchange*. Morristown, NJ: General Learning Press.

⁴ Curhan, J. R., Elfenbein, H. A., & Xu, H. (2006). What do people value when they negotiate? Mapping the domain of subjective value in negotiation. *Journal of Personality and Social Psychology*, 91(3), 493–512.

⁵ Curhan, J. R., Elfenbein, H. A., & Kilduff, G. J. (2009). Getting off on the right foot: Subjective value versus economic value in predicting longitudinal job outcomes from job offer negotiations. *Journal of Applied Psychology*, 94(2), 524–534.

EXHIBIT 7-2

Subjective Value Inventory

Think about your most recent negotiation. Rate your response to each of the following questions on a scale of 1 to 7, with 1 = not at all; 4 = moderately; and 7 = perfectly.

1. How satisfied are you with your own outcome—i.e., the extent to which the terms of your agreement (or lack of agreement) benefit you?
2. How satisfied are you with the balance between your own outcomes and the outcome(s) of your counterpart(s)?
3. Did you feel like you forfeited or “lost” in this negotiation?
4. Do you think the terms of your agreement are consistent with the principles of legitimacy of objective criteria (e.g., common standards of fairness, precedent, industry practice, legality, etc.)?
5. Did you “lose face” (i.e., damage your sense of pride) in the negotiation?
6. Did this negotiation make you feel more or less competent as a negotiator?
7. Did you behave according to your own principles and values?
8. Did this negotiation positively or negatively impact your self-image or your impression of yourself?
9. Did you feel your counterpart(s) listened to your concerns?
10. Would you characterize the negotiation process as fair?
11. How satisfied are you with the ease (or difficulty) of reaching an agreement?
12. Did your counterpart(s) consider your wishes, opinions, or needs?
13. What kind of “overall” impression did your counterpart(s) make on you?
14. How satisfied are you with your relationship with your counterpart(s) as a result of this negotiation?
15. Did the negotiation make you trust your counterpart(s)?
16. Did the negotiation build a good foundation for a future relationship with your counterpart(s)?

Notes about scoring:

- Instrumental outcome (reverse score #3; average items 1–4)
- Feelings about oneself (reverse score #5; average items 5–8)
- Feelings about the process (average items 9–12)
- Feelings about the relationship (average items 13–16)

Source: Based on Curhan, J., Elfenbein, H., & Xu, H. (2006). What do people value when they negotiate? Mapping the domain of subjective value in negotiation. *Journal of Personality and Social Psychology*, 91(3), 493–512.

measures, including: direct positive content, synchrony, politeness, etc.⁶ In negotiation, the creation of rapport is primarily influenced by the counterpart’s verbal behavior, as well as the interaction behaviors of both negotiators. The establishment of rapport often involves sharing information, however, information sharing may not be symmetric. Indeed, negotiators often believe that they have gained more information about the counterpart than vice versa, and this (faulty) belief actually enhances feelings of rapport.⁷

⁶ Bronstein, I., Nelson, N., Livnat, Z., & Ben-Ari, R. (2012). Rapport in negotiation: The contribution of the verbal channel. *Journal of Conflict Resolution*, 56(6), 1089–1115.

⁷ Lee, D. S., Moeller, S. J., Kopelman, S., & Ybarra, O. (2015). Biased social perceptions of knowledge: Implications for negotiators’ rapport and egocentrism. *Negotiation and Conflict Management Research*, 8(2), 85–99.

Sequential Negotiations and Bargaining History

It stands to reason that negotiators' previous experience or history with one another can strongly influence how they behave in the future. Indeed, social psychological outcomes from prior negotiations predict economic performance in subsequent negotiations.⁸ Our feelings about prior negotiations not only affect subsequent negotiations with that counterparty, they also affect subsequent negotiations with different counterparties, due to spillover effects.⁹

In some situations, negotiators have an asymmetrical history, such that one party benefits at the expense of another. Asymmetrical history is often characterized by conflicting interpretations of their history, which can sometimes lead to feuds. When negotiators share an asymmetrical history, they are more likely to come to an impasse (fail to reach agreement).¹⁰

TRUST AND TEMPTATION

Negotiation is a situation in which parties who do not have perfectly aligned interests agree to exchange resources. Given that negotiators often have conflicting interests, questions of trust often arise. **Trust** is the willingness to make oneself vulnerable to another person.¹¹ Trust is an expression of confidence in another person, or group of people, that one will not be put at risk, harmed, or injured by the actions of others.¹² Negotiators who trust each other are more likely to share information and reach integrative agreements.¹³ Conversely, when negotiators don't trust each other, they are less likely to share information, and more likely to engage in value-claiming strategies, such as making extreme offers.¹⁴ The paradox is that most negotiations offer some incentive for people to behave in an untrustworthy fashion.¹⁵ Indeed, a meta-analysis of trust in negotiation suggests that trust does indeed influence the creation of mutual gains, but that it may come at the personal expense of the trustor.¹⁶ Specifically, trust has a positive relationship when it comes to integrative negotiation behavior, but integrative behaviors have a negative relationship with the trustor's outcome. In a complementary fashion, trust has a negative relationship with distributive (claiming) behaviors, but such distributive behaviors have a positive

⁸ Mannix, E. A., Tinsley, C. H., & Bazerman, M. (1995, June). Negotiating over time: Impediments to integrative solutions. *Organizational Behavior and Human Decision Processes*, 62(3), 241–251; Thompson, L., Valley, K. L., Roderick, M. (1995). The bittersweet feeling of success: An examination of social perception in negotiation. *Journal of Experimental Social Psychology*, 31(6), 467–492.

⁹ Becker, W. J., & Curhan, J. R. (2018, January). The dark side of subjective value in sequential negotiations: The mediating role of pride and anger. *Journal of Applied Psychology*, 103(1), 74–87.

¹⁰ Dezső, L., Loewenstein, G., Steinhart, J., Neszveda, G., & Szaszi, B. (2015). The pernicious role of asymmetric history in negotiations. *Journal of Economic Behavior and Organization*, 116, 430–438.

¹¹ Rousseau, D., Sitkin, S., Burt, R., & Camerer, C. (1998, July). Not so different after all: A cross-discipline view of trust. *Academy of Management Review*, 23(3), 393–404.

¹² Axelrod, R. (1984). *The evolution of cooperation*. New York: Basic Books.

¹³ Gunia, B. C., Brett, J. M., Nandkeolyar, A. K., & Kamdar, D. (2011). Paying a price: Culture, trust, and negotiation consequences. *Journal of Applied Psychology*, 96(4), 774–789.

¹⁴ Gunia, Brett, Nandkeolyar, & Kamdar, "Paying a price." Kong, D. T., Dirks, K. T., & Ferrin, D. L. (2014). Interpersonal trust within negotiations: Meta-analytic evidence, critical contingencies, and directions for future research. *Academy of Management Journal*, 57(5), 1235–1255.

¹⁵ Kramer, R. M. (1999). Trust and distrust in organizations: Emerging perspectives, enduring questions. *Annual Review of Psychology*, 50, 569–598; Kramer, R. M., Brewer, M. B., & Hanna, B. A. (1996). Collective trust and collective action: The decision to trust as a social decision. In R. M. Kramer & T. R. Tyler (Eds.), *Trust in organizations* (pp. 357–389). Thousand Oaks, CA: Sage.

¹⁶ Kong, D. T., Dirks, K. T., & Ferrin, D. L. (2014). Interpersonal trust within negotiations: Meta-analytic evidence, critical contingencies, and directions for future research. *Academy of Management Journal*, 57(5), 1235–1255.

relationship with the trustor's outcome. Finally, trust is more strongly related to mutual gains than the individual outcomes of the negotiator.¹⁷

Trust Propensity

Trust propensity refers to a negotiator's belief in others' trustworthiness. Greater trust propensity increases the development of trust amongst negotiators and also increases information exchange (in the form of questions and answers) about interests and decreases distributive behaviors, such as substantiation, argumentation, and single-issue offers.¹⁸

Three Types of Trust in Relationships

People form three major types of trust relationships with others: deterrence-based trust, knowledge-based trust, and identification-based trust.¹⁹

DETERRENCE-BASED TRUST **Deterrence-based trust** is based on consistency of behavior, meaning people will follow through on what they promise to do. Behavioral consistency, or follow-through, is sustained by threats or promises of consequences that will result if consistency and promises are not maintained. The consequences most often used are punishments, sanctions, incentives, rewards, and legal implications. Deterrence-based trust often involves contracts, surveillance, and sometimes punishment. For example, over 78% of companies monitor their employees' e-mail, internet, and phone activity. Additionally, many companies use cameras to film their employees.²⁰

There are two key problems with deterrence-based trust systems. First, they are expensive to develop and maintain (they require development, oversight, maintenance, and monitoring), and second, they can backfire. **Reactance theory** argues that people do not like their freedom taken away and will act to reassert it. For example, signs reading "Do Not Write on These Walls Under Any Circumstances" actually increase the incidence of vandalism (as compared to signs that say "Please Do Not Write on These Walls," or the complete absence of signs).²¹ Similarly, it has been found that people take longer to vacate a parking space when they know someone else is waiting for it.²² People often have a negative reaction when they perceive that someone is controlling their behavior or limiting their freedom. When people think their behavior is controlled by extrinsic motivators, such as sanctions and rewards, intrinsic motivation is reduced.²³ Thus, surveillance may undermine the behaviors such monitoring is intended to ensure! Consider the rise of tracking technology at many companies. UPS (United Parcel Service) uses sensors to track drivers' speeds and stop times. A UPS driver said it felt like the company was using a "mental whip." At Amazon warehouses, employees carry tablets that monitor how quickly they retrieve items off the shelves, and in some

¹⁷ Kong, D. T., Dirks, K. T., & Ferrin, D. L. (2014). Interpersonal trust within negotiations: Meta-analytic evidence, critical contingencies, and directions for future research. *Academy of Management Journal*, 57(5), 1235–1255.

¹⁸ Yao, J., Zhang, Z.-X., & Brett, J. M. (2017). Understanding trust development in negotiations: An interdependent approach. *Journal of Organizational Behavior*, 38(5), 712–729.

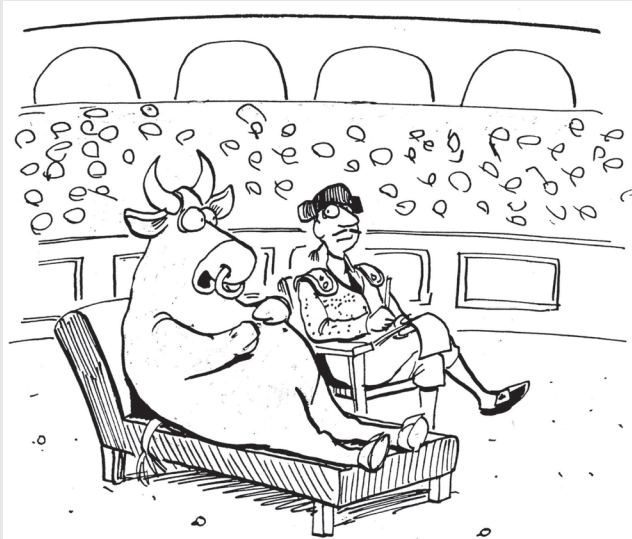
¹⁹ Shapiro, D. L., Sheppard, B. H., & Cheraskin, L. (1992). Business on a handshake. *Negotiation Journal*, 8(4), 365–377; Lewicki, R. J., & Bunker, B. B. (1996). Developing and maintaining trust in work relationships. In R. M. Kramer & T. R. Tyler (Eds.), *Trust in organizations: Frontiers of theory and research* (pp. 114–139). Thousand Oaks, CA: Sage.

²⁰ Ribitzky, R. (2017, April 18). Active monitoring of employees rises to 78%. *ABC News*. abcnews.com

²¹ Pennebaker, J. W., & Sanders, D. Y. (1976). American graffiti: Effects of authority and reactance arousal. *Personality and Social Psychology Bulletin*, 2(3), 264–267.

²² Ruback, R. B., & Juieng, D. (1997). Territorial defense in parking lots: Retaliation against waiting drivers. *Journal of Applied Social Psychology*, 27(9), 821–834.

²³ Enzle, M. E., & Anderson, S. C. (1993). Surveillance intentions and intrinsic motivation. *Journal of Personality and Social Psychology*, 64(2), 257–266.

EXHIBIT 7-3**Humorous Example of Behavioral Predictability and Trust**

"Doctor, I'm not sure I can trust you."

Source: Cartoon Resource/Shutterstock

hospitals, badges are equipped with sensors that enable supervisors to track how often employee hands are washed. "Right at the heart of all of this is trust," says Ken Oehler of Aon Hewitt.²⁴

KNOWLEDGE-BASED TRUST Knowledge-based trust is grounded in behavioral predictability, and it occurs when a person has enough information about others to understand them and accurately predict their behavior. (See the cartoon in Exhibit 7-3 for a humorous example of this.) Whenever informational uncertainty or asymmetry characterizes a relationship, it provides opportunity for deceit, and one or both parties risk exploitation. Paradoxically, if no risk is present in an exchange situation, exploitation cannot occur, and high levels of trust will not develop.²⁵ Trust is a consequence of or response to uncertainty.²⁶

An intriguing example of the development of knowledge-based trust among negotiators concerns the sale of rubber and rice in Thailand.²⁷ For various reasons, the quality of rubber cannot be determined at the time of sale but rather, only months later. When rubber is sold,

²⁴ Rosenbaum, S. I., (2017, April 5). Workplace surveillance is the new office 'perk'. *Vocativ*. vocativ.com; The rise of workplace spying. (2015, July 5). *The Week*. theweek.com

²⁵ Thibaut, J. W., & Kelley, H. H. (1959). *The social psychology of groups*. New York: Wiley.

²⁶ Kollock, P. (1994). The emergence of exchange structures: An experimental study of uncertainty, commitment and trust. *American Journal of Sociology*, 100(2), 313–345; Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology*, 78(6), 1360–1380.

²⁷ Siamwalla, A. (1978, June). Farmers and middlemen: Aspects of agricultural marketing in Thailand. *Economic Bulletin for Asia and the Pacific*, 29(1), 38–50; Popkin, S. L. (1981). Public choice and rural development—free riders, lemons, and institutional design. In C. S. Russell & N. K. Nicholson (Eds.), *Public choice and rural development* (pp. 43–80). Washington, DC: Resources for the Future.

the seller knows the quality of the rubber, but the buyer does not. This is a classic case of information asymmetry. In contrast, when it comes to the rice market, the quality of rice can be readily determined at the time of sale (no informational uncertainty). It would seem that the rubber market, because of its informational asymmetries, would be characterized by exploitation on the part of sellers who would only sell cheap rubber at high prices, creating a market of lemons.²⁸ However, buyers and sellers in the rubber market have abandoned anonymous exchange in favor of long-term exchange relationships between certain buyers and sellers. Within this exchange framework, growers establish reputations for trustworthiness, and high quality rubber is sold.

Knowledge-based trust increases dependence and commitment among parties.²⁹ For example, suppliers who regularly negotiate with certain customers develop highly specialized products for those customers. Such product differentiation can create barriers to switching suppliers. In addition to economic dependence, people become emotionally committed to certain relationships. For example, in markets characterized by information asymmetries, once negotiators develop a relationship with someone they find to be trustworthy, they remain committed to the relationship, even when it would be profitable to trade with others.³⁰ When switching does occur, the party who is “left” feels indignant and violated. People who expect to interact with others in the future are less likely to exploit them, even when given an opportunity.³¹ When negotiators anticipate extended relationships, they are more likely to cooperate with customers, colleagues, and suppliers but not with competitors.³² These relationships and the perception of low mobility among individuals promote development of integrative agreements across interactions, rather than only within given transactions.³³

IDENTIFICATION-BASED TRUST Identification-based trust is grounded in complete empathy with another person’s desires and intentions. In identification-based trust systems, trust exists between people because each person understands, agrees with, empathizes with, and takes on the other’s values because of the emotional connection between them; thus, they act for each other.³⁴ Identification-based trust means that other people have adopted your own preferences.

Whereas it may seem that personal relationships would be completely grounded in knowledge-based or identification-based trust, this is not always the case. For example, a deterrence-based trust system is put in place when couples get prenuptial agreements or when one spouse hires a private investigator to monitor the actions of the other spouse.

²⁸ Akerlof, G. A. (1970). The market for “lemons”: Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84(3), 488–500.

²⁹ Dwyer, F. R., Schurr, P. H., & Oh, S. (1987). Developing buyer-seller relationships. *Journal of Marketing*, 51(2), 11–27; Kollock, “The emergence of exchange structures.”

³⁰ Kollock, “The emergence of exchange structures.”

³¹ Marlowe, D., Gergen, K. J., & Doob, A. N. (1966). Opponents’ personality, expectation of social interaction and interpersonal bargaining. *Journal of Personality and Social Psychology*, 3(2), 206–213.

³² Sondak, H., & Moore, M. C. (1994). Relationship frames and cooperation. *Group Decision and Negotiation*, 2(2), 103–118.

³³ Mannix, E. A., Tinsley, C. H., & Bazerman, M. H. (1995). Negotiating over time: Impediments to integrative solutions. *Organizational Behavior and Human Decision Processes*, 62(3), 241–251.

³⁴ Lewicki & Bunker, “Developing and maintaining trust in work relationships.”

Building Trust: Rational and Deliberate Mechanisms

There are two routes to building trust: the **cognitive route** is based on rational and deliberate thoughts and considerations; the **affective route** is based on intuition and emotion.³⁵ The cognitive and the affective routes to trust have different triggers and turning points in negotiation.³⁶

Let's first consider how to build trust through the cognitive route. (For an examination of how businesspeople attempt to secure trust, see Exhibit 7-4.)

TRANSFORM RELATIONSHIP CONFLICT INTO TASK CONFLICT Two basic types of conflict occur in most relationships. **Relationship conflict**, also known as **emotional conflict**, is rooted in anger, personality clashes, ego, and tension. **Task conflict**, also known as **cognitive conflict**, is largely depersonalized. It consists of argumentation about the merits of ideas, plans, and projects, independent of the identity of the people involved. Task conflict is often effective in stimulating the creativity necessary for integrative agreement because it forces people to rethink problems and arrive at outcomes that everyone can accept. Relationship conflict threatens relationships, whereas task conflict enhances relationships, provided that people are comfortable with it.³⁷

AGREE ON A COMMON GOAL OR SHARED VISION When negotiators share a vision of the best method for reaching a bargaining agreement, they are more likely to make less selfish offers and reach an agreement.³⁸ The importance of a common goal was summed up in a quote by Steve Jobs, who led three high-profile Silicon Valley companies—Apple, NeXT, and Pixar: “It’s okay to spend a lot of time arguing about which route to take to San Francisco when everyone wants to end up there, but a lot of time gets wasted in such arguments if one person wants to go to San Francisco and another secretly wants to go to San Diego.”³⁹

Shortly after Steve Jobs negotiated a multimillion dollar marketing distribution deal with Disney, he was quoted as saying that Disney’s top leaders, Michael Eisner and Jeffrey Katzenberg, didn’t appreciate and “had no clue” about how far Pixar’s technology could take them. Jobs was convinced that Pixar’s technology would revolutionize the business model for animated films and with Disney’s investment, ensure Pixar’s future survival. Even though the two businesses came from two different backgrounds, Jobs found a common bond between the companies: making a great movie. “One way to drive fear out of a relationship is to realize that your partner’s values are the same as yours, that what you care about is exactly what they care about. In my opinion, that drives fear out and makes for a great partnership.”⁴⁰

³⁵ McAlister, D. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal*, 38(1), 24–59; Lewis, D. J. & Weigert, A. (1985). Trust as a social reality. *Social Forces*, 63(4), 967–985.

³⁶ Olekalns, M., & Smith, P. L. (2005). Moments in time: Metacognition, trust, and outcomes in dyadic negotiations. *Personality and Social Psychology Bulletin*, 31(12), 1696–1707.

³⁷ Jehn, K. A. (1997). A qualitative analysis of conflict types and dimensions in organizational groups. *Administrative Science Quarterly*, 42, 530–557.

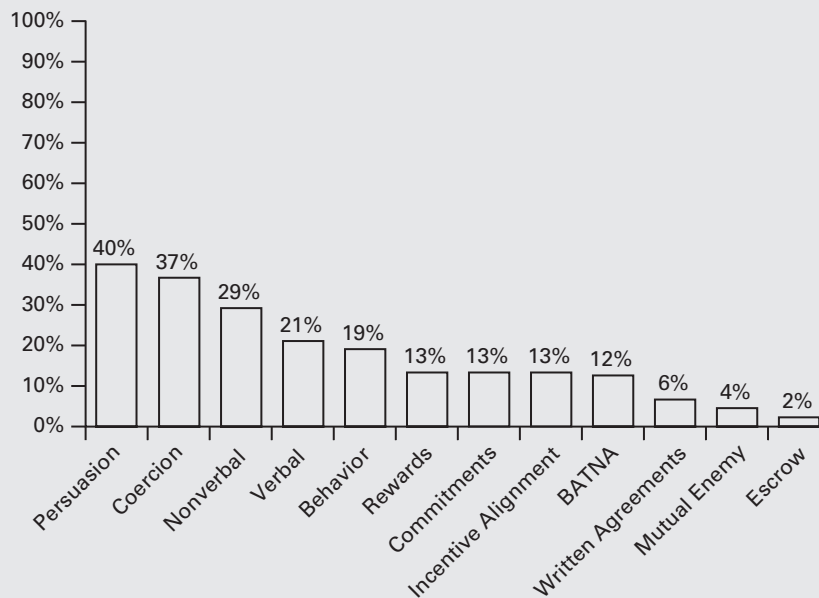
³⁸ Choi, D. W., & Menghrajani, E. (2011). Can group discussion promote cooperative ultimatum bargaining? *Group Processes and Intergroup Relations*, 14(3), 381–398.

³⁹ Eisenhardt, K. M., Kahwajy, J. L., & Bourgeois, L. J., III. (1997). How management teams can have a good fight. *Harvard Business Review*, 75(4), 77–85.

⁴⁰ Schlender, B. (2012, May). The lost tapes of Steve Jobs. *Fast Company*, 165, 72–83.

EXHIBIT 7-4**How Managers Secure Commitment in the Absence of Binding Contracts**

We surveyed businesspeople on how they attempted to secure trust in relationships. We asked 52 MBA students: "Imagine that you are involved in a negotiation situation where you need to get commitment (i.e., follow-through) from one or more of the people involved. The nature of the negotiation does not involve 'binding contracts.' How do you try to instill a sense of commitment in the absence of any binding contracts?" The responses varied dramatically.

**Review of Categories (Left to Right):**

- *Persuasion and consciousness-raising* (e.g., "I would reinforce the idea that this is the beginning of a long-term, multiple-contact relationship, and that it is in my counterparty's best interest to think about the repercussions of renegeing on future negotiations")
- *Coercion and threat tactics* (e.g., humiliation, punishment, etc.)
- *Nonverbal strategies* (e.g., handshakes, establishing rapport, "...look people in the eye, have them look at you, and say to you that they will do what you want them to do..." etc.)
- *Verbal agreements*
- *Behavior modification* (e.g., tit-for-tat; social modeling)
- *Rewards and benefits*
- *Public commitments* (e.g., "...by making the outcome public, the erring party would suffer public embarrassment and suffer loss of reputation...")
- *Alignment of incentives*
- *Collecting information about other's BATNA*
- *Written (nonbinding) agreements*
- *Creation of a mutual enemy*
- *Creating escrow or collateral arrangements*

SOCIAL NETWORKS Negotiators who do not know each other may attempt to build a more trusting relationship by trying to find a common node in their social networks. However, getting people to talk to someone outside their social network is challenging. An investigation of a weekly business “mixer” revealed that people don’t mix as much as would be expected, given the purpose of the mixer.⁴¹ Affect-based trust is high among people who are embedded densely in their networks and among those who provide social support; cognition-based trust is higher in those with whom people engage in instrumental exchanges.⁴²

SHARED PROBLEM OR COMMON ENEMY It is remarkable how the presence of a common enemy can unite people and build trust.⁴³ A shared goal was established during the Reagan–Gorbachev summit talks. One evening, President Reagan and Soviet leader Mikhail Gorbachev were drinking coffee after dinner on Lake Geneva. Secretary of State George P. Shultz turned to Georgi Kornienko, the Soviet First Deputy Foreign Minister, and accused him of trying to stall summit negotiations on bilateral issues. “You, Mr. Minister, are responsible for this,” Shultz declared. Then, turning to Gorbachev, the Secretary of State added forcefully, “This man is not doing what you want him to do. He is not getting done what you want done.” Reagan took advantage of the situation to create a common bond and looked at Gorbachev: “To hell with what they’re doing. You and I will say, ‘We will work together to make it come about.’” Reagan and Gorbachev then shook hands. The moment marked a critical turning point in the summit talk.⁴⁴

FUTURE FOCUS If negotiators can forget the past and focus on their future, they can go a long way toward building trust. When negotiators expect to have future interaction with the counterparty, they have lower aspirations, expect negotiations to be friendlier, are more satisfied, and predominantly use a problem-solving bargaining style. Moreover, compared to one-time negotiations, those who expect to interact in the future have harmonious expectations and seek mutually beneficial solutions.⁴⁵ For example, consider how moving from a short-term to a long-term view led to a breakthrough in the DISH Networks and Waterman Broadcasting’s NBC2 negotiations. DISH Networks opened talks by offering NBC2 a very low rate for a multiyear contract. NBC2 rejected the offer. Negotiations dragged on and soon both parties were faced with the broadcast deadline of the highly anticipated Super Bowl game. NBC2 threatened DISH subscribers with a blackout. DISH realized they would be faced with ire of customers if the Super Bowl was not aired, and this moment marked the point when both parties realized that they could both benefit from adopting a long term view of their relationship and agreed to multiyear contract deal.⁴⁶

⁴¹ Ingram, P., & Morris, M. W. (2007). Do people mix at mixers? Structure, homophily, and the “life of the party.” *Administrative Science Quarterly*, 52(4), 558–585.

⁴² Chua, R. Y. J., Ingram, P., & Morris, M. W. (2008). From the head and the heart: Locating cognition- and affect-based trust in managers’ professional networks. *Academy of Management Journal*, 51(3), 436–452.

⁴³ Sherif, M., Harvey, O. J., White, B. J., Hood, W. R., & Sherif, C. W. (1961). *Intergroup conflict and cooperation: The robber’s cave experiment*. Norman: University of Oklahoma Press.

⁴⁴ Hoffman, D. (1985, November 23). Tense turning point at summit; Key Reagan-Gorbachev handshake calmed atmosphere. *Washington Post*, p. A1.

⁴⁵ Patton, C., & Balakrishnan, P. V. S. (2010). The impact of expectation of future negotiation interaction on bargaining processes and outcomes. *Journal of Business Research*, 63(8), 809–816.

⁴⁶ Super Bowl to be shown; DISH reaches deal with NBC2 owner Waterman. (2018, February 3). *Naples News*. naplesnews.com

Building Trust: Psychological Strategies

Psychological mechanisms for building trust are different from the rational, cognitive mechanisms discussed earlier in that people tend not to talk about these factors explicitly; rather, savvy negotiators know how to capitalize on them intuitively.

SIMILARITY People who are similar to each other usually like one another.⁴⁷ Negotiators are more likely to make concessions when negotiating with people they know and like. The **similarity-attraction effect** may occur on the basis of little and sometimes downright trivial, information. Many sales training programs urge trainees to “mirror and match” the customer’s body posture, mood, and verbal style because similarities along each of these dimensions produce positive results.⁴⁸ Similarity in dress also has dramatic effects. For example, participants in a political demonstration are more likely to sign the petition of a similarly dressed requester, and do so without bothering to read it first.⁴⁹ Banker Peter Comisar used the similarity-attraction effect by dressing in True Religion corduroy jeans for his negotiation with True Religion jeans founder, Jeffrey Lubell. Ultimately, the two did not reach a deal but Comisar’s attempt to build trust laid the foundation for a future deal when Lubell recruited Comisar a few years later to represent his brand when it was being sold.⁵⁰

MERE EXPOSURE The more we are exposed to something—a person, object, or idea—the more we like it. The **mere exposure effect** is extremely powerful and occurs below the level of our awareness.⁵¹ (See Exhibit 7-5 for an example of how mere exposure increases liking in classrooms.)

PHYSICAL PROXIMITY When students are seated alphabetically in a classroom, friendships are significantly more likely to form between those whose last names begin with the same or a nearby letter.⁵² This is what is called the **propinquity effect**. This may not seem important until you consider the fact that you may meet some of your closest colleagues, and perhaps even a future business partner, merely because of an instructor’s seating chart! Similarly, people given a corner seat or an office at the end of a corridor make fewer friends in their organization.⁵³ If an instructor changes seat assignments once or twice during the semester, each student becomes

⁴⁷ Griffin, E., & Sparks, G. G. (1990). Friends forever: A longitudinal exploration of intimacy in same-sex friends and platonic pairs. *Journal of Social and Personal Relationships*, 7(1), 29–46.

⁴⁸ LaFrance, M. (1985). Postural mirroring and intergroup relations. *Personality and Social Psychology Bulletin*, 11(2), 207–217; Locke, K. D., & Horowitz, L. M. (1990). Satisfaction in interpersonal interactions as a function of similarity in level of dysphoria. *Journal of Personality and Social Psychology*, 58(5), 823–831; Woodside, A. G., & Davenport, J. W., Jr. (1974). The effects of salesman similarity and expertise on customer purchasing behavior. *Journal of Marketing Research*, 11(2), 198–202.

⁴⁹ Suedfeld, P., Bochner, S., & Matas, C. (1971). Petitioners’ attire and petition signing by peace demonstrators: A field experiment. *Journal of Applied Social Psychology*, 1(3), 278–283.

⁵⁰ Shonk, K. (2017, November 30). In business negotiations, dress the part. *Program on Negotiation at Harvard Law School*. pon.harvard.edu

⁵¹ Zajonc, R. (1968). Attitudinal effects of mere exposure. *Journal of Personality and Social Psychology*, 9(2, Pt.2) 1–27.

⁵² Segal, M. W. (1974). Alphabet and attraction: An unobtrusive measure of the effect of propinquity in a field setting. *Journal of Personality and Social Psychology*, 30(5), 654–657.

⁵³ Maisonneuve, J., Palmade, G., & Fourment, C. (1952). Selective choices and propinquity. *Sociometry*, 15(1/2), 135–140.

EXHIBIT 7-5**Mere Exposure Increases Liking**

The effects of mere exposure on liking are demonstrated clearly in the classroom. In one investigation, student A attended 15 sessions of a course. For each session, she arrived before the class began, walked down the aisle, and sat at the front where other students could see her. Student B did the same thing but attended only 10 lectures. Student C came to class only five times. Student D never showed up. At the end of the term, the students in the class were shown slides of students A, B, C, and D and were asked to indicate how “familiar” they found each one, how attractive they found each one, and how similar they believed each one was to them. The number of classes attended had a dramatic impact on attraction and similarity, but not on familiarity.

Source: Based on Moreland, R. L., & Beach, S. R. (1992). Exposure effects in the classroom: The development of affinity among students. *Journal of Experimental Social Psychology*, 28(3), 255–276.

acquainted with additional colleagues.⁵⁴ Consider the entering class of the Maryland State Police Training Academy.⁵⁵ Trainees were assigned to their classroom seats and to their dormitory rooms by the alphabetical order of their last names. Sometime later, trainees were asked to name their three best friends in the group; their choices followed the rules of alphabetization almost exactly. Larsons were friends with Lees, not with Abromowitzes or Xiernickes, even though they were separated by only a few yards.⁵⁶

Certain aspects of architectural design make it more likely that some people will come into contact with each other more often than with others, even though the physical distance between them might be the same. This is known as **functional distance**. For example, more friendships are made with people on the same floor than on other floors, presumably because climbing stairs requires more effort than walking down the hall. Tony Hsieh of Zappos believes that locking all but one door for employees to exit the building at the end of the work day increases “collisionable hours”—chance encounters between people. By making people funnel through the same door, more organic connections occur.⁵⁷

RECIPROCITY According to the **reciprocity principle**, we feel obligated to return in kind what others have offered or given to us. This principle is one that all human societies subscribe to—it is a rule permeating exchanges of all kinds.⁵⁸ Feelings of indebtedness are so powerful that, if unresolved, they are carried into the future and are passed on to the next generation to repay. People feel upset and distressed if they have received a favor from another person and are prevented from returning it.

⁵⁴ Byrne, D. (1961). Interpersonal attraction and attitude similarity. *Journal of Abnormal and Social Psychology*, 62(3), 713–715.

⁵⁵ Segal, “Alphabet and attraction.”

⁵⁶ Byrne, “Interpersonal attraction and attitude similarity”; Kipnis, D. M. (1957). Interaction between members of bomber crews as a determinant of sociometric choice. *Human Relations*, 10(3), 263–270.

⁵⁷ Low, E. (2016, August 5). At Amazon’s Zappos, CEO Tony Hsieh delivers on being different. *Investors*. investors.com

⁵⁸ Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. *American Sociological Review*, 25(2), 161–178.

Madeleine Albright, former U.S. Secretary of State, knew the power of reciprocity. One of Albright's first public meetings with members of Congress was an appearance to testify before the House Appropriations Subcommittee chaired by Republican Harold Rogers. Albright needed to be on good terms with Rogers because his subcommittee's jurisdiction included the State Department's operating budget. For the occasion, Albright carried with her a big box, gift wrapped in red, white, and blue ribbon. Inside was a book of photographs. Albright had learned that Rogers had lost all his papers and photographs in a fire at his home, a disaster that had erased many souvenirs of his career and compounded the grief caused by the recent death of his wife. Albright instructed embassies in countries he had visited to provide copies of photos taken and compiled them in an album she bestowed on him right there in the committee hearing room.⁵⁹

Not surprisingly, people are aware of the powerful grip that reciprocity has on them. People often do not accept favors from others because they do not want to feel obligated. Suppose, for example, the counterparty provides us with a favor, gift, or service that we never invited and perhaps even attempted to avoid. Our attempts to return it have been denied, and we are left with the unwanted gift. Even under these circumstances, the reciprocity rule may operate. Thus, we should beware of the unsolicited gift from our real estate agent, the courtesy token from our business associate, and the free lunch from the consulting firm. This is such an important concept that sometimes, rules or legislation are enacted to prevent reciprocity concerns. For example, the Sunshine Act is a provision that requires companies to record all transactions with doctors, from sales representative visits to research meetings. The provision was a result of a concern that that doctors' prescription choices were tainted by payments and gifts, as well as allegations that drug companies use payments to convince doctors to prescribe drugs for unapproved uses.⁶⁰ Reciprocity is made even more difficult when parties place different value on aspects of a relationship. For example, trustors focus primarily on the risk associated with trusting someone, whereas trusted parties (those who are in a position to reciprocate) base their decisions on the level of economic benefits they have received.⁶¹ Unfortunately, neither party is particularly sensitive to the factors that affect their counterpart's decision.

SCHMOOZING Small talk often seems to serve no obvious purpose. However, **schmoozing** has a dramatic impact on our liking and trust of others. Even a short exchange can lead people to develop trust.⁶² Wine and small talk at a San Diego convention resulted in a collaboration of millions of research dollars between the Salk Institute for Biological Studies and the French pharmaceutical company, Sanofi. Sanofi agreed to sponsor huge research discovery grants in areas of interest to both companies, including stem cell research, in exchange for first rights to the license intellectual property from discoveries, an educational and business partnership potentially worth hundreds of millions of dollars. And it all began over wine. When two Salk scientists

⁵⁹ Lippman, T. W. (2000, June 3). Madame Secretary. *National Journal*, 32(23), 1736.

⁶⁰ Loftus, P. (2013, August 22). Doctors face new scrutiny over gifts. *Wall Street Journal*. [wsj.com](http://www.wsj.com); Physician Financial Transparency Reports (Sunshine Act). (2018, January 10). *American Medical Association*. ama-assn.org

⁶¹ Malhotra, D. (2004). Trust and reciprocity decision: The differing perspectives of trustors and trusted parties. *Organizational Behavior and Human Decision Processes*, 94(2), 61–73.

⁶² Morris, M., Nadler, J., Kurtzberg, T., & Thompson, L. (2002). Schmooze or lose: Social friction and lubrication in e-mail negotiations. *Group Dynamics: Theory, Research, and Practice*, 6(1), 89–100.

were enjoying a drink at a reception hosted by the French consulate in San Diego, they introduced themselves to a Sanofi scientist and then began to talk research. A meeting was scheduled for a Sanofi executive to tour the Salk facility, and a scientist travelling home to Spain was asked to stop in Paris to talk about the work of Salk. From there, interests aligned to the point of the lucrative collaboration.⁶³

FLATTERY People like others who appreciate and admire them. People are more likely to trust others who like them and to respond more favorably when they are flattered. Even if people suspect the flatterer has another reason for flattering them, this behavior can still increase liking and trust.⁶⁴ The most strategic type of flattery, in terms of advancing one's own interests, is to flatter another person on a personally important dimension about which he or she feels somewhat insecure.⁶⁵ John Wakeham, previous Chief Whip for British Prime Minister Margaret Thatcher, said about Westminster politics, "I was absolutely fascinated by how Westminster actually works...the smoke-filled rooms, the nods and the winks. As a businessman, I found it more comprehensible than most politicians do. One thing I learnt as Chief Whip was the infinite capacity of human beings to absorb flattery."⁶⁶

MIMICRY AND MIRRORING Strategic behavioral mimicry can facilitate the discovery of integrative outcomes. Specifically, negotiators who mimic the mannerisms of their opponents secure better individual outcomes and greater joint gains, compared to negotiators who do not mimic.⁶⁷ Negotiators who mimic the mannerisms of the counterparty build trust. When negotiators interact virtually or online, those who mimic their counterparty's language receive better outcomes.⁶⁸ Negotiators who mimicked language within the first 10 minutes of the negotiation received higher outcomes compared to those who mimicked during the last 10 minutes. Moreover, this early mimicking effect works for both independent and interdependent cultures. Parties whose trust in one another is equal or congruent have a special advantage in negotiations. Indeed trust congruence predicts the integrativeness of negotiated outcomes.⁶⁹

SELF-AFFIRMATION is a technique in which a person (negotiator) focuses on an important personal value. When people focus on important personal values at the outset of a potentially contentious negotiation, they are less likely to derogate the concessions made by others and are more open to agreement.⁷⁰

⁶³ Somers, T. (2009, March 27). Salk to join forces with drug firm from Paris. *The San Diego Union Tribune*, p. C1.

⁶⁴ Jones, E. E., Stires, L. K., Shaver, K. G., & Harris, V. A. (1968). Evaluation of an ingratiation by target persons and bystanders. *Journal of Personality*, 36(3), 349–385.

⁶⁵ Jones, Stires, Shaver, & Harris, "Evaluation of an ingratiation by target persons and bystanders."

⁶⁶ Perkins, A. (2000, January 15). John Wakeham, Lord Fixit. *The Guardian*, p. 6.

⁶⁷ Maddux, W. W., Mullen, E., & Galinsky, A. D. (2008). Chameleons bake bigger pies and take bigger pieces: Strategic behavioral mimicry facilitates negotiation outcomes. *Journal of Experimental Social Psychology*, 44(2), 461–468.

⁶⁸ Swaab, R. I., Maddux, W. W., & Sinaceur, M. (2011). Early words that work: When and how virtual linguistic mimicry facilitates negotiation outcomes. *Journal of Experimental Social Psychology*, 47(3), 616–621.

⁶⁹ Tomlinson, E. C., Dineen, B. R., & Lewicki, R. J. (2009). Trust congruence among integrative negotiators as a predictor of joint-behavioral outcomes. *International Journal of Conflict Management*, 20(2), 173–187.

⁷⁰ Ward, A. (2011). Affirming the self to promote agreement with another: Lowering a psychological barrier to conflict resolution. *Personality and Social Psychology Bulletin*, 37(9), 1216–1228.

Distrust and Suspicion

Sometimes negotiators do not trust one another, and are suspicious about the other's intentions. **Distrust** involves having negative expectations about another person's motives; **suspicion** involves ambiguity about another person's motives. Paradoxically, suspicion can actually enhance integrative outcomes by prompting an information search. In one investigation, dyads in which one person was suspicious reached more integrative agreements than when neither party was suspicious, or when both were suspicious.⁷¹

TRUST BREACH One of the biggest threats to trust in a relationship is a **breach** or **defection**. A breach occurs when one or both people violate the trust that has been built between them. Consider when ridesharing company, Uber, and Japanese investment company, SoftBank Group, were on the verge of completing a deal that would make SoftBank a 14% owner of the company. A stock sale was advertised to find Uber shareholders who wanted to sell their stock to SoftBank. On the same day the stock sale advertisement ran in *The New York Times*, a report claimed Uber had paid hackers \$100,000 to destroy data stolen from more than 57 million customers and drivers, but did not divulge this break-in to victims or authorities, therefore causing a breach of trust between Uber and SoftBank.⁷²

NEED FOR CLOSURE People differ in terms of their need for closure—how certain they want and expect the world to be. People who have a greater need for closure develop more polarized judgments about others, such that they have high trust in close others and low trust in distant others, and they don't revise their levels of trust even when receiving feedback about the counterparty's actual trustworthiness.⁷³

DISPOSITIONAL ATTRIBUTIONS Negotiators often make dispositional, as opposed to situational, attributions for the questionable behavior of the other party which can threaten trust. A **dispositional attribution** is one that calls into question another person's character and intentions by citing them as the cause of a behavior or incident (e.g., arrogance, greed). In contrast, a situational attribution cites one or more situational factors as the cause of a behavior or incident (e.g., a traffic jam, a faulty mail-delivery system). Assigning dispositional attributions to opponents' behaviors can threaten the trust between negotiators. It is much more difficult for people to respond to a dispositional attribution than a situational one. For example, consider how people interpret ambiguous and slightly negative social interactions (i.e., when a person you know does not acknowledge you when you walk past). The power or status differential is significant in interpreting these situations. The high-power person who does not acknowledge a colleague usually says they are having a busy day or more often, not even aware of the other person. In contrast, the low-power person is often extremely paranoid and upset, believing that the high-power person attempted to ostracize or punish them.⁷⁴ Thus, the low-power person makes a dispositional attribution for what is really a situational cause.

⁷¹ Sinaceur, M. (2010). Suspending judgment to create value: Suspicion and trust in negotiation. *Journal of Experimental Social Psychology*, 46(3), 543–550.

⁷² Finkle, J., Somerville, H. (2017, November 22). Uber's messy data breach collides with launch of SoftBank deal. *Reuters*. reuters.com

⁷³ Acar-Burkay, S., Fennis, B. M., & Warlop, L. (2014). Trusting others: The polarization effect of need for closure. *Journal of Personality and Social Psychology*, 107(4), 719–735.

⁷⁴ Kramer, R. M., & Wei, J. (1999). Social uncertainty and the problem of trust in social groups: The social self in doubt. In T. R. Tyler, R. M. Kramer, & O. P. John (Eds.), *The psychology of the social self: Applied social research* (pp. 145–168). Mahwah, NJ: Erlbaum.

EXHIBIT 7-6

Key Components of Apology

	Description	Example
Expression of regret	Negotiator expresses sorrow that they offended the counterparty	<i>"I am so sorry that my opening offer for your house offended you"</i>
Explanation	Negotiator explains the reasons for their actions	<i>"I was basing my offer on some comparables that I had downloaded on the internet"</i>
Acknowledgement of responsibility	Negotiator assumes (some) responsibility for the offense	<i>"It is my fault that I did not consider the updates you have made on your home"</i>
Declaration of repentance	Negotiator vows to change their future behavior	<i>"In the future, I will make sure to explain my thinking and engage in a conversation"</i>
Offer of repair	Negotiator takes steps to rebuild trust	<i>"Is there a way we can move forward?"</i>
Request for forgiveness	Negotiator asks to be forgiven	<i>"Please forgive my hasty email offer"</i>

Source: Based on Benoit, W. L. (2015). *Accounts, excuses, apologies: Image repair theory and research*, 2nd edition. Albany, NY: State University of New York Press; Schlenker, B. R., & Darby, B. W. (1981). The use of apologies in social predicaments. *Social Psychology Quarterly*, 44(3), 271–278.

FOCUSING ON THE “BAD APPLE” In a team or group, one person may have a reputation for being less trustworthy, tougher, or less easy to work with than other members of the group. We call this person the “bad apple,” and bad apples can stand out. Unfortunately, one bad apple can spoil the bunch. For example, in simulated negotiations between labor and management groups, negotiators were significantly less likely to trust the group as a whole than any individual in the group.⁷⁵ It seems the “bad apple” in the group called the entire group’s trustworthiness into question.

Repairing Broken Trust

Violations of trust are an unfortunate, yet frequent occurrence in negotiation. When trust has been broken, it is often in both parties’ interests to repair trust because broken relationships are often costly in terms of the emotions involved and the opportunities lost. Apologies are the most effective means of repairing broken trust. However, some apologies are more effective than others. One investigation concluded that six components of apologies were important to convey (expression of regret, explanation, acknowledgement of responsibilities, declaration of repentance, offer of repair, and request for forgiveness; see Exhibit 7-6).⁷⁶ Indeed, apologies that encompass these six components are the most effective.⁷⁷

⁷⁵ Naquin, C. (1999). *Trust and distrust in group negotiations*. Unpublished dissertation, Kellogg Graduate School of Management, Northwestern University, Evanston, IL.

⁷⁶ Lewicki, R. J., Polin, B., & Lount, R. B. (2016). An exploration of the structure of effective apologies. *Negotiation and Conflict Management Research*, 9(2), 177–196.

Trust that is harmed by untrustworthy behavior can be effectively restored when people observe a consistent series of trustworthy actions. However, trust harmed by the same untrustworthy actions and deception never fully recovers, even when the victim receives a promise and an apology and observes a consistent series of trustworthy actions.⁷⁸ Some people are quick to forgive after a trust violation, but others never trust again. Repairing broken trust is more difficult with groups than individuals.⁷⁹ Both groups and individuals are less trusting when people deny culpability (rather than apologize) for their competence-based violation or apologize (rather than deny culpability) for an integrity-based violation. A key characteristic that moderates the recovery of trust are beliefs about moral character. People who believe that moral character can change over time are more likely to trust after an apology, but people who don't believe in such change don't trust again.⁸⁰ (See Exhibit 7-7 for a summary of how to repair broken trust.)

RELATIONSHIPS IN NEGOTIATION

People negotiate with spouses, friends, and neighbors. People also negotiate on a regular basis with others in their personal life who do not necessarily fall into the categories of “friends” or “family” (e.g., homeowners negotiating with contractors, parents negotiating with other parents concerning carpool arrangements, parents negotiating with nannies concerning childcare). In addition to negotiating in our personal lives, we also negotiate in our business lives, with colleagues, supervisors, and staff members. In some cases, our personal life is intermingled with our business life in relationships we cannot easily classify as either strictly personal or strictly business. We refer to this type of relationship as an “embedded” relationship.⁸¹ We consider the relevant implicit norms and rules that characterize each of these three types of relationships and their implications for trust in negotiations. The behavior of people in relationships is guided by a shared sets of rules.⁸² Relationships influence not only the process of how people negotiate, but also their choice of an interaction partner.⁸³

When a negotiator has “baggage” from the past, it affects their ability to go forward. For example, negotiators who reach an impasse find themselves getting caught in “distributive spirals,” in which they interpret their performance as unsuccessful, experience negative emotions, and develop negative perceptions of their negotiation counterparts and the entire negotiation process.⁸⁴ Moreover, negotiators who reach an impasse in a prior negotiation are more likely to do the same in their next negotiation or are more likely to reach low-value (lose-lose) deals

⁷⁷ Lewicki, Polin, & Lount, “An exploration of the structure of effective apologies.”

⁷⁸ Schweitzer, M. E., Hershey, J. C., & Bradlow, E. T. (2006). Promises and lies: Restoring violated trust. *Organizational Behavior and Human Decision Processes*, 101(1), 1–19.

⁷⁹ Kim, P. H., Cooper, C. D., Dirks, K. T., & Ferrin, D. L. (2013). Repairing trust with individuals versus groups. *Organizational Behavior and Human Decision Processes*, 120(1), 1–14.

⁸⁰ Haselhuhn, M. P., Schweitzer, M. E., & Wood, A. M. (2010). How implicit beliefs influence trust recovery. *Psychological Science*, 21(5), 645–648.

⁸¹ Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 42, 35–67.

⁸² Argyle, M., & Henderson, M. (1984). The rules of relationships. In S. Duck & D. Perlman (Eds.), *Understanding personal relationships: An interdisciplinary approach*. Beverly Hills, CA: Sage; Clark, M., & Mills, J. (1979). Interpersonal attraction in exchange and communal relationships. *Journal of Personality and Social Psychology*, 37, 12–24.

⁸³ McGinn, K. L. (2006). Relationships and negotiations in context. In L. Thompson (Ed.), *Negotiation theory and research: Frontiers of social psychology* (pp. 129–144). New York: Psychology Press.

⁸⁴ O'Connor, K. M., Arnold, J. A., & Burris, E. R. (2005). Negotiators' bargaining histories and their effects on future negotiation performance. *Journal of Applied Psychology*, 90(2), 350–362.

EXHIBIT 7-7

Steps Toward Repairing Broken Trust

Step 1: Arrange a Personal Meeting When trust has been breached, one person (party) either directly or indirectly accuses the other (target) of doing something that was unfair. The target should suggest a face-to-face meeting with the party as quickly as possible. Indeed, verbal explanations are more effective than written explanations.¹ For example after being accused by the FTC of allegations of bias against conservative news articles, Facebook decided it needed to apologize and extend an olive branch to conservative leaders and news outlets. Facebook invited a group of 17 prominent Republican news hosts, radio personalities, think-tankers, and political advisors to its Menlo Park headquarters to ask for feedback about how Facebook might better regulate their newsfeed platform.²

Step 2: Put the Focus on the Relationship Instead of launching into discussions of who is right or who is wrong, the focus should be on what both people care about: the relationship. Often, parties will readily agree the relationship is worth saving.

Step 3: Apologize Resist the urge to immediately blurt out an apology: apologies offered later in a conflict are more impactful and effective than those offered immediately.³ Later apologies are more effective because the “victim” has had an opportunity for self-expression and feels more understood. If you are at fault, then admit it. If you are not at fault, then apologize in a way that takes ownership for your actions or behavior, yet does not necessarily accept the party's version of what happened intentions. For example, a target might tell a party, “I am very sorry that I did not consult you before preparing the report.” By saying this, the target does not agree with the party's accusation that the violator attempted to take more credit for the report; rather, the target only identifies the action as being hurtful for the victim. Indeed, when companies acknowledge they have committed acts that threaten their legitimacy (e.g., newspaper claims of illegal conduct), they are more successful in blunting criticism when they point to external, mitigating circumstances (e.g., company norms, budgetary problems).⁴

For example, Nissan President Hiroto Saikawa issued an apology on behalf of his company for improper safety checks of vehicles. Nissan admitted that it first knew of unqualified safety inspections and inspectors for several decades, but failed to report it to authorities. “We deeply apologize for betraying the trust of people and the transport ministry,” Saikawa said at a news conference, “I believe the only way to regain customer trust is to show our concrete efforts through actions.”⁵

¹ Shapiro, D. L., Buttner, E. H., & Barry, B. (1994). Explanations: What factors enhance their perceived adequacy? *Organizational Behavior and Human Decision Processes*, 58(3), 346–368.

² Thompson, N., & Vogelstein, F. (2018, February 12). Inside the two years that shook Facebook – and the world. *Wired*. wired.com

³ Frantz, C. M., & Bennis, C. (2005). Better late than early: The influence of timing on apology effectiveness. *Journal of Experimental Social Psychology*, 41(2), 201–207.

⁴ Elsbach, K. D. (1994). Managing organizational legitimacy in the California cattle industry: The construction and effectiveness of verbal accounts. *Administrative Science Quarterly*, 39(1), 57–88; Bies, R. J., Shapiro, D. L., & Cummings, L. L. (1988). Causal accounts and managing organizational conflict: Is it enough to say it's not my fault? *Communication Research*, 15(4), 381–399.

⁵ Murai, S. (2017, November 17). Nissan cites poor communication in safety check malpractice, acknowledged to have started as early as 1979. *The Japan Times*. japantimes.co.jp/news/

Step 4: Let Them Vent It is important for people to express their anger, rage, disappointment, and feelings of betrayal over an event. Merely talking about negative events can actually be part of the cure.⁶ Expressing disappointment often helps people take a significant step in the healing process.⁷

Step 5: Do Not Get Defensive Do not behave defensively, no matter how misinformed or wrong you believe the other party is. It is appropriate to tell the other person you view the situation differently and to point out that the situation can be viewed in many ways. Only after the party has had an opportunity to vent and explain his or her perspective should the violator attempt to tell the party in clear and simple terms what his or her intentions were. For example, a target might say, "My intention was to submit the report and not bother too many people with unnecessary requests to edit it."

Step 6: Ask For Clarifying Information Targets should invite the party to provide clarifying information in a non-defensive fashion. For example, a target might say "Am I wrong in thinking you did not ask to be listed on the report?" or "Did you receive the draft copy I sent last week?"

Step 7: Test Your Understanding If a person feels understood, the chances for rebuilding trust are greatly increased. It is helpful if one party can truly empathize with the other's perspective (e.g., "I can understand why you felt out of the loop. I have felt that way before, too."). A negotiator's ability to understand emotion is directly related to how satisfied the other party feels, independent of the monetary value of the outcome.⁸

Step 8: Formulate A Plan A major stumbling block in the trust rebuilding process is that parties have different ideas about what is fair. The egocentric bias once again rears its ugly head with most harmdoers perceiving themselves as more beneficent than the harmed. However, the mere act of asking the harmed what he or she needs can go a long way toward rebuilding trust. In an empirical investigation of breaches of trust, harmdoers who asked "What can I do?" were more successful in rebuilding cooperation than those who did not ask or asked "What will it take?"⁹ Penance is critical to trust in mixed-motive relationships.¹⁰ Aggravating a counterparty after a breach by making offers of penance that do not seem sincere may further antagonize. In contrast, volunteering to do penance, even in small amounts, is particularly effective.

The speed and amount of "trust recovery" are significantly moderated by the promises that a person makes.¹¹ No one should underestimate the power of the spoken word, especially when it contains an apology. For example, verbal explanation can dramatically dampen people's negative reactions to aversive behavior.¹² However, when it comes to truly rebuilding cooperation, the power of the deed exceeds the power of the spoken word. "Substantive amends have significantly more positive effects than explanations alone [on rebuilding cooperation]."¹³

⁶ Pennebaker, J. W., Hughes, C. F., & O'Heeron, R. C. (1987). The psychophysiology of confession: Linking inhibitory and psychosomatic processes. *Journal of Personality and Social Psychology*, 52(4), 781–793.

⁷ Lind, E. A., & Tyler, T. R. (1988). *The social psychology of procedural justice*. New York: Plenum.

⁸ Mueller, J. S., & Curhan, J. R. (2006). Emotional intelligence and counterpart mood induction in a negotiation. *International Journal of Conflict Management*, 17(2), 110–128.

⁹ Bottom, W. P., Gibson, K. S., Daniels, S. E., & Murnighan, J. K. (2002). When talk is not cheap: Substantive penance and expressions of intent in rebuilding cooperation. *Organization Science*, 13(5), 497–513.

¹⁰ Bottom, Gibson, Daniels, & Murnighan, "When talk is not cheap."

¹¹ Schweitzer, Hershey, & Bradlow, "Promises and lies."

¹² Bottom, Gibson, Daniels, & Murnighan, "When talk is not cheap."

¹³ Bottom, Gibson, Daniels, & Murnighan, "When talk is not cheap," p. 497.

(continued)

Step 9: Think About Ways To Prevent A Future Problem Do not just try to remedy the past; rather, think about a way to make sure this problem, and any others like it, does not occur in the future.

Step 10: Do A Relationship Checkup It is often wise to pull out your calendars and book a lunch or coffee meeting in a month or so to discuss how each party is feeling about the situation and occurrences since the breach of trust occurred. It is also helpful to schedule this date during the first meeting because it may seem awkward to bring it up after this time. This step ensures that parties will have a reason to meet and an opportunity to talk things through at a later date.

compared to negotiators who were successful in reaching agreement.⁸⁵ Moreover, this effect holds true even when the negotiator is dealing with a different person.

Negotiating with Friends

Negotiations with friends can be challenging. Interpersonal relationships influence negotiators' expectations, and they tend to expect more generous negotiation offers from those who are close to them.⁸⁶ Moreover, when expectations are not met, negative emotions arise that can harm the quality of negotiated agreements. However, to the extent that negotiators in close relationships engage in perspective-taking, they can monitor their expectations and reach successful outcomes.⁸⁷

QUALITY OF OUTCOMES It would seem that negotiating with friends and loved ones would present an ideal situation to reach win-win outcomes. To be sure, levels of cooperation decrease as social distance increases between people.⁸⁸ And, when reaching agreement is important, negotiators who have a relationship are more likely to reach a win-win agreement than negotiators who do not have a relationship.⁸⁹

Friends who find themselves at the bargaining table are more likely to adopt an expansive focus and create value-added tradeoffs that generate joint gains across negotiation contexts, not just merely within a given negotiation.⁹⁰ One investigation examined negotiations among strangers and friends and found that one of three patterns emerges early on:⁹¹

- **Opening up** (complete and mutual honesty)
- **Working together** (cooperative problem solving)
- **Haggling** (competitive attempt to get the best possible deal for oneself)

⁸⁵ O'Connor, Arnold, & Burris, "Negotiators' bargaining histories and their effects on future negotiation performance."; Dunn, J. R., & Schweitzer, M. E. (2005). Feeling and believing: The influence of emotion on trust. *Journal of Personality and Social Psychology*, 88(5), 736–748.

⁸⁶ Ramirez Fernandez, J., Ramirez-Marin, J., & Munduate-Jaca, L., (2018). I expected more from you: The influence of close relationships and perspective taking on negotiation offers. *Group Decision and Negotiation*, 27(1), 25–105.

⁸⁷ Ramirez, Ramirez, & Munduate "I expected more from you."

⁸⁸ Buchan, N. R., Croson, R. T. A., & Dawes, R. M. (2002). Swift neighbors and persistent strangers: A cross-cultural investigation of trust and reciprocity in social exchange. *American Journal of Sociology*, 108(1), 168–206.

⁸⁹ Kray, L. J., Thompson, L., & Lind, E. A. (2005). It's a bet! A problem solving approach promotes the construction of contingent agreements. *Personality and Social Psychology Bulletin*, 31(8), 1039–1051.

⁹⁰ Valley, K. L., Neal, M. A., & Mannix, E. A. (1995). Friends, lovers, colleagues, strangers: The effects of relationships on the process and outcomes of dyadic negotiations. In B. H. Sheppard, R. J. Lewicki and R. J. Bies (Eds.). *Research on Negotiation in Organizations* (Vol. 5, pp. 65–93). Hillsdale, N. J.: Lawrence Erlbaum.

⁹¹ McGinn, K. L., & Keros, A. T. (2002). Improvisation and the logic of exchange in socially embedded transactions. *Administrative Science Quarterly*, 47, 442–473.

These negotiators use one of three dynamic processes—trust testing, process clarification, and emotional punctuation—when they have difficulty moving through the interaction. When strangers interact, they often begin in haggling mode. In contrast, friends begin to open up almost immediately.

UNMITIGATED COMMUNION Unmitigated communion refers to the fact that people believe they should be responsive to others' needs and not assert their own.⁹² People often feel uncomfortable negotiating with friends.⁹³ "Friendship dictates that we should be concerned with fairness and the other person's welfare, while negotiations dictate that we should get a good deal for ourselves."⁹⁴ These two dictates are in conflict with one another. **Relational accommodation** occurs when people make economic sacrifices to preserve relationships. Most friendships are built on **communal norms**, which mandate that we should take care of people we love, respond to their needs, and not "keep track" of who has put in what.⁹⁵ Thus, the communal norm prescribes that we should be sensitive to the needs of people we love or like and attempt to meet those needs, rather than try to maximize our own interests. The opposite of communal norms are **exchange norms**, which state that people should keep track of who has invested in a relationship and be compensated based on their inputs. Thus, people need to have a mental accounting system that records who has done what.

COMPETITIVE MOTIVATION Friends are less competitive with each other than they are with strangers.⁹⁶ Friends exchange more information, offer greater concessions, require fewer demands, and are more generous with one another.⁹⁷ Consequently, negotiators in a relationship are often unable to profitably exploit opportunities to create value. For example, one investigation of strangers versus newlyweds and dating couples revealed that strangers were more likely to create joint gains (although the finding was not statistically significant).⁹⁸

The oft-observed pattern where people in close relationships reach monetarily inefficient outcomes, but increase their relational satisfaction is known as the "O. Henry Effect."⁹⁹ In the O. Henry's story "The Gift of the Magi," the main characters—husband and wife—are madly in love with each other, but engage in an inefficient exchange in a desperate attempt to provide each other with a Christmas gift. When relationship partners sacrifice instrumental value, they actually increase their relational satisfaction.

⁹² Amanatullah, E. T., Morris, M. W., & Curhan, J. R. (2008). Negotiators who give too much: Unmitigated communion, relational anxieties, and economic costs in distributive and integrative bargaining. *Journal of Personality and Social Psychology*, 95(3), 723–738.

⁹³ Kurtzberg, T., & Medvec, V. H. (1999). Can we negotiate and still be friends? *Negotiation Journal*, 15(4), 355–362.

⁹⁴ Kurtzberg & Medvec, "Can we negotiate and still be friends?" p. 356.

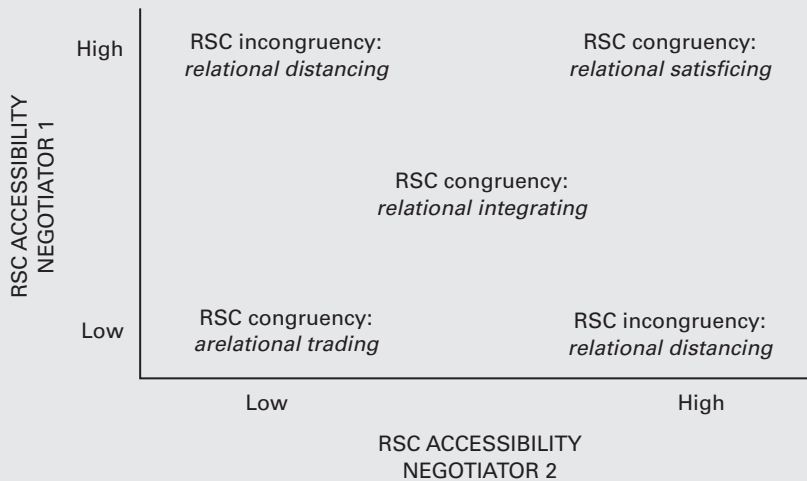
⁹⁵ Clark & Mills, "Interpersonal attraction in exchange and communal relationships."

⁹⁶ Valley, K. L., Neale, M. A., & Mannix, E. A. (1995). Friends, lovers, colleagues, strangers: The effects of relationships on the process and outcome of negotiations. In R. J. Bies, R. Lewicki, & B. Sheppard (Eds.), *Research in Negotiation in Organizations*, 5, 65–94.

⁹⁷ Mandel, D. R. (2006). Economic transactions among friends. *Journal of Conflict Resolution*, 50(4), 584–606.

⁹⁸ Fry, W. R., Firestone, I. J., & Williams, D. L. (1983). Negotiation process and outcome of stranger dyads and dating couples: Do lovers lose? *Basic and Applied Social Psychology*, 4, 1–16; Thompson, L., & DeHarpport, T. (1998). Relationships, good incompatibility, and communal orientation in negotiations. *Basic and Applied Social Psychology*, 20(1), 33–44.

⁹⁹ Curhan, J. R., Neale, M. A., Ross, L., & Rosencranz-Engelmann, J. (2008). Relational accommodation in negotiation: Effects of egalitarianism and gender on economic efficiency and relational capital. *Organizational Behavior and Human Decision Processes*, 107(2), 192–205.

EXHIBIT 7-8**Relational Self-Construals (RSC) Dynamics in Negotiation**

Source: Gelfand, M. J., Major, V. S., Raver, J. L., Nishii, L. H., & O'Brien, K. (2006) Negotiating relationally: The dynamics of the relational self in negotiations. *Academy of Management*, 31(2), 427–451.

Indeed, too much focus on the relationship can lead to *satisficing*, rather than *optimizing*.¹⁰⁰ In Exhibit 7-8, “RSC” refers to **relational self-construals**. To best predict negotiation outcomes, it is important to consider how both negotiators regard the relationship. When both negotiators have a high relational focus, there is a tendency to *satisfice*. When one negotiator has a high relationship focus and the other does not, there is *distancing*; when both are low in relationship focus, there is *trading*. It is only when both negotiators are moderately focused on the relationship that *integrating* occurs.

MISMANAGEMENT OF AGREEMENT Imagine piling into a steamy car on a 104-degree west Texas afternoon, tempted by the best ice cream in the state of Texas at the other end of 50 long, sun-baked miles across a flat and dust-blown landscape. Your group seems enthusiastic, and says so even though at home it is tolerable with fans, cold drinks, and games. The best ice cream on a hot day: Who wouldn’t go for that?! But after the sun-baked trip to the ice cream shop in Abilene, the flavors on hand are bland—vanilla and an uninspiring chocolate—and neither are as good as remembered. Silence descends as the ice cream is eaten. Hours later, after a return trip across the dusty semi-desert, you arrive back home. No one says anything until you break the silence. “Great trip, right?” you say. “Honestly, no,” a friend pipes up, adding that she felt pressured into the trip. “What?!” says another friend. “I went along with it because it seemed like everyone else wanted to go. Who’d want to go 50 miles for ice cream in *that* heat?” In other words, three people had taken a 100-mile round trip for ice cream on a 104-degree day, even though they did not want to do so, because they thought that’s what the other people in the group wanted to do. This story of the “Road to Abilene” epitomizes the notion that among

¹⁰⁰ Gelfand, M. J., Major, V. S., Raver, J. L., Nishii, L. H., & O’Brien, K. (2006). Negotiating relationally: The dynamics of the relational self in negotiations. *Academy of Management Review*, 31(2), 427–451.

family and friends, conflict is to be avoided at all costs, even if it means a lose–lose outcome for all involved.¹⁰¹ The need for friends to maintain the illusion of agreement means that important differences in preferences, interests, and beliefs are often downplayed or buried. Paradoxically, it is precisely these kinds of differences that enable negotiators in personal relationships to fashion value-added trade-offs and develop contingent contracts. Thus, friends and families need a way to make their differences known so they can capitalize on them in a win–win fashion.

COMPROMISE When it comes to dividing the pie, friends use an **equality rule** (thereby allocating equal shares to everyone involved), whereas strangers and business associates use an **equity rule**—otherwise known as a **merit-based rule**—in which those who have contributed more are expected to receive more.¹⁰² Unfortunately, equality norms may promote compromise agreements, thereby inhibiting the discovery of integrative trade-offs. However, norms of equality are not blindly applied by people in close relationships. For example, friends who differ in their ability and effort in a joint task will favor the less able, but more diligent partner in the allocation of resources.¹⁰³ Similarly, people in communal relationships will meet others' needs, with no expectation of remuneration.¹⁰⁴ Equity, in which outcomes are allocated proportional to inputs, is a hallmark feature of the business world. For example, most of us do not expect to earn the same exact salary as our colleagues; we earn salaries based upon various contributions and inputs to the specific business situation.

Negotiating in Exchange Relationships

Businesspeople are much more likely to use an exchange norm. Exchange norms are rooted in market pricing. **Market pricing** is a method by which everything is reduced to a single value or utility metric that allows for the comparison of many qualitatively and quantitatively diverse factors.¹⁰⁵ Market pricing allows people to negotiate by making references to ratios of this metric, such as percentage share in a business venture. Money is the prototypical medium of market pricing relationships. Capitalism is the ultimate expression of market pricing. In a true market pricing relationship, people will do virtually anything if offered enough money because “Everyone has their price.” However, just because this approach is the predominant business mode, it does not mean people will follow it.

WE CHOOSE OUR FRIENDS, BUT NOT OUR COWORKERS We often must deal with people we do not like and may regard to be offensive. It is often difficult for people to separate their feelings about someone as a person from the business at hand. (See Exhibit 7-9 for an example of an uncomfortable business relationship.)

¹⁰¹ Harvey, J. (1974). The Abilene Paradox: The management of agreement. *Organizational Dynamics*, 3(1), 63–80.

¹⁰² Austin, W. (1980). Friendship and fairness: Effects of type of relationship and task performance on choice of distribution rules. *Personality and Social Psychology Bulletin*, 6, 402–408.

¹⁰³ Lamm, H., & Kayser, E. (1978). An analysis of negotiation concerning the allocation of jointly produced profit or loss: The roles of justice norms, politeness, profit maximization, and tactics. *International Journal of Group Tensions*, 8, 64–80.

¹⁰⁴ Clark & Mills, “Interpersonal attraction.”

¹⁰⁵ Fiske, A. P. (1992). The four elementary forms of sociality: Framework for a unified theory of social relations. *Psychological Review*, 99(4), 689–723.

EXHIBIT 7-9**Uncomfortable Business Relationships**

Uncomfortable business relationships occur when a negotiation involves engaging in interactions that, in a personal context, would take on a different meaning and thus, might be regarded as inappropriate. For example, consider two managers, a man and a woman, each married, who have late flights arriving in their destination city and very busy schedules, and nevertheless they need to negotiate. They agree to meet at a bar because it is the only location open late enough. However, when they arrive at the bar, the waitstaff treats them as a couple. The situation is embarrassing for the business associates because their relationship is viewed in a different way by those outside the business context than by those on the “inside.” This perception has implications for the negotiation; for example, if the wait staff presents the check to the man, it can potentially create an uncomfortable power dynamic between them. Quite often, business opportunities are conducted in the context of social relationships. For this reason, it is difficult to form close relationships across gender lines if they are built through social activities such as playing golf, going to the theater, or meeting for dinner because these practices often have a different meaning between men and women than they do between persons of the same gender.

Source: Based on Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 42, 35–67; Etzkowitz, H., Kemelgor, C., & Uzzi, B. (1999). *Social capital and career dynamics in hard science: Gender, networks, and advancement*. New York: Cambridge University Press.

STATUS AND RANK Most friendships are not hierarchical, meaning that people in friendships do not have different status and rank. In contrast, businesses are generally organized around rank and status—either explicitly (e.g., an organizational chart) or implicitly (e.g., salaries, number of supervisees, office space). In one investigation, an employment negotiation was simulated: When people believed themselves to be in an “egalitarian” (equal status) relationship, they were less likely to expand the pie, but liked one another more. In contrast, when people believed themselves to be in a hierarchical relationship (in which one person had more authority), they were more likely to expand the pie, but not feel as good about the relationship.¹⁰⁶ In some cultures, it is perfectly acceptable for members of different status and rank to meet each other at the bargaining table. However, in other cultures people find this uncomfortable and insulting.

SWIFT TRUST Sometimes we need to build trust with people very rapidly, on the basis of little information, and in many cases, with no expected meaningful future interaction. Consider how swift trust between Taco Bell and Frito Lay facilitated the Doritos Locos Taco as the most successful product launch in Taco Bell history, resulting in more than 450 million taco sales and a 14% sales jump. The companies worked together without any official contracts. When Doritos and Taco Bell CEOs met, they realized that if they let the lawyers get involved, the product would get bogged down. So they did a handshake-only deal and agreed that if either one of them got sacked or promoted, only then would they bother to write a contract.¹⁰⁷ Many new business

¹⁰⁶ Curhan, Neale, Ross, & Rosencranz-Engelmann, “Relational accommodation in negotiation.”

¹⁰⁷ Carr, A. (2013, July). The hard sell at Taco Bell. *Fast Company*. fastcompany.com; Lutz, A. (2014, February 26). How Taco Bell’s lead innovator created the most successful menu item of all time. *Business Insider*. businessinsider.com

relationships require that strangers come together and produce a product or service, or carry out some task and then immediately disband, perhaps never to see one another again. In contrast, our personal relationships are longer term; we have a past history with family and friends, and we expect to have future interactions with them. Business situations increasingly require swift trust, which is necessary among people who have a finite life span in a temporary system.

THE MYTH OF THE ONE-SHOT BUSINESS SITUATION Social networks mean that even though the particular people in a business interaction may never interact or see one another again, their companies will interact again, or others in their social network will become apprised of the interaction, which will, in turn, affect the nature of future business interactions. The one-shot business situation may be extinct.

Multiplex Relationships

Multiplex relationships refer to relationships that involve both communal (friendship and family), as well as transactional ties. Family businesses involve negotiations on both a relationship and business level.

When friends and family do business, their relationship is embedded in an organization and is known as an **embedded relationship**. These relationships would seem to have several advantages, the most important of which is facilitating the nature of business exchange by initiating self-organizing governance arrangements that operate through expectations of trust and reciprocity, rather than expensive deterrence mechanisms.¹⁰⁸ Firms that embed their bank exchanges in social attachments were more likely to have access to capital and received more favorable interest rates on loans.¹⁰⁹

Family businesses are examples of embedded, multiplex relationships and can be very challenging. Consider how brothers James and Lloyd Maritz decided to negotiate their differences about how to manage their family business. In 1950 they decided to cut the company in half, and following Solomon's rule, one brother did the dividing and the other brother got to choose first.¹¹⁰

When the Ricketts' family bought the Chicago Cubs baseball team in 2009, the franchise became a family operation, but one where the members of the family had distinct differences. Pete Ricketts lived in Omaha and left his post as COO of the family's stock brokerage to run as a Republican for the U.S. Senate, campaigning on a conservative family values platform, espousing traditional marriage. That platform put him at odds with his only sister, Laura, who served on the board of directors of LAMBDA Legal, a national gay and lesbian rights organization that fought in court to overturn Nebraska's ban on same-sex marriage.¹¹¹

Another example of an embedded relationship is Rina and Will Stein, who are married with seven children and own a family business. To settle arguments, the couple involves third parties when negotiations between them break down, such as asking their employees' opinions or hiring a consultant to give another point of view.¹¹²

¹⁰⁸ Uzzi, B. (1999). Embeddedness in the making of financial capital: How social relations and networks benefit firms seeking financing. *American Sociological Review*, 64(4), 481–505.

¹⁰⁹ Uzzi, "Embeddedness in the making of financial capital."

¹¹⁰ Bailey, J. (2002, August 12). A CEO's legacy: Sons wage battle over family firm. *Wall Street Journal*, p. A1.

¹¹¹ Spector, B. (2009, August 31). Cubs family owners' ideologies clash; Mets family owners may have to sell. *Family Business Magazine*. familybusinessmagazine.com

¹¹² DeBaise, C., Needleman, S. E., & Maltby, E. (2011, February 14). Married to the job (and each other). *Wall Street Journal*. wsj.com

EMOTIONAL POTENTIAL When business and friendship combine, the emotional potential can often be overwhelming, and interpersonal conflict can result. For example, if someone has a poor exchange with a neighbor that leaves the friendship in question, it is quite disturbing, but the person can at least travel to work knowing the situation is “contained.” Similarly, a person may have a terrible day at work and still be able to go home that evening to take solace in friends and family. The separation of work and friendship creates a “buffer zone” for the parties involved. However, when things go awry in an embedded relationship during the course of negotiation, all systems can potentially fail. Consider the Maritz Company, which suffered through three generations of feuding.¹¹³ Before Bill Maritz passed away, he wrote at the end of his memoir, “I still find it virtually impossible to understand and accept the lack of respect and feeling my two sons, Peter and Flip, have shown me.” Their mother, Phyllis Maritz, said, “It would be my greatest hope to see the company sold and out of the family forever. Then perhaps the family could heal.” Similarly, L’Oréal heiress Liliane Bettencourt—Europe’s richest woman—and her daughter Francoise Bettencourt-Meyers feuded for several years over Liliane’s purported mental frailty after she attempted to adopt the son of a friend to whom she had already given millions of dollars in art and gifts. Bettencourt-Meyers filed a criminal complaint against the son, and the eventual agreement led to an increased role in the company for Bettencourt’s son-in-law, Jean Pierre Myers, who was elevated to chief executive.¹¹⁴

INTERNAL VALUE CONFLICT Personal relationships are driven by people’s need for acceptance, love, and identity, whereas business relationships are generally guided by a need for achievement and utilitarian goals. In embedded relationships, people often experience more internal value conflict because competence and liking are at battle with one another. Consider the value conflict faced by brothers James and Lachlan Murdoch since taking over 21st Century Fox and News Corporation, part of their father, Rupert Murdoch’s media empire that includes cable channel Fox News, *The Times of London* and *The Wall Street Journal*. Their father built a company that valued profits more than workplace culture, rewarded infighting amongst employees, and tolerated abominable behavior as long as it produced results. Early on, both brothers clashed with their domineering, conservative father. Since returning to the company, the brothers reformed the internal culture of the company moving toward a more transparent, diverse workplace, replacing the hard, rigid, profit-only ideology.¹¹⁵

MYOPIA We have seen that embedded relationships can often reduce the costs associated with surveillance. However, embedded relationships may create myopia if people are reluctant to move beyond their own networks. At the extreme, imagine a cliquish network in which people engage only in business matters with their friends. This interaction may eventually result in a myopic view of reality, if people within the network are biased in their perceptions and not connected to others who may have more or better information. These are **sticky ties**—relationships that emanate from ingrained habits of past social interaction.¹¹⁶ Most people are reluctant to turn to new, untried partners for information, resources, and the variety of interactions that are required in organizations.

¹¹³ Bailey, “A CEO’s legacy.”

¹¹⁴ Kroll, L. (2010, December 6). Europe’s richest woman ends feud with daughter. *Forbes*. [blogs.forbes.com](https://www.forbes.com)

¹¹⁵ Barnes, B., & Ember, S. (2017, April 22). In house of Murdoch, sons set about an elaborate overhaul. *The New York Times*. [nytimes.com](https://www.nytimes.com)

¹¹⁶ Valley, K. L., & Thompson, T. A. (1998). Sticky ties and bad attitudes: Relational and individual bases of resistance to change in organizational structure. In R. M. Kramer & M. A. Neale (Eds.), *Power and influence in organizations* (pp. 39–66). Thousand Oaks, CA: Sage.

CHAPTER CAPSTONE

In negotiation, building trust and respect need not come at the expense of maximizing economic value. Establishing trust and building relationships are essential for effective negotiation. The three types of “trust” relationships include: deterrence-based trust (based on sanctions and monitoring), knowledge-based trust (based on predictability and information), and identification-based trust (based on true empathy). Trust-building and trust-repairing strategies include: transforming personal conflict into task conflict, agreeing on a common goal, capitalizing on network connections, recognizing a shared problem, and focusing on the future. Psychological strategies that often engender trust include: similarity, mere exposure, physical presence, reciprocity, schmoozing, flattery, and mirroring. And the three common types of relationships in negotiation are business-only, friendship-only, and embedded relationships that involve both.



8

POWER, ETHICS, AND REPUTATION

Food delivery services are highly competitive across Malaysia, with Foodpanda, Mammam, and WeDapao all fighting for a slice of the market alongside businesses that prepare and deliver their own food, such as Dah Makan. One of these food delivery services is DeliverEat, which partners with around 200 restaurants and food outlets across Penang, in northwest Malaysia. The company was founded in 2012 by Leong Shir Mein and Tan Suan Sear with financial support from the Cradle Fund Sdn Bhd, an agency of the Malaysian Ministry of Finance. The partners' subsequent ascent in power and reputation helped secure a funding of \$450,000 from the Gobi MAVCAP's ASEAN SuperSeed Fund in 2017. The fund's organizers noted that DeliverEat does not offer a new business model, nor does it exploit new technology; the funding was awarded on the strength of the partners' reputation and their ability to execute their business plans. The funding has allowed the partners to expand to new cities in Malaysia, and underpinned by the partners' clear and consistent negotiation skills, DeliverEat has witnessed rapid growth despite the stiff competition from other food delivery services. The business is estimated to deliver around 200,000 meals per month from 2,000 different vendors, including international brands such as Nando's, Sushi King, Chilli's, and Subway. DeliverEat has also negotiated deals with local brands such as Nasi Kandar Pelita, Sin Nam Huat Chicken Rice, and Old Town. Growing the business required a lot of persuasion and negotiation by the founders before customers and restaurants could appreciate the convenience of the service. This was particularly tough in Malaysia, where there are countless restaurants and stalls around every street corner. It was the business's growing reputation that allowed DeliverEat to establish itself in the Malaysian food catering market.¹

Many business creators might find themselves starting new enterprises with nothing but their negotiation skills and growing power and reputation to achieve success. Leong Shir Mein and her partner Tan Suan Sear have managed to use such power to achieve their goals. In this chapter, we focus on power, ethics, and reputations; it is critical to understand how to attain and use power effectively in negotiation. The power and persuasion strategies in this chapter can be read from two vantage points: one being as the *holder* of power, the other way as the *target* of someone's power. Consider that the *counterparty* in a negotiation is likely reading this or another book, and therefore, every strategy and tactic in this chapter can (and probably will) be used against you by the counterparty. Thus, it is important to remember the “fraternal twin” model that we introduced in Chapter 1.

¹Maulani, A. M. A. (2017, February 28). Penang's own DeliverEat raises US\$450K to deliver food beyond the city. *e27*. e27.co; Tan, D. (2019, November 11). Food delivery firm delivers on growth. *The Star*. www.thestar.com.my; DeliverEat. Official website. jom.delivereat.my

POWER

Power in a negotiation can be analyzed in terms of four vantage points: potential power, perceived power, power tactics, and realized power.² A negotiator's **potential power** is the underlying capacity of the negotiator to obtain benefits from an agreement.³ It is a function of the counterparty's dependence on you. How much someone depends on you in a negotiation is based upon how much he or she values the resources you provide and the value of the alternatives to negotiating with you. **Perceived power** is a negotiator's assessment of each party's potential power, which may or may not align with reality. Whereas a negotiator's alternatives affect the distribution of outcomes, perceived power as well as actual alternatives, affect the integrativeness of outcomes.⁴ **Power tactics** comprise what's commonly studied in negotiation behavior and refer to the behaviors designed to use or change the power relationship. **Realized power** is the extent to which negotiators claim benefits from an interaction.

Sources of Power

Negotiators can garner power from a number of sources. Consider for example, French and Raven's model of power in which people can exercise power in any of six different forms: coercive, reward, legitimate, expert, information, and referent.⁵ With regard to negotiation, Galinsky and colleagues identify four sources of power including: the power of alternatives (e.g., BATNA); information; status; and social capital.⁶ Each source of power can enhance negotiators' likelihood of attaining their ideal outcome.

BATNAs as Power

When negotiators have an attractive BATNA, they have more power than if they have an unattractive BATNA. For example, in 2017, Amazon announced it wanted a second headquarters in addition to that in Seattle. The project scope, which Amazon called HQ2, described in meticulous detail what the company was looking for in a second home location, including: on-site access to mass transit, a commute of 45 minutes or less to an international airport, easy access to highways, top universities nearby, strong cellular phone service at the location, a diverse population, and recreational opportunities. The company brazenly conjectured that new laws may be required to get the incentives necessary to win the company's favor. To be sure, Amazon, valued at more than \$500 billion, declared they could bring more than 50,000 jobs to the chosen city. "What governor or mayor doesn't want to stand on a stage with Jeff Bezos to announce a deal like this?" said Grey LeRoy, executive director of Good Jobs First. By inviting several cities to submit proposals, Amazon essentially created a bidding war among potential suitors.⁷

² Kim, P. H., Pinkley, R. L., & Fragale, A. R. (2005). Power dynamics in negotiation. *Academy of Management Review*, 30(4), 799–822.

³ Kim, Pinkley, & Fragale, "Power dynamics in negotiation."

⁴ Wolfe, R. J., & McGinn, K. L. (2005). Perceived relative power and its influence on negotiations. *Group Decision and Negotiation*, 14(1), 3–20.

⁵ French, J.R.P., & Raven, B. (1968). The bases of social power. In D. Cartwright & A.F. Zander (Eds.), *Group dynamics* (pp. 259–270). New York: Harper & Row.

⁶ Galinsky, A., Schaefer, M., & Magee, J. (2017). The four horsemen of power at the bargaining table. *Journal of Business & Industrial Marketing*, 32(4), 606–611.

⁷ Wingfield, N., & Cohen, P. (2017, September). Amazon plans a second headquarters, opening a bidding war among cities. *The New York Times*. nytimes.com; Kosoff, M. (2017, September). Jeff Bezos just lunched a \$5 billion bidding war. *Vanity Fair*. vanityfair.com

It is imperative that negotiators cultivate and improve their BATNAs prior to negotiating, by doing the following:

KEEP YOUR OPTIONS OPEN Keep your options open even after you have come to the negotiation table because negotiations could break down for a variety of reasons at any point prior to mutual settlement. In September 2017, the death of Liliane Bettencourt fomented a great deal of investor excitement regarding the future of L'Oréal—the world's largest cosmetics company. Ms. Bettencourt's father, Eugene Schueller, founded the company in 1909 and Ms. Bettencourt held the controlling stake in the firm at the time of her death. Investors in both L'Oréal and Nestle, who owned a 23.9% stake in L'Oréal at the time of Ms. Bettencourt's death, watched both companies closely, speculating that Nestle could divest itself of all its L'Oréal stock or reverse course and make a bid to purchase L'Oréal outright. In 2018, Nestle CEO Ulf Mark Schneider ruled out raising its stake in L'Oréal, arguing that it was best to keep all their options open for the foreseeable future.⁸

SIGNALING Negotiators should signal that they have a BATNA, without revealing its exact value. However, alluding to options you do not actually have is **misrepresentation**, which is unethical. It is not misrepresentation to signal to the other party that you have other (attractive) alternative courses of action. In the Nestle–L'Oréal negotiation, Nestle considered three courses of action: increasing their holding in L'Oréal, selling their holding, or maintaining their stock ownership in the company. Because Nestle would make financial benefits from any of these options, it was not clear to outsiders what they considered to be their most attractive course of action.

RESEARCH THE COUNTERPARTY'S BATNA Do not leave any stone unturned when attempting to assess the counterparty's BATNA. Start your research well before the negotiation begins. Do not wait until you get to the negotiation table. For example, in the Nestle–L'Oréal negotiation, analysts considered several factors, including the overlap of products and strategic focus between the companies, as well as growth rates and stock earnings, to attempt to determine what course of action that Nestle might find most attractive. Invest some time before negotiating assessing current data (if you have it), previous years' data, and market information—anything you can get. Also, use multiple sources. Researching the other party's BATNA is time well spent. Negotiators who *think* about the counterparty's BATNA do better in terms of slicing the pie than those who don't.⁹ Sports agent Justin Schulman and his agency, Athletes First, represent some of the biggest names in sports, including NFL players Kyle Van Noy, Sterling Shepard, Kai Forbath, and Aaron Rodgers. Schulman prepares for negotiations with teams by compiling statistics not only on his athletes, but also the statistics, market, and contracts of other players. He also compiles information on the counterparty's roster of players and projects how those players' past performances will translate in the future, giving him a better idea of how his player can be an asset for the counterparty's

⁸ A shareholder pact is rocked by Liliane Bettencourt's death. (2017, September 17). *The Economist*. economist.com; Serafino, P. (2017, September). L'Oreal advances on prospects for sale of Nestle's holding. *Bloomberg*. bloomberg.com; Gretler, C. (2018, February 15). Nestle CEO Schneider seeks deals as sales growth stutters. *Bloomberg*. bloomberg.com

⁹ Galinsky, A., & Mussweiler, T. (2001). First offers as anchors: The role of perspective-taking and negotiator focus. *Journal of Personality and Social Psychology*, 81(4), 657–669.

team. “We want the player and team to feel good, so it really is about finding common ground. Teams may have a certain structure they need to adhere to and in exchange will give you something that’s important to you.”¹⁰

Symmetric versus Asymmetric Power

In some negotiation situations, one party has considerably more power as compared to the other party. Such situations are characterized by power *asymmetry*. How does the balance of power between negotiators affect the processes and outcomes of negotiation? In a simulated employment negotiation, three types of power balance were investigated: symmetric high-power negotiators, symmetric low-power negotiators, and asymmetric power negotiators.¹¹ For symmetric high-power dyads, value creation (integrative outcomes) was associated with increased mutual accommodation; however, in low-power dyads, value creation was associated with greater contentiousness. Asymmetric-power dyads maximized value creation when a neutral stance was adopted; neither over-using or under-using accommodation or contentiousness.

Consider the asymmetrical power and signaling of power in the Whole Foods and Amazon negotiation in 2017. Amazon submitted a written offer of \$41 per share to Whole Foods on May 23, arguing their offer showed “compelling” value for Whole Foods’ shareholders. At that time, Whole Foods signaled that they were entertaining six other buyers, including grocery chain, Albertsons. Whole Foods considered Amazon’s proposal for several days and made a counter-proposal of \$45 a share on May 30. The proposal disappointed Amazon’s financial advisors, Goldman Sachs, and bank representatives then engaged in an act of brinkmanship, telling Whole Foods that Amazon was “considering other opportunities” as well, and indicated that they might not make another offer. Amazon executives told their bankers to counteroffer \$42 a share, but labeled it as their “best and final offer.” By June 1, Whole Foods directors signaled they were “willing to move forward to negotiate” a deal between the two companies, and announced a deal on June 16.¹²

Perspective-Taking

Power propels negotiators to achieve their goals, which may be egocentrically biased, and ultimately leads to more inequitable information sharing and outcomes. One research investigation examined whether perspective-taking might prompt powerful negotiators to be more other-oriented and ultimately reach better outcomes. Indeed, when powerful negotiators engaged in perspective-taking, negotiators shared more information, developed more accurate judgments, and negotiated better outcomes.¹³

Powerlessness

A common belief is that a person “who has nothing to lose” may have an advantage in some situations. Indeed, research supports the assertion that having *no power* can be more advantageous for

¹⁰ Triffin, M. (2017, November 28). Want to negotiate like a pro? This NFL agent has some tips. *Grow Acorns*. grow.acorns.com

¹¹ Olekanski, M., & Smith, P. L. (2013). Dyadic power profiles: Power-contingent strategies for value creation in negotiation. *Human Communication Research*, 39(1), 3–20.

¹² Thomas, L. (2017, July 7). Deal drama: Amazon raised bid, beat out 6 other suitors to land Whole Foods, filing reveals. *CNBC*. cnbc.com

¹³ Galinsky, A., Magee, J., Rus, D., Rothman, N., & Todd, A. (2014). Acceleration with steering. *Social Psychological & Personality Science*, 5(6), 627–635.

a negotiator than having a *little power*.¹⁴ Why? A negotiator with a weak alternative may be unwittingly anchored by their low-value alternative and reduce the value of their first offer. In contrast, the negotiator who does not have a (clear) alternative, is not weighed down by an unattractive BATNA. Indeed, negotiators without an alternative *feel* less powerful, but make higher first offers and ultimately secure superior outcomes compared with negotiators who have weak alternatives.

STATUS

Thus far, we have conceptualized power in negotiation as the power associated with the strength of one's BATNA. In this conceptualization, power is the ability to walk away to a better alternative. However, in some negotiations, power is less about the strength of a negotiator's alternatives and more about status and rank in a social-organizational setting. We use the term "**status**" to refer to a person's rank in a social-organizational system. Thus, **power** is the potential a person holds to influence others successfully; the capacity or ability to direct or influence the behavior of others or the course of events. **Status** is the relative social position or rank given to people or groups by others. Status may be formal, like an organizational title (e.g., CEO), or informal (e.g., a person who has prestige that is not formally recognized by the organization). For example, people who are older (up to a point) and more experienced may be perceived as higher in status by their coworkers.

In many situations, power and status are correlated, such that high-ranking people may in fact have better alternatives, but in many situations, this is not the case. Power and status have similar positive effects on how dominant we think someone is. Power has a negative effect on how warm we think someone is, but status moderates this "power penalty."¹⁵ In other words, high power without status is associated with low warmth (i.e., coldness), but people who have both power and status are judged to be warm. Consequently, high-status people, regardless of their actual power, are perceived positively—dominant and warm—but, high-power, low-status individuals are judged most negatively—dominant and cold.

Status and Negotiation Performance

Perhaps the most important question we can ask is whether status actually enhances negotiation performance. To be sure, plenty of examples of people in powerful positions failing to reach their goals exist, particularly when negotiation requires sophisticated information exchange and creative thinking. A study of executives found that those with high power who work together in groups are *less* likely to reach agreement on a difficult negotiation task.¹⁶ Groups of high-power individuals performed worse because they fought over relative status in the group, were less focused on the task, and shared information less effectively. Another study found that role-based power (i.e., status) facilitates performance, but only when the negotiation is diagnostic in ability and pressure-filled.¹⁷

¹⁴ Schaerer, M., Swaab, R. I., & Galinsky, A. D. (2015). Anchors weigh more than power: Why absolute powerlessness liberates negotiators to achieve better outcomes. *Psychological Science*, 26(2), 170–181.

¹⁵ Fragale, A. R., Overbeck, J. R., & Neale, M. A. (2011). Resources versus respect: Social judgments based on targets' power and status positions. *Journal of Experimental Social Psychology*, 47(4), 767–775.

¹⁶ Hildreth, J., & Anderson, C. (2016). Failure at the top: How power undermines collaborative performance. *Journal of Personality And Social Psychology*, 110(2), 261–286.

¹⁷ Kang, S., Galinsky, A., Kray, L., & Shirako, A. (2015). Power affects performance when the pressure is on: Evidence for low-power threat and high-power lift. *Personality & Social Psychology Bulletin*, 41(5), 726–35.

Primary Status Characteristics

Two types of status are relevant in most negotiation situations: primary status characteristics and secondary status characteristics. **Primary status characteristics** refer to indicators of legitimate authority; for example, a person's rank within an organization, the number of supervisees in that person's unit, and a person's various titles and degrees all denote primary status. The impact of status on the conduct of bargaining can be quite enormous. High-status individuals talk more, even when they do not necessarily know more. A high-status person will also generally control when he or she speaks in a conversation. Furthermore, a low-status person will defer to the high-status person in terms of turn-taking in the conversation. These factors affect the distribution of resources in negotiation.

Secondary Status Characteristics

When primary status cues (such as rank and status in an organization) are absent, or when people of equal status negotiate, people often pay attention to **secondary status characteristics**, which are cues and characteristics that have no legitimate bearing on the allocation of resources or on the norms of interaction, but nevertheless exert a powerful influence on behavior. Also referred to as **pseudostatus characteristics**, these include sex, age, ethnicity, status in other groups, and cultural background. The three most common secondary status characteristics are gender, age, and race. Men have more influence than women, older people have more influence than younger people, and Caucasian people have more influence than African American people when it comes to interpersonal interaction.¹⁸ Because men are perceived to be of higher status than women in the context of negotiation, men are given the "right" to propose agreements and to have them viewed as coming from a competent source.¹⁹ Although pseudostatus characteristics are not legitimate markers of status, people treat them as though they are. People notice status cues very quickly, often within minutes after negotiators are seated at the bargaining table. Furthermore, even when a negotiator does not regard these pseudostatus cues to be significant (or even rejects them outright), if someone else at the bargaining table considers them significant, it may create a **self-fulfilling prophecy**. Another pseudostatus cue is posture. Striking a pose that opens up a person's body and takes up space makes a person feel more powerful and more willing to take risks.²⁰ In a complementary fashion, constrictive postures lower a person's sense of power and willingness to take risks. Consider how researcher Francesca Gino communicated status through her sneakers: on days when she wore a pair of bright red sneakers with her more traditional business suit, the executives she was teaching believed she had more consulting clients and charged higher consulting fees as compared to when she wore more traditional shoes.²¹

NEGOTIATION ETHICS

Ethics are a manifestation of cultural, contextual, and interpersonal norms that render certain strategies and behaviors unacceptable. Negotiation creates incentives for people to violate ethical standards of behavior. Ethics are often a problem in negotiations, not so much because

¹⁸ Mazur, A. (1985). A biosocial model of status in face-to-face groups. *Social Forces*, 64, 377–402.

¹⁹ Miles, E. W., & Clenney, E. F. (2010). Gender differences in negotiation: A status characteristics theory view. *Negotiation and Conflict Management Research*, 3(2), 130–144.

²⁰ Cuddy, A. J., Schultz, S. J., & Fosse, N. E. (2018). P-Curving a more comprehensive body of research on postural feedback reveals clear evidential value for power-posing effects: Reply to Simmons and Simonsohn (2017). *Psychological Science*, 29(4), 656–666.

²¹ Skonk, K. (2017, November 30). In business negotiations, dress the part. *Program on Negotiation at Harvard Law School*. pon.harvard.edu

people are inherently ruthless and make trade-offs between profit and ethics or fail to consider other people's interests and welfare, but rather, because of psychological tendencies that foster poor decision-making.²² Most often, people *believe* they are behaving ethically, but due to self-serving tendencies, problems result and negotiators cry foul.²³

Well-meaning people engage in unethical behaviors without awareness that they are doing so.²⁴ For example, negotiators show an in-group bias by claiming more for themselves and their groups than others accord them.

Unethical and questionable negotiation tactics may be evaluated on a continuum of “ethically appropriate” to “ethically inappropriate” from the standpoint of negotiators deciding whether to use tactics.²⁵ We address the question of what behaviors are regarded as unethical or questionable in negotiations, the factors that give rise to them, and how to develop personal ethical standards.

Seven-Factor Model of Ethically Questionable Behavior

Lewicki and his colleagues identified seven ethically-questionable strategies in negotiation, including: traditional competitive bargaining, attacking an opponent's network, making false promises, misrepresentation, inappropriate information gathering, strategic misrepresentation of positive emotion, and strategic misrepresentation of negative emotion.²⁶ This seven-factor model is a useful way to examine attitudes about ethically-questionable strategies. There is considerable agreement that certain strategies are more ethically-questionable than others.

In our own research, we examined ethical attitudes with a number of different management groups. (see Exhibit 8-1). In general, *traditional competitive bargaining* behavior, such as hiding one's real bottom line, making very high or low opening offers, and gaining information by asking among one's contacts, is not regarded as unethical.²⁷ Self-rated “aggressive” negotiators are more accepting of such tactics than are self-rated “cooperative” negotiators.²⁸ *Manipulation of an opponent's network* involves an attempt to weaken an opponent's position by influencing his or her associates or constituencies. Manipulation of networks extends to social media.

ACTUAL BEHAVIOR It is one thing for negotiators to indicate their *attitudes* about ethically-questionable behaviors; it is quite another to examine how negotiators actually *behave* in high-stakes negotiation situations. Given that many negotiators do not regard traditional competitive bargaining to be unethical, it is reasonable to expect that those behaviors might be more pervasive than the other ethically-questionable behaviors. In one investigation, competitive behaviors were used more frequently, particularly early in negotiations, and such behaviors were reciprocated by the counterparty.²⁹ Another investigation of Brazilian professionals from a large

²² Messick, D. M., & Bazerman, M. H. (1996). Ethical leadership and the psychology of decision making. *Sloan Management Review*, 37(2), 9–22.

²³ Messick, & Bazerman, “Ethical leadership and the psychology of decision making.”

²⁴ Bazerman, M. H. (2011). Bounded ethicality in negotiations. *Negotiations and Conflict Management Research*, 4(1), 8–11.

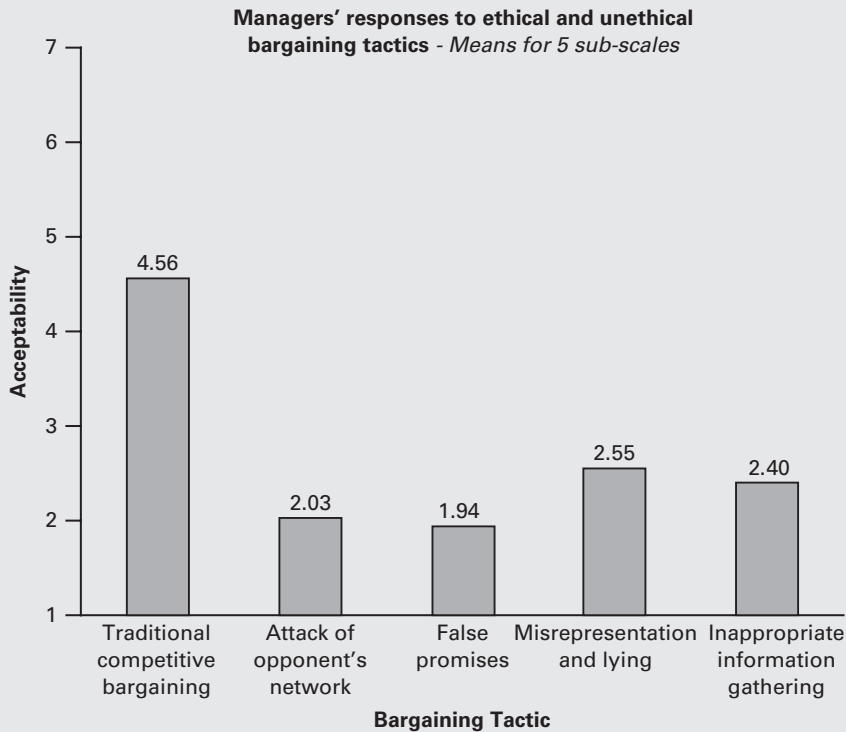
²⁵ Lewicki, R. J., Saunders, D. M., & Barry, B. (2007). *Negotiation: Readings, exercises, and cases* (5th ed.). Boston: McGraw Hill/Irwin.

²⁶ Lewicki, R. J., Barry, B., Saunders, D., & Minton, J. W. (2007). *Negotiation: Readings, exercises, and cases*. Burr Ridge, IL.

²⁷ Lewicki, J., Barry, Saunders, & Minton, “*Negotiation: Readings, exercises, and cases*.”

²⁸ Lewicki, J., Barry, Saunders, & Minton, “*Negotiation: Readings, exercises, and cases*.”

²⁹ Fleck, D., Volkema, R.J., & Pereira, S. (2016). Dancing on the slippery slope: The effects of appropriate versus inappropriate competitive tactics on negotiation process and outcome. *Group Decision and Negotiation*, 25(5), 873–899.

EXHIBIT 8-1**Managers' Attitudes Concerning the Acceptability of Ethically-Questionable Negotiation Behaviors**

financial institution negotiating in two-party property-leasing negotiations revealed that most managers employed one or more ethically-questionable tactics, and tended to reciprocate tactics.³⁰ The use of competitive strategies increased the likelihood of impasse, as well as improved individual value-claiming in cases where agreement was reached.

PERSONALITY DIFFERENCES There are several predictors of the extent to which a negotiator will engage in ethically-questionable negotiation behaviors, including their attitude toward competitive unethical tactics, the early use of competitive unethical tactics, and the behavior of the counterparty.³¹ Personality differences in empathy and perspective-taking differentially affect the

³⁰ Fleck, D., Volkema, R., Pereira, S., Levy, B., & Vaccari, L. (2014). Neutralizing unethical negotiating tactics: An empirical investigation of approach selection and effectiveness. *Negotiation Journal*, 30(1), 23–48.

³¹ Volkema, R., Fleck, D., & Hofmeister, A. (2010). Predicting competitive-unethical negotiating behavior and its consequences. *Negotiation Journal*, 26(3), 263–286.

use of unethical strategies, such as lies and bribes.³² Empathy, but not perspective-taking, discourages attacking the opponent's network, misrepresentation, inappropriate information gathering, and feigning emotions to manipulate the other party. Thus, unethical bargaining is more likely to be deterred by empathy, as opposed to perspective-taking. Negotiators who suppress their emotions are more likely to misrepresent information.³³ People who have *entity views* (i.e., believe that people's skills and traits are fixed, rather than malleable) are more likely to deceive others than those with *incremental views* (i.e., believe that skills and traits are malleable).³⁴ Specifically, people with entity views are less morally engaged and more likely to justify the use of unethical tactics.

CULTURAL DIFFERENCES Cultural norms affect the perceived ethicality of different negotiation behaviors. One investigation examined business people's perceptions of ethically-questionable behaviors in Israel and Kyrgyzstan, using Hofstede's two-factor model of culture.³⁵ Three types of ethically-questionable behaviors emerged: *pretending*, *deceiving*, and *lying*. Vertical individualism was positively related to pretending, deceiving and lying; conversely, horizontal collectivism was negatively related to all three behaviors. Compared with Israel, endorsement of ethically-questionable negotiation behavior was significantly higher in Kyrgyzstan.

GENDER DIFFERENCES Several investigations point to gender differences in ethics, with women acting more ethically than men. Several studies reveal that men set lower ethical standards than do women in negotiations.³⁶ The **male pragmatism hypothesis** suggests that men, more so than women, are motivationally-biased in setting ethical standards. Stated simply, men are more egocentric in their ethical reasoning and grant themselves more leniency in ethics than women, and consequently exhibit more moral hypocrisy than women. For example, a meta-analysis of over 19,000 people revealed that women more strongly internalize moral traits in their identities than do men and in so doing, suppress unethical negotiation behavior.³⁷ The greatest gender differences observed were moral disengagement and opportunism.

Not only are women more ethical in their behavior than men, women are perceived by others as being *easier to mislead* in negotiation than men.³⁸ Moreover, the perceived ease of being misled corresponds to perceived low competence and thus, women are deceived more than men in distributive negotiations, regardless of buyer or seller role.³⁹

³² Cohen, T. R. (2010). Moral emotions and unethical bargaining: The differential effects of empathy and perspective taking in deterring deceitful negotiation. *Journal of Business Ethics*, 94(4), 569–579.

³³ Yurtserver, G. (2008). Negotiators profit predicted by cognitive reappraisal, suppression of emotions, misrepresentation of information and tolerance of ambiguity. *Perceptual and Motor Skills*, 106(2), 590–608.

³⁴ Tasa, K., & Bell, C. (2017). Effects of implicit negotiation beliefs and moral disengagement on negotiator attitudes and deceptive behavior. *Journal of Business Ethics*, 142(1), 169–183.

³⁵ Banai, M., Stefanidis, A., Shetach, A., & Özbek, M. (2014). Attitudes toward ethically questionable negotiation tactics: A two-country study. *Journal of Business Ethics*, 123(4), 669–685.

³⁶ Kray, L. J. & Hassenhahn, M. P. (2012). Male pragmatism in negotiators' ethical reasoning. *Journal of Experimental Social Psychology*, 48(5), 1124–1131.

³⁷ Kennedy, J. A., Kray, L. J., & Ku, G. (2017). A social-cognitive approach to understanding gender differences in negotiation ethics: The role of moral identity. *Organizational Behavior and Human Decision Processes*, 138, 28–44.

³⁸ Kray, L. J., Kennedy, J. A., & Van Zant, A. B. (2014). Not competent enough to know the difference? Gender stereotypes about women's ease of being misled predict negotiator deception. *Organizational Behavior and Human Decision Processes*, 125(2), 61–72.

³⁹ Kray, Kennedy, & Van Zant, "Not competent enough to know the difference?"

Lying

More than anything else, lying is regarded to be unethical (as well as illegal in some cases) in negotiation. A given statement may be defined as **fraudulent** when the speaker knowingly misrepresents a material fact upon which the victim reasonably relies and the fact causes damage. Unpacking this definition, we find several key aspects to lying: (a) the speaker is aware he or she is misrepresenting information and (b) that information is regarding a material fact; the other party (c) relies on this fact, and (d) by doing so, is damaged in some way—economically or emotionally. Consider the deception involved in the case of the movie *Borat*, in which a comedian played the role of an outrageously inappropriate television reporter named Borat who journeys across the United States filming his bizarre interactions with befuddled, everyday Americans who are not in on the joke. The producer of the movie hired several different instructors (not actors) to teach Borat skills, such as driving and etiquette. The instructors were led to believe they were part of an educational documentary about a foreigner acclimating to everyday American life, not a major motion picture comedy that showed them in an unflattering light. The studio enticed the instructors to agree to be filmed by way of false representation followed by the signing of a “standard filming release form” (which most instructors did not read), that included language designed to contradict or disclaim any fraudulent statements orally made by the studio. However, after the film was released, the instructors and other nonprofessional actors in the film claimed they suffered emotionally because they were misled and were depicted as foolish and racist.⁴⁰

Using this standard of lying, let’s examine some of the key concepts we have discussed thus far: positions, interests, priorities, BATNAs, reservation prices, and key facts.

1. **Positions** Positions are the stated demands made by one party to another. Negotiators are under no obligation to truthfully state their position. However, it is usually wise to clearly signal your position. Keep in mind that most negotiators are not as clear as they think they are in articulating their position.⁴¹ Whereas lying about one’s position is not advised, many negotiators exaggerate their position. For example, a prospective employee negotiating a job contract may tell the employer she feels entitled to a salary of \$100,000 per year, when in fact she is willing to accept \$85,000. Note that this negotiator is not lying about her BATNA, nor is she implying that she has another job offer; she is just stating that she feels entitled to \$100,000.
2. **Interests** Recall that interests are the underlying “whys” behind negotiators’ positions. In negotiation, it is generally assumed that people are self-interested with no “general duty of good faith.” Specifically, according to the U.S. Court of Appeals, 7th Circuit:

In a business transaction, both sides presumably try to get the best deal. That is the essence of bargaining and the free market No legal rule bounds the run of business interest. So, one cannot characterize self-interest as bad faith. No particular demand in negotiations could be termed dishonest, even if it seemed outrageous to the other party. The proper recourse is to walk away from the bargaining table, not sue for “bad faith” negotiations.⁴²

3. **Priorities and preferences** A negotiator is entitled to his or her preferences, however idiosyncratic they might be. A negotiator who misrepresents his or her interests is not lying about a material fact. “Estimates of price or value placed on the subject of a transaction

⁴⁰ Korobkin, R. (2013). The Borat problem in negotiation: Fraud, assent, and the behavioral law and economics of stand form contracts. *California Law Review*, 101(51), 51–106.

⁴¹ Harinck, F. (2004). Persuasive arguments and beating around the bush in negotiations. *Group Processes and Intergroup Relations*, 7(1), 5–18.

⁴² *Feldman v. Allegheny International, Inc.*, 850 F.2d 1217 (IL 7th Cir. 1988).

and a party's intentions as to an acceptable settlement of a claim" are not material facts for purposes of the rule prohibiting lawyers from making false statements to a third person.⁴³

You can appreciate the complexities of sharing (or failing to share) information with the following example. Consider two people who have been hired to act as a project team in a company. The two associates (A and B) are given a large office to share, and they begin to arrange their workplace. The office contains two desks and one window, that can only be enjoyed from one of the desks. A conversation between A and B reveals that A wants the desk with the window view and is ready to make sacrifices on other joint resources to get it—like giving up the close parking space and the storage areas. Unbeknownst to A, B has a terrible fear of heights; the window overlooks a steep precipice outside, and frankly, B prefers the other desk that is near an attractive saltwater aquarium. B considers not mentioning their true preference, hoping that they can *appear* to make a sacrifice, and thus extract more resources. **Passive misrepresentation** occurs when a negotiator does not mention true preferences and allows the other party to arrive at an erroneous conclusion. Now, imagine that A surprises B by asking them point blank which desk B prefers—the one by the window or the aquarium. Does B lie about their preferences? If so, they commit an act of **active misrepresentation** (if they deliberately mislead the counterparty). This strategic manipulation ploy is used about 28% of the time.⁴⁴

4. **BATNAs** A negotiator's BATNA *is* material and therefore, subject to litigation. The implication: don't make up offers that don't exist! Negotiators who falsify offers that don't exist (or even allude to them) are bluffing. According to Lewicki, a bluff can be a false promise or false threat.⁴⁵ A false promise (e.g., "If you do *x*, I will reward you.") and a false threat (e.g., "If you do not do *x*, I will punish you.") are false in the sense that the person stating the threat does not intend to or cannot follow through.
5. **Reservation prices** As stated in Chapter 2, a negotiator's reservation price is the quantification of a negotiator's BATNA. A negotiator's stated reservation price (the least or most at which he or she will sell or buy) is not a material fact per se, and thus, whereas it may be reprehensible to lie about one's reservation price, it is not legally unethical.
6. **Key facts** The falsification of information is unethical (and subject to punishment). For example, a home seller who does not disclose known foundation problems is guilty of falsification.

SITUATIONAL INFLUENCES The social context strongly shapes negotiators' willingness to behave unethically. For example, incidental anger that is triggered by an unrelated situation promotes unethical behavior.⁴⁶ One investigation examined how three contextual variables: regulatory focus, power, and trustworthiness shifted negotiators' ethical thresholds.⁴⁷ Three patterns emerged: (1) low power inhibited and high power activated deception; (2) promotion-focused negotiators favored sins of omission, whereas prevention-focused negotiators favored sins of commission; and (3) promotion-focused negotiators' decision to deceive is determined by moral pragmatism, but prevention-focused negotiators' deception is determined by opportunism.

⁴³ Model rules of professional conduct: Transactions with persons other than clients. (2004). *American Bar Association*. abanet.org

⁴⁴ O'Connor, K. M., & Carnevale, P. J. (1997). A nasty but effective negotiation strategy: Misrepresentation of a common-value issue. *Personality and Social Psychology Bulletin*, 23(5), 504–515.

⁴⁵ Lewicki, R. J. (1983). Lying and deception: A behavioral model. In M. H. Bazerman & R. J. Lewicki (Eds.), *Negotiating in organizations*. Beverly Hills, CA: Sage.

⁴⁶ Yip, J.A., & Schweitzer, M.E. (2016). Mad and misleading: Incidental anger promotes deception. *Organizational Behavior and Human Decision Processes*, 137, 207–217.

⁴⁷ Olekalns, M., Horan, C., & Smith, P. (2014). Maybe it's right, maybe it's wrong: Structural and social determinants of deception in negotiation. *Journal of Business Ethics*, 122(1), 89–102.

Another investigation examined two factors: trust between the negotiators and their strategies.⁴⁸ In *mixed-sex dyads*, negotiators consistently increased their use of deception when trust was low and their opponent used an accommodating strategy. However in *all-female dyads*, deception increased when a competitive strategy was combined with low trust or an accommodating strategy was combined with trust. In *all-male dyads*, deception was not affected by trust or strategy.

Other situational factors that may lead people to engage in deception include: the lure of temptation, uncertainty, powerlessness, and anonymity of victims.⁴⁹ The more negotiators have to gain economically by lying, the more likely they are to lie.⁵⁰ And, the more uncertainty negotiators have about material facts, the more likely they are to lie.

One survey asked MBA students to describe the conditions under which they personally would engage in deception (defined as lying) in negotiations. Most people were able to identify situations in which they would lie. Only 2 people out of 47 said they would never use deception. More than 25% said that they would use “white lies” or exaggerations in nearly any negotiation. The most common reason for lying is when we think the other party is lying (see Exhibit 8-2). Financial self-interest does not fully explain dishonesty. Rather, dishonesty is influenced by emotional reactions to wealth-based inequity, even when it is personally costly.⁵¹ Negative inequity leads to envy and subsequent hurting behavior; conversely, positive inequity leads to guilt and motivates helping behavior.⁵²

Being in a team or group may increase the tendency to lie. Groups are less honest than individuals in the same bargaining situation.⁵³ In fact, the group “default” response is to lie, whereas the individual “default” response is to be honest. Only by strongly introducing a climate of organizational honesty do groups move away from their default.

Paradoxically, another condition that may promote unethical behavior and lying in particular, is *perspective-taking*. Indeed, perspective taking or putting oneself in the other party’s shoes is most often regarded to be a key to successful relationships. However, in competitive contexts such as negotiation, it leads people to prophylactically engage in unethical behavior to prevent being exploited. For example, in one investigation, people who were encouraged to engage in perspective-taking were more likely to deceive a partner by cheating when the task was competitive, but not cooperative.⁵⁴ And in another investigation, negotiators who were exposed to empathy-related concepts (e.g., compassion, empathy, nurturing, sympathy, understanding) lied more than negotiators who were not exposed to empathy concepts, and they lied more than negotiators who were exposed to competition-related concepts (e.g., competitive, winning, perform, superior); those who were exposed to empathy-related concepts also told the truth less often.⁵⁵

⁴⁸ Olekains, M., Kulik, C.T., & Chew, L. (2014). Sweet little lies: Social context and the use of deception in negotiation. *Journal of Business Ethics*, 120(1), 13–26.

⁴⁹ Tenbrunsel, A. E., & Diekmann, K. A. (2007). When you are tempted to deceive. *Negotiation*, 10(7), 1–3.

⁵⁰ Bazerman, M. H., Tenbrunsel, A. E., & Wade-Benzoni, K. (1998). Negotiating with yourself and losing: Making decisions with competing internal preferences. *Academy of Management Review*, 23(2), 225–241; Grover, S. L. (2005). The truth, the whole truth and nothing but the truth: The causes and management of workplace lying. *Academy of Management Executive*, 19(2), 148–157.

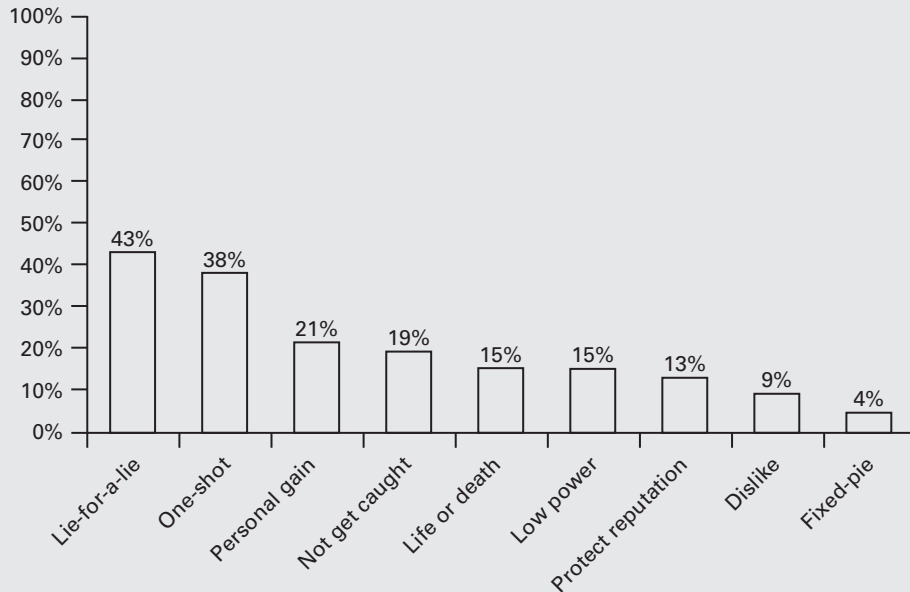
⁵¹ Gino, F., & Pierce, L. (2009). Dishonesty in the name of equity. *Psychological Science*, 20(9), 1153–1160.

⁵² Gino, & Pierce, “Dishonesty in the name of equity.”

⁵³ Stawiski, S., Tindale, S. R., & Dykema-Engblade, A. (2009). The effects of ethical climate on group and individual level deception in negotiation. *International Journal of Conflict Management*, 20(3), 287–308.

⁵⁴ Pierce, J., Kilduff, G. J., Galinsky, A. D., & Sivanathan, N. (2013). From glue to gasoline: How competition turns perspective-takers unethical. *Psychological Science*, 24(10), 1986–1994.

⁵⁵ Pierce, J., & Thompson, L. (2018). *The fairer sex or the fairer gender? A study of deception in a distributive bargaining context*. Working paper.

EXHIBIT 8-2**Conditions Under Which Negotiators Say They Would Engage in Deception****Description of Categories:**

- *Lie-for-a-lie*: when I suspect the other party is deceiving me
- *One-shot*: in a one-shot situation, with no potential for a long-term relationship
- *Personal gain*: if there was a gain to be had
- *Not caught*: if I felt I could get away with it
- *Life or death*: if the situation was “life or death”
- *Low power*: if the other party had more power (i.e., to “level the playing field”)
- *Protect reputation*: when I would not have to worry about my reputation
- *Dislike*: if I did not like the other person
- *Fixed-pie*: if the situation was purely distributive

COSTS OF LYING Former U.S. Senator Sam Ervin once remarked that “the problem with lying is you have to remember too damn much.”⁵⁶ Several costs or disadvantages are associated with lying, the first being that the liar can be caught and face criminal charges. Even if the liar is not caught, a negotiator’s reputation and trustworthiness can be damaged. This event, when it happens repeatedly, can then lead to a culture in which everyone in the organization lies and general suspiciousness increases. Lying also may not be strategic: because a negotiator who lies about his or her reservation price effectively decreases the size of the bargaining zone, and the probability of an impasse increases.

PERCEPTIONS OF LIARS It would seem that once a negotiator knew that the counterparty was lying, their trust in the counterparty would be severely tainted. However, trust is surprisingly robust, even when harmful deception is revealed to the victim of deception. Much of this depends

⁵⁶ Senate Watergate Hearings (1974).

on how negotiators view others. Specifically, when negotiators hold *incremental theories* (i.e., they believe that negotiation abilities are malleable), they are more likely to lose their trust in the counterparty following deception. Conversely, people who hold *entity theories* (i.e., they believe that negotiators' characteristics and abilities are fixed), maintain their first impressions of that person, even after learning that they were deceived.⁵⁷ In other words: people with incremental theories view deception as an ethical violation, but people with entity views do not.

Bad-Faith Bargaining

Bad-faith bargaining is the term used to refer to negotiators who make offers, and then either retract them or fail to follow through with them. According to an unwritten rule, once a negotiator puts an offer on the table, he or she should not retract it. This action would be bargaining in bad faith. Even so, negotiators may need to retract offers when a mistake has been made. For example, the University of Connecticut's head football coach, Randy Edsall, was in legal trouble when he rescinded a verbal scholarship offer he made to Ryan Dickens, a high school senior, with only 17 days left in the college football recruitment process. By retracting a verbal scholarship offer at the very last minute, the University of Connecticut coach exposed his school to potential civil lawsuits as well as unwanted bad attention from the press.⁵⁸ In another example, a newspaper published winning lottery numbers, but a typo was made, and a large number of people mistakenly believed themselves to be winners.⁵⁹

In many important negotiations, deals are closed without formal contracts. For example, in many high-stakes house and car negotiations, an understanding is often reached before official papers have been signed. Even after formal contracts are signed, a period of rescission exists, wherein either party can legally exit from the agreement. However, considerable disagreement and ethical debate surrounds the issue of whether parties have a right to renege on an agreement once an informal closing (such as a handshake) has occurred.

Good-Faith Bargaining

Good-faith bargaining is a term used to refer to people (and companies) who promise to honor verbal promises. Consider, for example, when Uber drivers filed several class-action lawsuits against the company, demanding that they be allowed to receive tips. Uber agreed to make good-faith efforts to clarify its messaging regarding tipping on its app. In 2017, Uber made good on its commitment and rolled out the optional tipping feature for drivers, with the hope that the app upgrade would retain drivers and maintain its scale and market share.⁶⁰

Sins of Omission and Commission

Lying by omission is the passive omission of relevant information; **lying by commission** is the active use of false statements. Sins of commission (active lying) are regarded as more unethical than sins of omission. (For an example of the complexity of sins of omission, consider the scenario in Exhibit 8-3.) It is possible to withhold information and not be regarded as unethical,

⁵⁷ Haselhuhn, M., Schweitzer, M., Kray, L., & Kennedy, J. (2017). Perceptions of high integrity can persist after deception: How implicit beliefs moderate trust erosion. *Journal of Business Ethics*, 145(1), 215–225.

⁵⁸ Edelman, M. (2017, January). University of Connecticut could face lawsuit for not honoring verbal football scholarship. *Forbes*. forbes.com

⁵⁹ McFadden, R. D. (1999, November 6). *Daily News* error: \$100,000 dreams turn to nightmare. *The New York Times*, p. A1.

⁶⁰ Bhulyan, J. (2017, June 20). Uber is finally adding tipping. *Recode*. recode.net; Kessler, S. (2016, April 22). In settlement agreement, Uber gives drivers permission to ask for tips. *Fast Company*. fastcompany.com

EXHIBIT 8-3

Sins of Omission

A couple interested in purchasing a house had almost all aspects of a deal worked out on House A. The realtor working with the couple was aware they would have strongly preferred to make an offer on House B, which had been sold in the previous month to someone else and had not been on the market when the couple was house shopping. The realtor showed the couple House A, and the couple made an offer on it that was accepted. Prior to the closing on House A, House B came on the market again due to a set of completely unforeseeable circumstances. The realtor was aware House B was now on the market, but did not inform the couple prior to their closing on House A. It was only following the closing (and after a 7.5% commission was paid to the realtor) that the realtor informed the couple that House B was now on the market and asked the couple if they wanted to put their newly purchased House A on the market and purchase House B.

Did the agent engage in unethical behavior? In the eyes of the real estate agent, because House B was not officially listed and because the couple did not inquire about whether House B was on the market, he did not engage in unethical behavior. In the eyes of the couple, it was unethical for the realtor not to inform them that their preferred house had become available when it did.

but when negotiators willfully shield themselves from material information, this does not exculpate them. In other words, a businessperson should not refuse to see company reports in order to maintain a stance that their company is in good financial health.

Paltering differs from lying by omission and commission. **Paltering** is the active use of truthful statements to convey a misleading impression. Paltering is common in negotiations, and many negotiators prefer to palter than to lie by commission.⁶¹ Palterers are likely to claim additional value, but risk impasse and harming their reputations. Paltering may increase conflict fueled by self-serving interpretations because people regard palterers to be particularly unethical.

Bidding Wars

A **bidding war** is a situation in which multiple negotiators compete against one another in a competitive fashion. Bidding wars are essentially social dilemmas because parties have an incentive to maximize their own interest, but all may ultimately suffer. Bidding wars can occur in housing markets, job markets, and other markets. For example, in some housing markets, sellers invite buyers to submit sealed-bids and choose among them, hoping to induce buyers to bid above list price. Bidding wars are common in perennially “hot markets” like Denver, San Francisco, and Boston, where limited inventory sends prices higher, sparking desperation amongst buyers. Some buyers trying to avoid a bidding war make full-price offers on properties before they are even listed.⁶² In such tight markets where bidding wars are the norm, buyers and their agents use nonstandard strategies, such as offering the winning bidders extra money if they relinquish the contract. For example, the winning bidder of a Grand Rapids, Michigan home was offered almost \$20,000 in cash to hand his purchase contract to another buyer.

In Silicon Valley, as companies raced to build projects that relied on deep neural network expertise or artificial intelligence, a scarcity of talent embroiled employers in an urgent bidding war for

⁶¹ Rogers, T., Zeckhauser, R., Gino, F., Norton, M. I., & Schweitzer, M. E. (2017). Artful paltering: The risks and rewards of using truthful statements to mislead others. *Journal of Personality and Social Psychology*, 112(3), 456–473.

⁶² Gopal, P. (2017, March 17). Homebuyers face bidding wars on scarcer-than-ever U.S. listings. *Bloomberg*. bloomberg.com

the fewer than 10,000 known experts in the field. With starting salaries for artificial intelligence (AI) specialists fresh out of graduate school in the \$300,000 to \$500,000 range, big companies like Google and Ford had the most resources to offer the top talent. Compensation packages continued to spiral upward as each company tried to outdo the packages of their competitors resulting in well-known AI specialists commanding offers of salary and company stock that totaled single- or double-digit millions. One downside of this bidding war was eliminating smaller enterprises and start-ups who could not afford to compete. Another drawback to the bidding war was the brain drain of talent from university AI programs, effectively limiting the number of professors who could train students and conduct research in the public interest. Smaller firms interested in AI talent, but without the resources to join the bidding wars, were forced to go abroad where wages were lower for talent, recruiting physicists and astronomers who had the math expertise needed for their companies' projects.⁶³

There are serious risks to the job seeker who attempts to start a bidding war, particularly in salary negotiations. Negotiators who receive more than one job offer may attempt to get companies to compete with one another, thereby increasing their salary offer. However, many companies don't want to compete and may ask the job-seeker to provide proof of their other offer. For example, one manager told his employer that he had another offer with a higher salary as a negotiating tactic to get a raise. The company requested to see the letter—which he did not possess!

The strategy of continually asking for more in a bargaining situation is frustrating to the counterparty. Most people are reluctant to make concessions when they fear the other party will continue to prolong negotiations. Negotiators are more likely to make concessions if they feel they will be successful in closing the deal. Thus, it is often an effective strategy to inform the other party of the terms you need to make the agreement final. Even better, prepare the official paperwork and indicate that you will “sign today” if your terms are met. The prospect of closing a deal is often enough of an enticement for negotiators to agree to the terms proposed by the other party.

Detecting Deception in Negotiation

It is difficult to detect deception in negotiation because parties often conceal behavior that they think will indicate they are lying and at the same time, engage in behaviors that they feel will make them appear trustworthy. One physiological cue that is not under direct control is pupil dilation, with the idea that dilated pupils are perceived positively, but constricted pupils are perceived negatively. Thus, negotiators may use the pupil of the counterparty as a social cue to inform their own behavior. In one investigation, when participants looked into the eyes of a partner with dilated pupils, dishonesty occurred less frequently than when the partner's pupils were constricted.⁶⁴ Another study used linguistics to detect deception. In a negotiation context, fewer first-person pronouns were found for lies and omissions, but higher word count was found only for omission.⁶⁵

Making Ethical Decisions

It is important for negotiators to be mindful about their own ethical behavior. A key reason is due to **bounded rationality**, such that even well-intentioned managers might make unethical decisions due to cognitive errors.

⁶³ Metz, C. (2017, October 22). Tech giants are paying huge salaries for scarce A.I. talent. *The New York Times*. nytimes.com; Staff Writer. (2017, October 26). Big tech lures AI talent with outsized salaries. *CEB Talent Daily*. cebglobal.com/talentedaily

⁶⁴ Van Breen, J., De Dreu, C., & Kret, M. (2017). Pupil to pupil: The effect of a partner's pupil size on (dis)honest behavior. *Journal of Experimental Social Psychology*, 74, 231–245.

⁶⁵ Van Swol, L. M., & Braun, M. T. (2014). Communicating deception: Differences in language use, justifications, and questions for lies, omissions, and truths. *Group Decision and Negotiation*, 23(6), 1343–1367.

BOUNDED ETHICALITY Bounded ethicality refers to the limits of people to make ethical decisions because they are either unaware of or fail to fully and deliberately process information.⁶⁶ For example, there exists an implicit association between “business” and the use of competitive tactics and deception; however, implicit (i.e., unconscious associations) do not actually affect negotiators’ actual use of deception.⁶⁷ Another type of bounded ethicality is overconfidence: people who have unmet goals (presumably because of overconfidence) are more likely to engage in unethical behavior.⁶⁸

RESISTING TEMPTATION Negotiation poses a self-control conflict between pursuing short-term economic benefits by behaving dishonestly versus pursuing long-term relational benefits by being honest. One theory is that factors that facilitate self-control (such as thinking about one’s future self) should lead negotiators to behave more ethically. When negotiators consider several decisions simultaneously (i.e., have a broad decision frame) and think about their future self, their temptation to behave dishonestly is reduced.⁶⁹

BEST PRACTICES Given that our judgments of ethical behavior are often biased, how can negotiators best answer the question of whether a given behavior is ethical? Consider the following:

1. **The front-page test.** The front-page test, or light-of-day test, poses the following ethical challenge to negotiators: would you be completely comfortable if your actions and statements were printed in full on the front page of the local newspaper or reported on the evening news? If not, then your behavior may be regarded as unethical. Another version: “How would I feel if I had to stand before a board of inquiry and describe what I have done?” One study found that contemplation and morally-oriented conversation, conceptualized as thinking about one’s behavior, promotes more ethical decision-making, as compared to self-interested conversation.⁷⁰
2. **Role modeling.** “Would I advise others to do this?” or “Would I be proud to see my child act this way?” or “What if everyone bargained this way? Would the resulting society be desirable?”
3. **Third-party advice.** It is wise to consult a third party (someone who takes an impartial view of the negotiation) to see how that person regards your planned behavior. When consulting the third party, do not reveal your own role in the situation. Describe the event or situation in the third-person voice.
4. **Strengthened bargaining position.** Negotiators who are adequately prepared will be less tempted to lie. For example, a negotiator who initiates efforts to improve his or her BATNA does not need to lie about his or her BATNA. A negotiator who has thought about

⁶⁶ Chugh, D., Banaji, M. R., & Bazerman, M. H. (2005). Bounded ethicality as a psychological barrier to recognizing conflicts of interest. In D. A. Moore, D. M. Cain, G. Loewenstein, & M. Bazerman (Eds.), *Conflicts of interest: Problems and solutions from law, medicine, and organizational settings* (pp. 74–95). London: Cambridge University Press.

⁶⁷ Gaspar, J., & Chen, C. (2016). The unconscious conscience: Implicit processes and deception in negotiation: *Negotiation Journal*, 32(3), 213–229.

⁶⁸ Schweitzer, M., Ordóñez, L., & Douma, B. (2004). Goal setting as a motivator of unethical behavior. *Academy of Management Journal*, 47(3), 422–432.

⁶⁹ Sheldon, O. J., & Fishbach, A. (2015). Anticipating and resisting the temptation to behave unethically. *Personality and Social Psychology Bulletin*, 41(7), 962–975.

⁷⁰ Gunia, B. C., Wang, L., Huang, L., Wang, J., & Murnighan, J. K. (2012). Contemplation and conversation: Subtle influences on moral decision making. *Academy of Management Journal*, 55(1), 13–33.

the factors that affect his or her reservation price can simply inform the other party, “It’s none of your business.” And a negotiator who has considered the facts can express an “opinion” based on the facts. Some argue that ethics “far from being a check or drag on negotiator power, can actually help to enhance it.” The “samurai negotiator” derives power from ethics and their principles are perceived by the other party as a sign of strength.⁷¹

Responding to Unethical Behavior

The relatively high incidence of ethically-questionable behavior in negotiation leads to the question of how to respond to unethical behavior.

NEUTRALIZING One investigation examined how negotiators can best respond to the use of ethically-questionable tactics by the counterparty. They identify 12 behaviors that can neutralize the counterparty’s unethical behavior, thereby improving the likelihood of reaching an integrative outcome.⁷² The 12 tactics include: promising the counterparty goal achievement; convincing the counterparty of goal progress; leading the counterparty to believe the goals are linked; suggesting limited options for the counterparty; suggesting you have other alternatives; promising long-term business opportunities; suggesting serious legal implications for the counterparty; convincing the counterparty to recognize interpersonal similarities; convincing the counterparty to identify with your organization; pointing to shared links in your social and professional networks; offering future personal and social support; and proposing to be a facilitator of valued social and business networks. In the study, nearly two-thirds of participants used neutralizing behaviors, with many tactics used later in the negotiation process.

SUSPICION A healthy amount of suspicion might serve a negotiator well. Indeed, negotiators who are suspicious are more effective at the bargaining table because a variety of adaptive defense mechanisms operate. People who are suspicious of the counterparty are better able to guard against influence strategies.⁷³

SIGNAL RISK Consider the options that a negotiator has when he or she perceives the other party as behaving unethically. First, it is important to recognize that negotiators take risks when considering or contemplating ethically-questionable behavior. These risks involve risk to immediate or short-term goals; risk to immediate or short-term relationships; risk to future or long-term goals; and risk to future or long-term relationships.⁷⁴ By signaling these risks to the counterparty in a negotiation, a negotiator can educate the counterparty about the disadvantages of unethical behavior. By doing so, the negotiator may minimize the likelihood that the opponent will engage in unethical behavior. Thus, it is important to signal these risks to the other party through persuasion and convincing, which act to neutralize by warding off unethical behavior before it occurs.

⁷¹ Young, M. (2008). Sharks, saints, and samurai: The power of ethics in negotiations. *Negotiation Journal*, 24(2), 145–155.

⁷² Fleck, D., Volkema, R., Pereira, S., Levy, B., & Vaccari, L. (2014). Neutralizing unethical negotiating tactics: An empirical investigation of approach selection and effectiveness. *Negotiation Journal*, 30(1), 23–48.

⁷³ Oza, S. S., Srivastava, J., & Koukova, N. T. (2010). How suspicion mitigates the effect of influence tactics. *Organizational Behavior and Human Decision Processes*, 112(1), 1–10.

⁷⁴ Volkema, R., & Rivers, C. (2012). Beyond frogs and scorpions: A risk-based framework for understanding negotiating counterparts’ ethical motivations. *Negotiation Journal*, 28(4), 379–405.

REPUTATION

One thing a negotiator definitely needs to protect is his or her reputation. **Reputations** are socially-constructed labels that provide representations that organize our perceptions of other people.⁷⁵ Reputations are based on a combination of first- and second-hand information.⁷⁶ First-hand information is based on our direct experience with someone. Second-hand information is based on what we hear about someone else's experience with someone.

The reputation built by agent Don Buchwald has been crafted by years of diligent service to his clients, a veritable who's who of Hollywood. Mr. Buchwald is a man who is referred to often but heard from rarely, a position he prefers. "I'm not a particularly boastful person," says Buchwald. At age 80, he was a radio show host and Howard Stern's *de facto* manager and publicist. Mr. Buchwald who regularly uses terms like "fella," "baloney," and "nifty," is not an agent in the flashy young Hollywood sense, instead referring to his polished suit as his "costume," saying that he wants to set a tone with his clothes, "You should announce yourself. You should look as lovely as possible." One entertainment industry executive remarked that negotiating on the same side of a deal as Buchwald is "a joy," but when negotiating against Buchwald, "There is a nightmare quality to it. Because you're only going to do so well. If you want to do better than that, you're probably going to have to grovel."⁷⁷

You don't have to be a famous superagent to the stars for others to have an impression of you.⁷⁸ The reputations people gain affect how others deal with them. Glick and Croson point to Silicon Valley as an example of a negotiation community where an active technology trade press helps generate a rich flow of information regarding reputations. Because venture capitalists co-invest with various firms, they share information. Moreover, because time is money, you might not even get on a calendar unless your reputation is good. Our impressions of others are formed quickly and immediately, sometimes within the first few minutes of meeting someone, because the judgments we make about people are often automatic.⁷⁹

Halos and Forked-Tails

Reputations are often more extreme and polarized than the person they represent; they can be summed up by four words: **judgmental**, **consistent**, **immediate**, and **inferential**. The reputations assigned to others tend to be highly evaluative, meaning that they are either "good" or "bad."⁸⁰ Furthermore, the reputations we assign to others are highly internally consistent. Once we decide that someone is trustworthy, other qualities about this person are perceived as consistent with this favorable impression. This tendency gives rise to the **halo effect**, which is the propensity to believe that people we trust and like are also intelligent and capable.

⁷⁵ Tinsley, C. H., O'Connor, K.M., & Sullivan, B.A. (2002). Tough guys finish last: The perils of a distributive reputation. *Organizational Behavior and Human Decision Processes*, 88(2), 621–642.

⁷⁶ Glick, S., & Croson, R. (2001). Reputations in negotiation. In S. J. Hoch, H. C. Kunreuther, & E. Gunther (Eds.), *Wharton on making decisions* (pp. 177–186). New York: Wiley.

⁷⁷ Rosman, K. (2018, January 24). Howard Stern's superagent is getting with the program. *The New York Times*. nytimes.com

⁷⁸ Glick, & Croson, "Reputations in negotiation."

⁷⁹ Bargh, J. A., Lombardi, W. J., & Higgins, E. T. (1988). Automaticity of chronically accessible constructs in person-situation effects on person perception: It's just a matter of time. *Journal of Personality and Social Psychology*, 55(4), 599–605.

⁸⁰ Osgood, C. E., Suci, G. J., & Tannenbaum, P. H. (1957). *The measurement of meaning*. Urbana: University of Illinois Press.

Of course, the halo effect can work in the opposite direction. The **forked-tail effect** means that once we form a negative impression of someone, we tend to view everything else about them in a negative fashion. For this reason, it is difficult to recover from making a bad impression.

Reputations in Negotiation Communities

Managers' reputations are built fairly quickly in negotiation communities.⁸¹ Moreover, people who are more socially networked are more likely to develop reputations quickly that are difficult to change.⁸² "Deceptive cheap talk" that is discovered by the other party negatively affects a negotiator's outcomes.⁸³ People who discover that they have been deceived may seek retribution, even though doing so may be costly to them. Consider, for example how Felicity Loudon, the heiress of Cadbury, vowed to seek retribution following the hostile takeover bid of Cadbury by Kraft. Kraft launched a hostile takeover bid for Cadbury in December 2009. The move provoked a massive public reaction with a campaign by *The Mail* to "Keep Cadbury British." But in January of 2013, Cadbury shareholders voted to accept an £11.5 billion offer from Kraft. Felicity Loudon vehemently declared that she would start her own company in retaliation, saying, "I can't accept that Cadbury has gone to America. To a plastic cheese company. I won't accept it. I want to start again. I want to make chocolate and I'm jolly well going to do it."⁸⁴

Glick and Croson undertook an investigation of the reputations earned by 105 students enrolled in a class.⁸⁵ They rated one another on the basis of firsthand experience, from the least cooperative to the most cooperative:

- **Liar-manipulator** (will do anything for advantage)
- **Tough but honest** (very tough and makes few concessions but will not lie)
- **Nice and reasonable** (makes concessions)
- **Cream puff** (makes concessions and is conciliatory regardless of what the other does)

The major finding from their multiweek investigation was that people act much tougher when dealing with someone who has the reputation of being a liar (61% reported using distributive, pie-slicing tactics with these people). Against tough negotiators, this behavior dropped to 49%, and integrative tactics (pie-expanding tactics) were used 35% of the time. Against nice negotiators, only 30% used distributive tactics, and 64% used integrative tactics. Against cream puffs, 40% used distributive tactics, and only 27% used integrative tactics. People use tough or manipulative tactics in a defensive fashion with liars and tough negotiators, and they use them in an opportunistic fashion with cream puffs.

⁸¹ Glick, & Croson, "Reputations in negotiation."

⁸² Anderson, C., & Shirako, A. (2008). Are individuals' reputations related to their history of behavior? *Journal of Personality and Social Psychology*, 94(2), 320–333.

⁸³ Croson, R., Boles, T., & Murnighan, J. (2003). Cheap talk in bargaining experiments: Lying and threats in ultimatum games. *Journal of Economic Behavior and Organization*, 51(2), 143–159.

⁸⁴ Sweet revenge: Cadbury heiress angered by Kraft takeover sells £30m house to launch rival to "American plastic cheese company." (2012, May 7). *The Daily Mail*. dailymail.co.uk

⁸⁵ Glick, & Croson, "Reputations in negotiation."

⁸⁶ Tinsley, O'Connor, & Sullivan, "Tough guys finish last."

Distributive versus Integrative Reputation

It is important for negotiators to manage their reputations. In one investigation, novice negotiators bargained against expert negotiators (who had significant negotiation experience).⁸⁶ The experts in this investigation had a bargaining advantage over the novices, but not when their distributive reputation was known by the novice. Novice negotiators who interact with expert negotiators who had “distributive” reputations evaluated the counterparty more negatively and used more distributive and less integrative strategies, ultimately reducing the development of joint gains. Conversely, when novices were told that the expert had an integrative reputation, the novices disclosed information about their interests, needs, and priorities, which resulted in higher joint gains.⁸⁷

BATNAs and Reputations

Negotiators who have attractive BATNAs can afford to be tougher and make fewer concessions in a negotiation. Consequently, they might be regarded as particularly tough. When we encounter a tough negotiator, there are two possible explanations: they might have an attractive BATNA or perhaps they are simply a disagreeable and demanding person. One attribution is situational, namely the fact that they have an attractive BATNA. The other attribution is dispositional. One investigation found that negotiators are more likely to make dispositional attributions and develop negative impressions of counterparties when the counterparty has an attractive alternative.⁸⁸ However, this reputation is not quite accurate because their aggressive behavior is not a reflection of their personality, but rather, due to the fact that they have better alternatives. Negotiators are too quick to attribute behavior to disposition, rather than situational factors.

Reputations and Self-Serving Views

A key aspect to remember is that negotiators’ self-perceived reputations are bound to be more favorable than their actual reputation, because of the self-serving bias. For example, our examination of lying revealed that even though 40% of people believed that others in their network lied over a 10-week period, these same people admitted lying only about 22% of the time. Such egocentric perceptions point to a discrepancy between negotiators’ self-perceptions and their actual reputation.

CHAPTER CAPSTONE

A negotiator’s BATNA is the most important source of power in a negotiation. Using power in negotiation may not always lead to advantageous outcomes. All negotiators need to be concerned about ethical behavior in negotiation and know that, as with everything else, we don’t always see our actions the way others see them. We discussed the moral and strategic disadvantages of lying with respect to the six things negotiators most often lie about (positions, interests, priorities, BATNAs, reservation prices, and key facts). We suggested that negotiators engage in four “tests” when struggling to decide whether a given behavior is ethical: the front-page test, role modeling, third-party advice, and strengthening their bargaining position. Reputations are formed quickly within negotiation communities and negotiators are best served to cultivate reputations as nice and tough.

⁸⁷ Tinsley, C. H., Cambria, J. J., & Kupfer-Schneider, A. (2006). *Reputations in negotiation*. In A. Kupfer Schneider & C. Honeyman (Eds.), *The negotiator’s field book: The desk reference for the experienced negotiator* (pp. 203–214). Chicago: American Bar Association.

⁸⁸ Morris, M. W., Larrick, R. P., & Su, S. K. (1999). Misperceiving negotiation counterparts: When situationally determined bargaining behaviors are attributed to personality traits. *Journal of Personality and Social Psychology*, 77(1), 52.

9

CREATIVITY, PROBLEM SOLVING, AND LEARNING IN NEGOTIATION

Following the half-year travel disruption across the globe as a result of the coronavirus pandemic, many airlines had to make difficult decisions about their operations and staffing levels. In May 2020, British Airways announced that it intended to do away with the role of senior flight attendants and enforce a permanent pay cut of 50%. This was part of the airline's plan to reduce its workforce by 12,000. In June they announced plans to fire all their pilots and hire them back under cheaper contracts. In hindsight, it seems that these statements were just an opening gambit to encourage their employees to negotiate. By the middle of July, a new deal seemed to have been tentatively agreed upon by the airline and the pilots; the latter would take an 8% pay cut in September 2020 and a further 8% cut by September 2022. The agreed-upon 4% payment hike, originally due April 2021, would be deferred until 2024. Pilots were also obligated to take two weeks of unpaid leave before April 2021. As far as the airline and the pilots were concerned, it seemed like a win-win agreement: there would be fewer job losses, the airline would see a reduction in its salary bill, and there would be enough pilots ready to be deployed once demand rose again. In the spirit of creative problem-solving in late June, cabin crew were also offered a new deal, promising only a 20% cut in salary.¹

CREATIVITY IN NEGOTIATION

Creative, win-win negotiations such as that between British Airways and its pilots often emerge after both parties have struggled, declared an impasse, settled for lose-lose, or in some cases, escalated the conflict to legal proceedings. Too often, parties in conflict are quick to use tough, distributive strategies and even threats. Fashioning win-win agreements that leverage both parties' interests involves creativity and problem-solving. Unfortunately, the creative aspect of negotiation is often ignored by negotiators, who fixate on the competitive aspect of negotiation.² This tendency is largely driven by the pervasive **fixed-pie perception**, or the belief that negotiation is a win-or-lose enterprise. Successful negotiation requires creativity and problem solving, and the process of dividing resources is easier when the pie has been enlarged via creative and insightful problem-solving strategies. This chapter is the "advanced course" in integrative bargaining. It provides negotiators with strategies to transform their negotiations into win-win enterprises. We focus on products of negotiation

¹ Schlappig, B. (2020, July 13). British Airways' creative deal with pilots. *One Mile at a Time*. onemileatatime.com; Burgess, R. (2020, July 12). Here's the deal British Airways pilots have agreed to minimize redundancies. *Head for Points*. www.headforpoints.com; Maszczyński, M. (2020, June 26). British Airways offers long-serving cabin crew 80% of basic pay in new deal to break deadlock. *Paddle Your Own Kanoo*. www.paddleyourownkanoo.com.

² Wilson, E. R., & Thompson, L. (2014). Creativity and negotiation research: The integrative potential. *International Journal of Conflict Management*, 25(4), 359–386.

(such as outcomes), the people involved (i.e., the negotiators), and the processes (or the conditions that connect the people to the product).³ We invite negotiators to put their problem-solving skills and creativity to the test. First we focus on creative agreements in negotiation. Then, we consider the biggest threats to creative problem solving in negotiations.

Test Your Own Creativity

Exhibit 9-1 contains 13 thought problems. Take 30 minutes right now to try to solve these problems. When in doubt, make your best guess. As you go along, make a note of your thoughts about each problem as you try to solve it. (Read the rest of this chapter before you look up the answers in Exhibit 9-5 at the end of this chapter). As you read the chapter, see whether any insights come to you, and make note of them as they arise.

EXHIBIT 9-1

Creativity Questions

CARD DECISION*

Look at the following numbers/letters. Each number/letter represents a card. On each of the four cards, a letter appears on one side and a number on the other. Your task is to judge the validity of the following rule: "If a card has a vowel on one side, then it has an even number on the other side." Your task is to turn over only those cards that have to be turned over for the correctness of the rule to be judged. What cards will you turn over? [*Circle those cards that you will turn over to test the rule.*]

E K 4 7

PERSON IN A ROOM DECISION†

A person has been chosen at random from a set of 100 people, consisting of 30 engineers and 70 lawyers. What is the probability that the individual chosen at random from the group, Jack, is an engineer?

"Jack is a 45-year-old man. He is married and has four children. He is generally conservative, careful, and ambitious. He shows no interest in political and social issues and spends most of his free time on his many hobbies, which include home carpentry, sailing, and mathematical puzzles."

Jack is [*circle one*]:

an engineer a lawyer

BETTING DECISION**

Which gamble would you rather play? [*Circle A or B*]

A: 1/3 chance to win \$80,000

B: 5/6 chance to win \$30,000

* Wason, P. C., & Johnson-Laird, P. N. (1972). *Psychology of reasoning: Structure and content*. Cambridge, MA: Harvard University Press.

† Kahneman, D., & Tversky, A. (1973). On the psychology of prediction. *Psychological Review*, 80, 237–251.

** Tversky, A., & Kahneman, D. (1981). The framing of decisions and the psychology of choice. *Science*, 211, 453–458.

(continued)

³ Carnevale, P. J. (2006). Creativity in the outcomes of conflict. In M. Deutsch, P. T. Coleman, & E. C. Marcus (Eds.), *Handbook of conflict resolution* (2nd ed.). San Francisco: Jossey-Bass.

Now, imagine that you have to choose one of the following gambles. Which one will you play? [Circle C or D]

C: 50% chance to win \$10,000, and 50% chance to lose \$10,000

D: \$0

WATER JUGS^{††}

You have been given a set of jugs of various capacities and an unlimited water supply. Your task is to measure out a specified quantity of water. You should assume you have a tap and a sink so that you can fill jugs and empty them. The jugs start out empty. You are allowed only to fill the jugs, empty them, and pour water from one jug to another. As an example, consider the following problems 1 and 2:

Example Problem #	Capacity of Jug A	Capacity of Jug B	Capacity of Jug C	Quantity Desired
1	5 cups	40 cups	18 cups	28 cups
2	21 cups	127 cups	3 cups	100 cups

To solve problem 1, you would fill jug A and pour it into B, fill A again and pour it into B, and fill C and pour it into B. The solution to this problem is denoted by **2A + C**.

To solve problem 2, you would first fill jug B with 127 cups, fill A from B so that 106 cups are left in B, fill C from B so that 103 cups are left in B, and empty C and fill C again from B so that the goal of 100 cups in jug B is achieved. The solution to this problem can be denoted by **B-A-2C**.

REAL PROBLEMS

Example Problem #	Capacity of Jug A	Capacity of Jug B	Capacity of Jug C	Quantity Desired	Solution
1	14 cups	163 cups	25 cups	99 cups	
2	18 cups	43 cups	10 cups	5 cups	
3	9 cups	42 cups	6 cups	21 cups	
4	20 cups	59 cups	4 cups	31 cups	
5	23 cups	49 cups	3 cups	20 cups	
6	15 cups	39 cups	3 cups	18 cups	
7	28 cups	76 cups	3 cups	25 cups	
8	18 cups	48 cups	4 cups	22 cups	
9	14 cups	36 cups	8 cups	6 cups	

^{††} Luchins, A. S. (1942). Mechanization in problem solving. *Psychological Monographs*, 5(46), 1-95.

STICK PROBLEM*

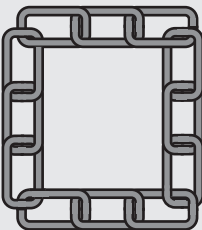
You have six sticks, all of equal length. You need to arrange them to form four triangles that are equilateral and with each side one stick long. (You cannot break any sticks.) Indicate how you would do this.

LETTER SEQUENCE†

What is the next letter in the following sequence? OTTFSS_____

CHAIN PROBLEM**

The goal of this task is to make a chain (as depicted in the goal state) from the links you are given (in the given state). Please note that it costs \$3 to open a link, \$5 to close a link. Your total budget is \$25.

	Given State	Goal State
A		
B		
C		
D		

SUSAN AND MARTHA

Susan and Martha are discussing their children when Susan asks Martha for the ages of her three sons. Martha says, "The sum of their ages is 13 and the product of their ages is the same as your age." Susan replies, "I still do not know their ages." What must Susan's age be?

- a. 24 b. 27 c. 63 d. 36 e. 48

NECKLACE*

A woman has four pieces of chain. Each piece is made of three links. She wants to join the pieces into a single closed ring of chain. To open a link costs 2 cents; to close a link costs 3 cents. All links are now closed. She has only 15 cents. How does she do it?

GOLD CHAIN

Isaac is staying at a motel when he runs short of cash. Checking his finances, he discovers that in 23 days he will have plenty of money, but until then he will be broke. The motel owner refuses to let Isaac stay without paying his bill each day, but because Isaac owns a heavy gold chain with 23 links,

* Scheer, M. (1963). *Scientific American*, 208, 118–218.

† Letter sequence: Source unknown.

** De Bono, E. (1967). *The use of lateral thinking*. New York: Penguin.

*Wickelgren, W. A. (1974). *How to solve problems*. San Francisco: W. H. Freeman.

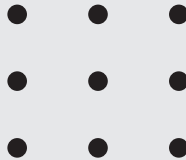
(continued)

the owner allows Isaac to pay for each of the 23 days with one gold link. Then, when Isaac receives his money, the motel owner will return the chain. Isaac is very anxious to keep the chain as intact as possible, so he does not want to cut off any more of the links than absolutely necessary. The motel owner, however, insists on payment each day, and he will not accept advance payment. How many links must Isaac cut while still paying the owner one link for each successive day?

_____ links

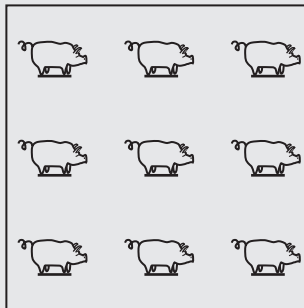
NINE DOT PROBLEM[†]

Consider the following nine dots. Draw four or fewer straight lines without lifting your pencil from the paper so that each of the nine dots has a line through it.



PIGPEN*

Nine pigs are kept in a square pen, as shown in the figure. Build two more square enclosures that would put each pig in a pen by itself.



WATER LILIES^{††}

Water lilies on a certain lake double in area every 24 hours. On the first day of summer, one water lily is on the lake. On the 60th day, water lilies completely cover the lake. On what day is the lake half covered?

BARTENDER PROBLEM**

A man walks into a bar and asks for a glass of water. The bartender points a shotgun at the man. The man says, "Thank you," and walks out. What is going on in this situation?

[†] Weisberg, R. W., & Alba, J. W. (1981). An examination of the alleged role of "fixation" in the solution of several insight problems. *Journal of Experimental Psychology: General*, 110, 169–192.

* Fixx, J. F. (1972). *More games for the super-intelligent*. New York: Warner Books.

^{††} Sternberg, R. J., & Davidson, J. E. (1983). Insight in the gifted. *Educational Psychologist*, 18, 51–57.

** Dayton, T., Durso, F. T., & Shepard, J. D. (1990). A measure of the knowledge reorganization underlying insight. In R. W. Schreveltdt (Ed.), *Pathfinder associative networks: Studies in knowledge organization*. Norwood, NJ: Able.

MENTAL MODELS OF NEGOTIATION

A **mental model** is a person's theory about cause and effect for a particular situation. A mental model of negotiation is a personal theory about what behaviors will lead to certain outcomes. Negotiators' mental models shape their behavior and affect the course of negotiation. For example, if your mental model of negotiation is a "dog-eat-dog" enterprise, you are going to be much tougher than if you view negotiation as a "partnership." Over 70% of people hold one of four archetypical models of negotiation, including the prisoner's dilemma game and the chicken game.⁴ Moreover, the games that people think they are playing with others influence how others see them, their use of deception, and a number of other behaviors.⁵ Consider the following five popular mental models: haggling, cost-benefit analysis, game playing, partnership, and problem solving.⁶ As you read about these five mental models, think about which one best characterizes your own approach to negotiation.

Haggling

The most common mental model of negotiation is **haggling**, in which each negotiator tries to obtain the biggest share of the bargaining zone via a rapid exchange of offers. The haggling model is based upon a fixed-pie perception of negotiation. For example, before setting out for Dungeness crab season each December, fishermen and processors in Newport, Oregon engage in a time-honored tradition of negotiating an opening price for the crabs, known as "parley" in maritime terminology. In another example, a research investigation of haggling revealed that women were initially quoted higher prices than were men in their attempts to get a deal on a car radiator, but when women bothered to haggle, they were successful more often than men who haggled. In this investigation, male and female volunteers called auto repair shops asking about the cost to replace a radiator on a 2003 Toyota Camry. With a going accepted rate of \$365, the callers stated what they thought the radiator should cost—anywhere from \$365 to \$510 to stating no idea of the cost. When callers mentioned rates for the job in excess \$365, they ended up with a quote of \$60 more than that, on average. When the men and women expressed no idea of the cost, men on average received a \$383 quote, whereas women were gouged with a quote of \$406. But, when callers engaged in "haggling"—that is, asking the shops to lower the quoted price—35% of women were successful, but only 25% of the men were successful.⁷

Cost-Benefit Analysis

Some negotiators think of negotiation as a rational, decision-making model in which they compute a cost-benefit analysis and attempt to maximize their returns. For example, Robert Rubin, former U.S. Treasury Secretary, calculates the odds of almost every decision he faces, using both

⁴ Halevy, N., Chou, E. Y., & Murnighan, J. K. (2012). Mind games: the mental representation of conflict. *Journal of Personality and Social Psychology*, 102(1), 132–148.

⁵ Halevy, Chou, & Murnighan, "Mind games."

⁶ Thompson, L., & Loewenstein, J. (2003). Mental models of negotiation: Descriptive, prescriptive, and paradigmatic implications. In M. A. Hogg & J. Cooper (Eds.), *Sage handbook of social psychology*. London: Sage.

⁷ Tuttle, B. (2013, July 5). Women at the auto repair shop: Better at haggling, yet more likely to get ripped off. *Time*. business.time.com

mental and real yellow pads. He once suggested to the board of the American Ballet Theatre, on which he sat, that it enact a cost reduction by cutting 10% of the swans in *Swan Lake*.⁸

Game Playing

The chess game model of negotiation elevates negotiation from “fighting in the streets” to a battle of wits between two or more highly intelligent people. In game playing, each person has his or her own interests in mind. For example, California Tortilla’s customers were invited to challenge cashiers to a game of Rock, Paper, Scissors to get a dollar taken off their bill.⁹ The World Rock, Paper, Scissors Society posted the following advice to size up the counterparty:

A seemingly intellectually-superior counterparty (thus most likely to play paper) can be beaten by playing scissors. Rock being the most aggressive throw, the knuckle-dragging cashier type can be beaten by playing paper, which symbolizes “the victory of modern culture over barbarism.” A contained, clever user of tools can be beaten by playing rock.

Partnership

A quite different mental model of negotiation is a **partnership**, embraced by companies and salespeople who treat their clients as partners. Negotiators who subscribe to the partnership model believe it is important to build rapport to nurture a long-term relationship and in many cases, to make sacrifices in the name of creating goodwill. For example in one model, negotiation is likened to the Brazilian dance of capoeira in which movements and rhythm is interpreted as both fighting and as dancing (collaborating). The belief is that the dance metaphor promotes a more constructive and interests-based approach.¹⁰

Problem Solving

In **problem solving**, negotiators sit on the same side of the table and attempt to solve a puzzle together. This model focuses on the collaborative or cooperative aspects of the task and involves a great deal of creativity, reframing, and out-of-the-box thinking. For example, consider the mutual problem solving in the NBC–Kelly negotiation. After gaining notoriety at Fox News, anchor Megyn Kelly chose to move networks, accepting a position at NBC News, despite Fox News offering her \$20 million a year to stay. According to *The New York Times*, NBC began negotiations by asking Kelly what she wanted if she would move to their network. Kelly could have asked for more money, but her true desire wasn’t maximizing her earning potential, but changing the demands on her time so that she could spend it with her husband and three young children. Kelly’s NBC contract gave her a daytime show, as well as a role in anchoring big news events; with that change came a schedule that allowed her to see her children off to school and have dinner with her family in the evening. NBC was open to making these time concessions, and by Kelly making her real needs clear and definitively telling NBC

⁸ Loomis, C. (2003, December 22). The larger-than-life life of Robert Rubin. *Fortune*, 114–124.

⁹ Dash, J. (2007). California Tortilla to challenge customer to game of “Rock, Paper, Scissors.” *Baltimore Business Journal*. bizjournals.com/baltimore/stories

¹⁰ Young, M., & Schlie, E. (2011). The rhythm of the deal: Negotiation as a dance. *Negotiation Journal*, 27(2), 191–203.

that she would make the jump to their network if they agreed to her terms, Kelly and NBC were able to quickly close a deal.¹¹

We investigated negotiators' mental models and how they affect performance.¹² Compared to negotiators who fail to reach win–win outcomes, negotiators who reach win–win outcomes are more accurate in their understanding of the other party's underlying interests. Negotiators who reach win–win outcomes have mental models that are more similar to one another than do negotiators who fail to reach win–win outcomes. Shared metacognition promotes more cooperative negotiation, greater insight into the opponent's values and interests, and greater satisfaction with the negotiation outcome.¹³ Indeed, one investigation found that to the extent that negotiators have *high* (versus low) **construal levels** (i.e., the ability to think abstractly, from a distant perspective), they are better at exchanging the information necessary to create integrative agreements.¹⁴ To achieve such shared cognition, negotiators should explicitly exchange their understanding with one another. Experience-based training allows negotiators to develop mental models that resemble expert, win–win models; in contrast, didactic lecturing is uniquely ineffective.

CREATIVE NEGOTIATION AGREEMENTS

Creativity in negotiation often follows the pattern of the “Monday morning quarterback,” meaning that it is easy in hindsight to see creative opportunity in negotiations; however, it often eludes us in the moment. Next, we outline the hallmark characteristics of truly creative negotiations.¹⁵

Fractionating Single-Issue Negotiations into Multiple Issues

Most negotiation situations appear to contain a single issue. Fractionating negotiation issues into multiple parts and creating several issues from what may appear to be a single-issue negotiation is probably the most important aspect of creative negotiation.¹⁶ For example, the negotiated sale between Uber and SoftBank involved several dimensions, including two board seats, an extension of the board size, reworking voting power to early backers, and the dismissal of the legal case against former cofounder Travis Kalanick.¹⁷

Pattern-Finding

By exchanging offers, negotiators gain insight into possibilities. The timing of offer exchange and the insight it provides is important. During the early part of negotiation, search is exploratory and negotiators are influenced by the value of the offers.¹⁵ However, later search is more focused on refinement and the content of offers. Search by value is more difficult than search by

¹¹ Staley, O. (2017, January 3). Family friendly entertainment. *Quartz*. qz.com; Zillman, C. (2017, January 4). Megyn Kelly's move to NBC isn't the first time she chose work-life balance over money. *Fortune*. fortune.com

¹² Van Boven, L., & Thompson, L. (2003). A look into the mind of the negotiator: Mental models in negotiation. *Group Processes & Intergroup Relations*, 6(4), 387–404.

¹³ Choi, D. W. (2010). Shared metacognition in integrative negotiation. *International Journal of Conflict Management*, 21(3), 309–333.

¹⁴ Wening, S., Keith, N., & Abele, A. (2016). High construal level can help negotiators to reach integrative agreements: The role of information exchange and judgment accuracy. *British Journal of Social Psychology*, 55(2), 206–226.

¹⁵ Pruitt, D. G., & Carnevale, P. J. (1993). *Negotiation in social conflict*. Pacific Grove, CA: Brooks-Cole.

¹⁶ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

¹⁷ Newcomer, E., & Alpeyev, P. (2017, December 28). Uber investors agree to sell stake in SoftBank Deal. *Bloomberg*. bloomberg.com

content, and negotiators seek value by communicating about content. Similarly, when negotiators make a first offer, it is advisable to do so later rather than earlier in the negotiation. Indeed, negotiators who make first offers later in the negotiation are more likely to discover creative agreements that meet parties' underlying interests than those who make early first offers.¹⁸

Expanding the Pie

Expanding the pie is an important method for the creation of integrative agreements. However, negotiators who labor under the fixed-pie perception may unnecessarily limit their options. Consider for example, how a negotiation between a fire station and an elementary school moved from impasse to win-win by expanding the pie.¹⁹ Initially, the school wanted to acquire land to expand, but the fire station blocked that move. So the pie was expanded such that each party paid an unrelated third party to acquire a separate parcel of land. In the final deal, the city gave a three-acre parcel of land to a private owner, who then gave seven and a half of his own acres (located nearer to the school and fire station) back to the city. At this point, the fire station and the school successfully expanded the amount of available land to accomplish both of their goals. Thus, by expanding the pie to include another plot of land that could be "swapped," both parties ultimately achieved what they wanted: the school was able to expand, and the firehouse could make its entrances and exits more convenient and safe.

Bridging

Often, it is not possible for negotiators to reach a compromise solution, and expanding the pie does not work. Furthermore, there are times when neither party can get what they want in a trade-off. A **bridging** solution creates a new alternative that meets parties' underlying interests. Bridging alerts us to yet another reason to understand the other party's interests and avoid positional bargaining. If negotiators understand the basic needs of the counterparty, they are more likely to fashion bridging agreements. For example, when CVS Health bought Aetna, CVS was facing declining retail revenue and threats from online retailer Amazon. Simultaneously, Aetna was reeling from a failed merger with Humana, and had retreated from their involvement in the Affordable Care Act, leaving them with an unclear path for future growth. By understanding Aetna's interests of long-term growth, CVS developed a bridging solution: by offering Aetna space in CVS's brick and mortar stores, Aetna could provide care directly to patients and help them better manage their health coverage with onsite reps. The bridging solution created more foot traffic in CVS stores, and also allowed CVS to engage in a disruptive position in the health-care industry.²⁰

Cost Cutting

Sometimes, people are reluctant to negotiate because reaching a resolution seems costly to them. Most people are risk seeking when it comes to loss, meaning that they are reluctant to make concessions and may behave irrationally when they believe they will have to make concessions. **Cost cutting** is a way of making the other party feel whole by reducing that party's costs. For example, realizing that smaller restaurants struggle with the non-negotiable high fees associated

¹⁸ Sinaceur, M., Maddux, W. W., Vasiljevic, D., Nuckel, R. P., & Galinsky, A. D. (2013). Good things come to those who wait: Late first offers facilitate creative agreements in negotiation. *Personality and Social Psychology Bulletin*, 39(6), 814–825.

¹⁹ Robertson, G. (1998, February 18). Creative negotiations pay off. *Richmond Times-Dispatch*, p. J3.

²⁰ Terlep, S., Mathews, A. W., & Cimilluca, D. (2017, December 3). CVS to buy Aetna for \$69 billion, combining major health care players. *The Wall Street Journal*. wsj.com

with established delivery providers such as UberEats and GrubHub, DoorDash and Postmates provided a cost-cutting proposal by negotiating lower delivery service fees.²¹

Another example of cost cutting occurred during the Verizon acquisition of Yahoo. In the middle of the negotiation, Yahoo discovered two enormous data breaches of their consumer accounts that could have posed significant costs for Verizon. Accordingly, Yahoo agreed to reduce their original sales price of \$4.8 billion by \$350 million.²²

Nonspecific Compensation

In a **nonspecific compensation** agreement, one negotiator receives what he or she wants, and the other is compensated (or paid) by some method that was initially outside the bounds of the negotiation. For example, Phil Jones, managing director of Real Time Consulting, a London-based interactive design consultancy, recalls an instance where he used nonspecific compensation in his negotiations.²³ The problem was that his client, a Formula 1 motor-racing team, wanted to launch websites, but did not have the budget to pay him. However, in Phil Jones's eyes, the client was high profile and had creative, challenging projects with which Real Time wanted to get involved. The Formula 1 team came up with a nonspecific compensation offer to make the deal go through: tickets to some of the major Formula 1 meetings. It worked. Says Phil Jones, "The tickets are like gold dust... and can be used as a pat on the back for staff or as an opportunity to pamper existing clients or woo new ones."

Structuring Contingencies

A major obstacle to reaching negotiated agreements often concerns negotiators' beliefs about some future event or outcome.²⁴ Impasses often result from conflicting beliefs that are difficult to surmount, especially when each party is confident about their views and often suspicious of the other party's forecasts. Often, compromise is not a viable solution, and each party may be reluctant to change his or her point of view. Contingent contracts can provide a way out of the mire. With a **contingent contract**, differences of opinion among negotiators concerning future events do not have to be bridged; instead, they become the core of the agreement.²⁵ Negotiators can bet on the future rather than argue about it. In some areas of business, contingent contracts are commonplace. For example, some CEOs agree to tie their salary to a company's stock price.

Consider how contingent contracts were pivotal in the 2016 InterOil Corporation negotiations. InterOil was the target of two competition acquisition proposals: one from ExxonMobil and another from Oil Search Limited. Because these proposals involved millions of dollars and the volume of oil was uncertain, the proposals contained contingent terms, with payment based upon the results of an independent resource certification of the volume of InterOil's key Papua New Guinea asset, the Elk-Antelope field. The ExxonMobil offer proposed that shareholders would receive ExxonMobil shares to a value of \$45, and \$7.07 per IOC share for each gross resource

²¹ Upton, N. (2016, October 3). Third party delivery fees? It's a negotiable secret. *Food on Demand News*. foodon-demandnews.com

²² Merced, M., & Goel, V. (2017, February 15). Yahoo and Verizon are said to be near cheaper deal. *The New York Times*. nytimes.com

²³ Davies, J. (1998, November 1). The art of negotiation. *Management Today*, 126–128.

²⁴ Lax, D. A., & Sebenius, J. K. (1986). *The manager as negotiator*. New York: Free Press.

²⁵ Bazerman, M. H., & Gillespie, J. J. (1999). Betting on the future: The virtues of contingent contracts. *Harvard Business Review*, 77(4), 155–160.

certification of the Elk-Antelope field about 6.2 tcf, up to a maximum of 10 tcf. The Oil Search proposal offer proposed 8.05 Oil Search shares for each InterOil share held, plus one contingent value right (CVR). The CVRs would entitle holders to contingent cash payments linked to resources in the Elk-Antelope fields. On redemption, each CVR would deliver \$6.05 for each tcf (about 6.2 tcf gross). InterOil shareholders could also take a cash alternative up to a maximum of \$770 million. In 2017, the board of InterOil concluded that the ExxonMobil proposal was superior and the deal was put into motion.²⁶ In many business negotiations, contingent contracts are either ignored or rejected for several reasons.²⁷ First, people may not know how to construct contingent contracts. Second, contingent contracts are often seen as a form of gambling. Third, no systematic way of thinking about the formulation of such contracts is usually available, meaning that they *appear* to be a good idea, but how to formalize and act upon them remains an enigma. Fourth, many negotiators have a “getting to yes” bias, meaning they focus on reaching common ground with the other party and are reluctant to accept differences of interest, even when this might create viable options for joint gain.²⁸ The paradoxical view suggested by the contingent contract strategy states that differences are often constructive. With a contingent contract, negotiators can focus on their real mutual interests, not on their speculative disagreements.²⁹ When companies fail to find their way out of differences in beliefs, they often go to court, creating expensive delays, litigation costs, loss of control by both parties, and deteriorating BATNAs.

Consider how a contingent contract might have changed the course of one of the most sensitive negotiation issues involving consumers and mobile apps. In the late 1990s, privacy groups like the Center for Digital Democracy and the Electronic Privacy Information Center, complained that websites often collected sensitive information without their users’ permission or knowledge. In 2000, the Federal Trade Commission examined the privacy implications raised by consumers’ growing use of mobile devices. A study by the Federal Trade Commission found that only 16% of apps aimed at children disclosed their privacy practice.³⁰ The battle between citizens and app developers became particularly heated and emotional. Investigative reporters in the mid-1990s uncovered a long list of dangerous marketing abuses that negatively leveraged users’ personal information to gain power.³¹ A contingent contract was introduced in 2013 when the National Telecommunications and Information Administration (NTIA), an agency within the Commerce Department, convened a discussion in an effort to implement the White House’s “Privacy Bill of Rights,” which outlined a set of principles for how Internet companies should handle personal information. In particular, John Potter, President of the Application Developers Alliance, crafted a code of conduct

²⁶ Thompson, C., & Levy, R. (2016, July 22). Contingent payments in takeovers: OSH and ExxonMobil’s proposals for IOC. *Herbert Smith Freehills*. herbertsmithfreehills.com; ExxonMobil completes InterOil acquisition (2017, February). *Offshore Energy Today*. offshoreenergytoday.com

²⁷ Bazerman, M. H., & Gillespie, J. J. (1999). Betting on the future: The virtues of contingent contracts. *Harvard Business Review*, 77(4), 155–160.

²⁸ Gibson, K., Thompson, L., & Bazerman, M. H. (1994). Biases and rationality in the mediation process. In L. Heath, F. Bryant, & J. Edwards (Eds.), *Application of heuristics and biases to social issues: Vol. 3*. New York: Plenum.

²⁹ Bazerman, M. H., & Gillespie, J. J. (1999). Betting on the future: The virtues of contingent contracts. *Harvard Business Review*, 77(4), 155–160.

³⁰ Federal Trade Commission. (2012, February). *FTC report raises privacy questions about mobile applications for children*. ftc.gov

³¹ Boyles, J. L., Smith, A., & Madden, M. (2012, September 5). Privacy and data management on mobile devices. *Pew internet and American life project*. pewinternet.org

for companies to inform consumers about what sensitive and personal information the apps collect, and also if that information was shared. The contingent contract involved testing “notices,” which disclose whether the app was collecting information from a user, including location, browsing history, health records, contacts, financial information, and phone and text logs. Under the contingent contract, privacy groups and consumers tested the voluntary code of conduct. The notice program allowed apps to compete on privacy and thus gave consumers a tool to pick the most privacy friendly applications.³² In 2018 the Cambridge Analytica data harvesting controversy added fuel to the debate over consumer protections and spurred new regulations. For example, the European Union’s General Data Protection Regulation make “opting in” the default for businesses to collect consumers’ online information rather than “opting out,” such that by default, consumers do not share data unless they decide to.³³

Another advantage of contingent contracts is that they provide a nearly perfect lie-detection device. Contingent contracts allow negotiators to test the counterparty’s veracity in a nonconfrontational manner, thereby allowing parties to save face. Contingent contracts also allow parties who are concerned about being misled to safeguard themselves. This fear of being cheated is precisely what Christopher Columbus was worried about when he negotiated an agreement about the New World with Queen Isabella and King Ferdinand of Spain. Worried he would risk life and opportunity and gain nothing, Christopher Columbus insisted he be offered an opportunity to contribute one-eighth of the costs of future expeditions and be guaranteed one-eighth of all profits. Unfortunately, the crowns reneged on the deal upon his return, and Columbus had to go to court.³⁴

By the same token, contingent contracts build trust and good faith between negotiators because incentives can be provided for each company to deliver exceptional performance. Therefore, contingent contracts provide a safety net, limiting each company’s losses should an agreement go awry unexpectedly. For example, in its bid for the 2028 Olympic Games, Los Angeles’ bid committee estimated it would cost \$5.3 billion to host the games and took the contractual risk to cover those costs through revenues, sponsorships, and ticket sales. Historically, once a city has won an Olympic contract, it must start construction of the facilities for the games even though the International Olympic Committee (IOC) could not provide any contributions towards construction projects until a couple years prior to the opening ceremony. In this situation, the IOC agreed to advance Los Angeles \$180 million, thereby allowing some construction to begin while local sponsorships are obtained. Los Angeles strategically inserted a contingency clause into their contract stating that their bid estimate includes at \$487 million payment from the IOC to pay in the event of construction cost overruns; moreover, the contingency clause would convert to a surplus for the city in the event it was not needed, leaving a powerful incentive for the city to keep costs in check.³⁵ (For a summary of the benefits of contingent contracts, see Exhibit 9-2.)

³² Bazerman & Gillespie, “Betting on the future.”

³³ Streitfeld, D., Singer, N., & Erlanger, S. (2018, March 24). How calls for privacy may upend business for Facebook and Google. *The New York Times*. nytimes.com

³⁴ Dworetzky, T. (1998, December 11). Explorer Christopher Columbus: How the West’s greatest discoverer negotiated his trips’ financing. *Investors’ Business Daily*, p. 1BD.

³⁵ Wharton, D. (2017, July 31). Details emerge in deal to bring 2028 Summer Olympics to Los Angeles. *The L.A. Times*. latimes.com/sports

EXHIBIT 9-2**Six Benefits of Contingent Contracts**

1. Contingent contracts allow negotiators to build on their differences, rather than arguing about them. Do not argue over the future. Bet on it.
2. Contingent contracts allow negotiators to manage decision-making biases. Although overconfidence and egocentrism can be barriers to effective agreements, contingent contracts use these biases to create a bet.
3. Contingent contracts allow negotiators to solve problems of trust, when one party has information that the other party lacks. The less-informed party can create a contingent contract to protect itself against the unknown information possessed by the other party.
4. Contingent contracts allow negotiators to diagnose the honesty of the counterparty. When one party makes a claim that the other party does not believe, a bet can be created to protect a negotiator against the lie.
5. Contingent contracts allow negotiators to reduce risk through risk sharing. The sharing of upside gains and losses not only can reduce risk, but can also create goodwill by increasing the partnership between the parties.
6. Contingent contracts allow negotiators to increase the incentive of the parties to perform at or above contractually specified levels. Contingent contracts should be specifically considered when the motivation of one of the parties is in question.

Source: Based on Bazerman, M. H., & Gillespie, J. J. (1999). *Betting on the future: The virtues of contingent contracts*. Cambridge, MA: Harvard Business School Publishing Corporation.

Although contingent contracts can be valuable in many kinds of business negotiations, they are not always the ideal strategy to use. There are three key criteria for assessing the viability and usefulness of contingent contracts in negotiation³⁶:

1. Contingent contracts require *some degree of continued interaction between the parties*. Because the final terms of the contract will not be determined until *after* the initial agreement is signed, some amount of future interaction between parties is necessary, thereby allowing them to assess the terms of their agreement. Therefore, if the future seems highly uncertain, or if one of the parties is suspected of preparing to leave the situation permanently, contingent contracts may not be wise.
2. Parties need to think about the *enforceability* of the contingent contract. Under a contingent contract, one or more of the parties will probably not be correct about the outcome because the contract often produces a “winner” and a “loser.” This outcome creates a problem for the “loser,” who may be reluctant to reimburse the other party when things do not go his or her way. For this reason, the money in question might well be placed in escrow, thereby removing each party’s temptation to defect.
3. Contingent contracts require a high degree of *clarity* and *measurability*. If an event is ambiguous, nonmeasurable, or of a subjective nature, overconfidence, egocentric bias, and a variety of other self-serving biases can make the objective appraisal of a contingent contract a matter of some opinion. Parties should agree up front on clear, specific measures

³⁶ Bazerman & Gillespie, “Betting on the future.”

concerning how the contract will be evaluated. For this reason, it is often wise to consult a third party.

IMPROVING NEGOTIATION SKILLS

How might managers go about improving their own ability to negotiate? Simply negotiating (in the absence of feedback) is not effective.³⁷

Relationships, Contracts, and Learning

A key challenge of business negotiations is contract renewals with partners, customers, clients, and suppliers. Terminated contracts are costly. One investigation examined how the length of a prior relationship and the detail of termination provisions affected the length of time negotiators took to reach mutually accepted settlements. The length of prior relationships had a curvilinear effect on negotiation time, such that the length of negotiators' prior relationship initially reduced time needed to negotiate but then increased it. Initially, parties work quickly as they learn to work together, but eventually, they need to address emergent issues that arise to safeguard their interests; when business partners have longer prior relationships, it takes a shorter amount of time to negotiate termination provisions.³⁸

Negotiation Skills Training

Perhaps nothing is more effective in improving the ability of negotiators to reach win-win agreements than negotiation skills training. Most typically, training programs involve challenging negotiators to complete a simulation that contains integrative potential that may not be obvious. An important aspect of experience and training is for negotiators to *reflect* after completing negotiations. For example, negotiators who are prompted to ask questions about the other party's interests are more likely to craft and reach integrative agreements than negotiators who are not prompted to ask questions, yet could have. Similarly, negotiators who reveal information about their interests and priorities are more likely to reach integrative agreements than those not prompted to reveal information.³⁹ And, negotiators who are asked to think aloud about the other party's interests and priorities are more effective than those who are not prompted to think about the other party.⁴⁰ In a study of how performance improves over time, negotiators who engaged in several negotiations had an advantage compared to those who had less experience.⁴¹ To the extent that training can be tailored and customized to address distributive, integrative, and adaptable skills, negotiators can acquire skills more readily.⁴² Personalized negotiation training is

³⁷ Thompson, L., & DeHarrow, T. (1994). Social judgment, feedback, and interpersonal learning in negotiation. *Organizational Behavior and Human Decision Processes*, 58(3), 327–345.

³⁸ Arino, A., Beuer, J. J., Mayer, K. J., & Jane, J. (2013). Contracts, negotiations, and learning: An examination of termination provisions. *Journal of Management Studies*, 51(3), 379–405.

³⁹ Thompson, L. (1991). Information exchange in negotiation. *Journal of Experimental Social Psychology*, 27(2), 161–179.

⁴⁰ Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior & Human Decision Processes*, 47, 98–123.

⁴¹ Thompson, L. (1990). An examination of naive and experienced negotiators. *Journal of Personality & Social Psychology*, 59, 82–90; Thompson, L. (1990). The influence of experience on negotiation performance. *Journal of Experimental Social Psychology*, 26, 528–544.

⁴² Chapman, E., Miles, E. W., & Maurer, T. (2017). A proposed model for effective negotiation skill development. *Journal of Management Development*, 36(7), 940–958.

developed to match negotiators' learning styles. One investigation found that personalized training leads to better skill acquisition and more equitable negotiation outcomes.⁴³

Bilateral versus Unilateral Training

If negotiators can substantially improve their outcomes by training, then perhaps it might behoove negotiators to have more training than their opponent. In other words, might negotiators perform better if they encounter a “naïve” opponent as opposed to an opponent who has similar experience and training in negotiation? One investigation compared situations in which: (a) both buyer and seller had training; (b) neither had training; (c) buyer had training, but seller did not; and (d) seller had training, but buyer did not.⁴⁴ Overall, training improved negotiation outcomes. Unilateral training gave sellers an advantage, but not buyers. Why? First, experienced sellers are able to effectively create as much integrative potential as are two trained parties, indicating that one party who has training at the negotiation table goes a long way toward expanding the pie. When buyers are unilaterally trained, the effect seems to backfire due to the framing effect, such that buyers are focused on minimizing losses which results in a greater resistance to making concessions.⁴⁵

Feedback

If we consider the fact that a strong correlation exists between feedback and performance, doesn't it make sense to seek feedback on our negotiation ability? The key ingredient for effective negotiation training in the classroom is providing feedback. Feedback improves a negotiator's ability to negotiate.⁴⁶ Experience accompanied by a debriefing is more effective in improving performance than experience without debriefing.⁴⁷

The effectiveness of training programs is that they provide negotiators with feedback about their performance. Indeed, negotiators who are given feedback about the other party's interests are more effective in reaching integrative agreements than negotiators who do not receive feedback.⁴⁸ Feedback is most helpful when it allows negotiators to understand their perceptions of the importance of issues to the other party. For example, outcome-only feedback is not as effective as outcome feedback combined with insight into the nature of the task and the other party's preferences and priorities for the issues.⁴⁹

⁴³ Melzer, P., & Schoop, M. (2016). The effects of personalised negotiation training on learning and performance in electronic negotiations. *Group Decision and Negotiation*, 25(6), 1189–1210.

⁴⁴ Zerres, A., Fruend, P. A., Huffmeier, J., Backhaus, K., & Hertel, G. (2013). Does it take two to tango? Longitudinal effects of unilateral and bilateral integrative negotiation training. *Journal of Applied Psychology*, 98(3), 478–491.

⁴⁵ De Dreu, C. K. W., Carnevale, P. J., Emans, B. J. M., & van de Vliert, E. (1994). Effects of gain-loss frames in negotiation: Loss aversion, mismatching, and frame adoption. *Organizational Behavior and Human Decision Processes*, 60, 90–107.

⁴⁶ Thompson, L., & DeHarpport, T. (1994). Social judgment, feedback, and interpersonal learning in negotiation. *Organizational Behavior and Human Decision Processes*, 58(3), 327–345; Nadler, J., Thompson, L., & Van Boven, L. (2003). Learning negotiation skills: Four models of knowledge creation and transfer. *Management Science*, 49(4), 529–540.

⁴⁷ Bereby-Meyer, Y., Moran, S., & Sattler, L. (2010). The effects of achievement motivational goals and of debriefing on the transfer of skills in integrative negotiations. *Negotiation and Conflict Management Research*, 3(1), 64–86.

⁴⁸ Thompson, L., & Hastie, R. (1990). Social perception in negotiation. *Organizational Behavior and Human Decision Processes*, 47, 98–123; Thompson, & DeHarpport, “Social judgment.”

⁴⁹ Thompson & DeHarpport, “Social judgment.”

The type and method of feedback is an important consideration. For example, in one investigation of business managers, negotiators were given one of four types of feedback (allegedly from their counterparty) following a negotiation, ranging from positive to negative, which focused on their abilities or their ethics⁵⁰:

- **Positive-ability feedback** (“What a skilled negotiator you seem to be.”)
- **Negative-ability feedback** (“What an unskilled negotiator you seem to be.”)
- **Positive-ethicality feedback** (“What an ethical negotiator you seem to be.”)
- **Negative-ethicality feedback** (“What an unethical negotiator you seem to be.”)

The key question was how the feedback would affect the performance of the negotiators in a subsequent negotiation situation. Negotiators who received the negative-ability feedback were the least competitive and achieved the worst individual performance. Negotiators who received the negative-ethicality feedback were the most honest. Negotiators who received the positive-ethicality feedback were the most cooperative.⁵¹

In addition to the type of feedback negotiators give to one another, we examined the type of feedback a coach might give to a negotiator.⁵² We first measured managers’ baseline performance in an initial negotiation. Then we separated them into one of five different “feedback groups”: no feedback (“control” condition); traditional lecture-style feedback (also known as “didactic feedback”); information-based feedback (wherein negotiators learned about the other party’s underlying interests); observational feedback (wherein negotiators watched experts-in-action via video for about 15 minutes); and analogical learning (wherein negotiators were given relevant cases that all depicted a key negotiation skill). The results? Nearly any type of feedback is better than no feedback at all, and nearly anything is better than traditional, classroom-style, didactic learning (see Exhibit 9-3).⁵³

In an in-depth analysis of feedback in negotiation, two types of information were examined: how well negotiators understood the counterparty’s general priorities among the issues under negotiation and how much the counterparty gained for a particular offer. Both types of understanding are important for negotiators to improve: understanding the counterparty’s interests is not sufficient to reach integrative outcomes; the additional step of assessment of their gains for each offer is key.⁵⁴

Learning versus Performance Goals

Negotiators who want to improve their skills have a goal of learning or performing. Learning goals focus attention on task *strategies* rather than outcomes. In contrast, performance goals focus on outcomes. Negotiators who have learning goals are more likely to reach agreement and

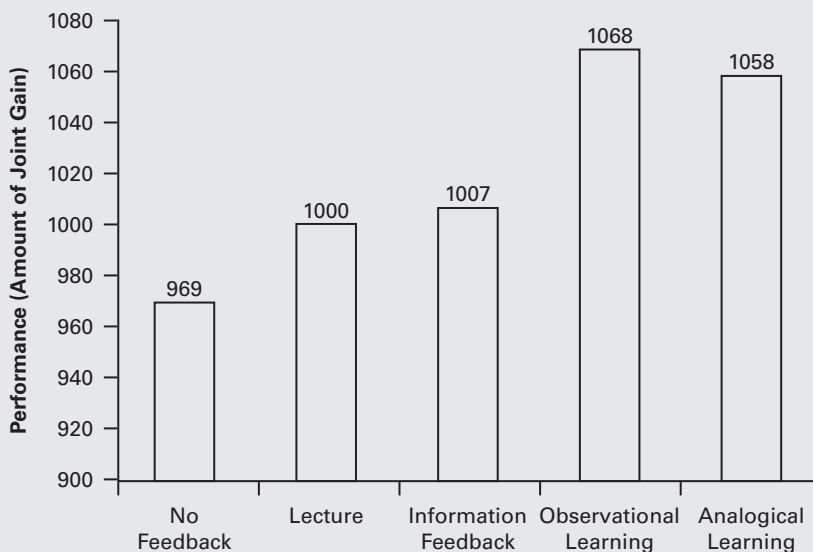
⁵⁰ Kim, P. H., Diekmann, K. A., & Tenbrunsel, A. E. (2003). Flattery may get you somewhere: The strategic implications of providing positive vs. negative feedback about ability vs. ethicality in negotiation. *Organizational Behavior and Human Decision Processes*, 90, 225–243.

⁵¹ Kim, Diekmann, & Tenbrunsel, “Flattery may get you somewhere.”

⁵² Nadler, J., Thompson, L., & Van Boven, L. (2003). Learning negotiation skills: Four models of knowledge creation and transfer. *Management Science*, 49(4), 529–540.

⁵³ For another illustration of how experience-based training is better than instruction-based training, see also Van Boven, L., & Thompson, L. (2003). A look into the mind of the negotiator: Mental models in negotiation. *Group Processes & Intergroup Relations*, 6(4), 387–404.

⁵⁴ Moran, S., & Ritov, I. (2007). Experience in integrative negotiations: What needs to be learned? *Journal of Experimental Social Psychology*, 43(1), 77–90.

EXHIBIT 9-3**Effect of Learning Method on Negotiation Performance**

Source: Nadler, J., Thompson, L., & Van Boven, L., (2003). Learning negotiation skills: Four models of knowledge creation and transfer. *Management Science*, 49(4), 529–540.

are viewed as more cooperative than negotiators who have performance goals.⁵⁵ Moreover, negotiators who have learning goals develop greater understanding of their counterparty's interests and reach more integrative agreements than do negotiators with performance goals.

Prevention versus Promotion Goals

With regard to goals and motivation, some people are **prevention-focused** (i.e., they desire to avoid bad outcomes and events, such as being jobless or failing to reach agreement) and some are **promotion-focused** (i.e., they desire to attain attractive goals, such as receiving a promotion or successfully negotiating a contract). Prevention and promotion goals affect the quality of negotiated outcomes. Whereas it might seem that promotion-focused goals are consistently more effective than prevention goals, this actually depends on the focus of the counterparty and the context of the situation. Indeed, prevention-focused pairs of negotiators achieved better joint financial outcomes than promotion-focused pairs in situations where superior performance was expected and evaluated by a supervisor.⁵⁶ In this situation, the accountability pressure by the superior allowed the prevention-focused negotiators to better align with the pressure of the situation.

⁵⁵ Tasa, K., Celani, A., & Bell, C. M. (2013). Goals in negotiation revisited: The impact of goal setting and implicit negotiation beliefs. *Negotiation and Conflict Management Research*, 6(2), 114–132.

⁵⁶ Peng, A. C., Dunn, J., & Conlon, D. E. (2015). When vigilance prevails: The effect of regulatory focus and accountability on integrative negotiation outcomes. *Organizational Behavior and Human Decision Processes*, 126, 77–87.

Easy versus Difficult to Learn

One reason skills training can be challenging is that people believe it will require significant effort and may deplete their mental reserves. Indeed, this is why people often want an “easy” solution to a problem. One investigation introduced negotiation strategies to learners framed as “easy” versus “difficult”: depleted negotiators were more likely to successfully adopt the strategy and achieve better outcomes when it was framed as “easy” than when the same strategy was framed as “difficult.”⁵⁷

Analogical Training

A key question is how well managers are able to transfer what they learn in the classroom to actual business negotiations. The rates of “positive transfer” (applying knowledge learned in one situation to another) are markedly limited.⁵⁸ Moreover, even the ability to benefit from our own experience is limited. For example, 100% of the respondents who read a negotiation case that contained win–win potential suggested (suboptimal) compromises.⁵⁹ When attempting to learn something new (e.g., a key strategy or principle), it is important to have two (or more) cases or examples, rather than just one. The reason is clear: what is essential about any example or case taught in a business school is not the *superficial* details of the case, but rather the *underlying* idea. The ability of a manager to separate the wheat from the chaff, or the core idea from the idiosyncrasies of the example, is limited if there is only one case. In fact, one case is no more effective than no cases at all.⁶⁰ However, it is not enough to simply be presented with two cases; the manager needs to actively compare the two cases. Moreover, even if the instructor does not provide more than one case, if the manager (or trainee) can think of examples from his or her own experience, it can help significantly. Diverse analogical training, wherein negotiators compared several different value-creating strategies, such as logrolling and contingent contracts is more effective for learning broad, underlying value-creating principles than more narrow training, in which negotiators are only exposed to one type of pie-expanding strategy.⁶¹ Negotiators who engage in deep-level comparisons (thinking about how two or more situations are similar to one another at a structural level) are more likely to reach an optimal (win–win) solution in a subsequent situation and this creates greater trust between the parties, which promotes greater deep-level transfer across situations.⁶²

Analogical reasoning can work on one side of the table or both. For example, when competitors in negotiation prepare by comparing examples and deriving key principles via dyadic analogical encoding, they are more likely to transfer those principles to the actual negotiation

⁵⁷ Giacomanantonio, M., Ten Velden, F. S., & De Dreu, C. K. W. (2016). Framing effortful strategies as easy enables depleted individuals to execute complex tasks effectively. *Journal of Experimental Social Psychology*, 62, 68–74.

⁵⁸ Thompson, L., Gentner, D., & Loewenstein, J. (2000). Avoiding missed opportunities in managerial life: Analogical training more powerful than individual case training. *Organizational Behavior and Human Decisions Processes*, (82)1, 60–75; Loewenstein, J., Thompson, L., & Gentner, D. (2003). Analogical learning in negotiation teams: Comparing cases promotes learning and transfer. *Academy of Management Learning and Education*, (2)2, 119–127.

⁵⁹ Gentner, D., Loewenstein, J., & Thompson, L. (2003). Learning and transfer: A general role for analogical encoding. *Journal of Educational Psychology* 95(2), 393–408.

⁶⁰ Loewenstein, Thompson, & Gentner, “Analogical learning in negotiation teams.”

⁶¹ Moran, S., Bereby-Meyer, Y., & Bazerman, M. (2008). Stretching the effectiveness of analogical training in negotiations: Teaching diverse principles for creating value. *Negotiation and Conflict Management Research*, 1(2), 99–134.

⁶² Juvina, I., Saleem, M., Martin, J. M., Gonzalez, C., & Lebiere, C. (2013). Reciprocal trust mediates deep transfer of learning between games of strategic interaction. *Organizational Behavior and Human Decision Processes*, 120(2), 206–215.

and reach more integrative agreements.⁶³ Specifically, dyadic analogical encoding improves both parties' knowledge transfer when parties derive principles from case exemplars as well as their own experiences. Most notably, negotiators are not dependent upon instructor-generated cases to improve their own ability to negotiate; negotiators can retrieve their own experiences to improve their future negotiation performance.

Counterfactual Reflection

Counterfactual reflection is the process of thinking about the past. Negotiators who reflect on "additive" counterfactuals (e.g., "If only I had...") learn more than negotiators who reflect on "subtractive" counterfactuals (e.g., "If only I had not...").⁶⁴ Generating additive counterfactuals about a previous negotiation led to a distinct advantage for negotiators as compared to subtractive counterfactuals in terms of distributive and creative agreements.

Incubation

Skilled problem solvers frequently report that after trying to solve a problem and getting nowhere, they put the problem aside for hours, days, even weeks, and upon returning to it, they can see the solution quickly. (For a real-life example of the incubation effect, see Exhibit 9-4.) The incubation phase is usually one step in a process of problem solving detailed in the following sequence:

1. **Preparation.** During the preparation phase, the problem solver gathers information and makes preliminary attempts to arrive at a solution. The key is to understand and define the problem. As we have noted, finding a good problem is the essence of effective negotiation.
2. **Incubation.** When initial attempts to solve the problem have failed, problem solvers may put the problem aside to work on other activities or even to sleep. Indeed, negotiators were

EXHIBIT 9-4 Incubation Effects

Numerous examples of incubation were reported by the famous French mathematician Poincaré including the following:

"Then I turned my attention to the study of some arithmetical questions apparently without much success and without a suspicion of any connection with my preceding researches. Disgusted with my failure, I went to spend a few days at the seaside, and thought of something else. One morning, walking on the bluff, the idea came to me, with just the same characteristics of brevity, suddenness, and immediate certainty, that the arithmetic transformations of indeterminate ternary quadratic forms were identical with those of non-Euclidean geometry." (p. 388).

Source: Poincaré, H. (1929). *The foundations of sciences*. New York: Science House.

⁶³ Wilson, E. R., & Thompson, L. (2014). Creativity and negotiation research: The integrative potential. *International Journal of Conflict Management*, 25(4), 359–386; Loewenstein, Thompson, & Gentner, "Analogical learning in negotiation teams."

⁶⁴ Kray, L. J., Galinsky, A. D., & Markman, K. D. (2009). Counterfactual structure and learning from experience in negotiations. *Journal of Experimental Social Psychology*, 45(4), 979–982.

more likely to reach high-quality, integrative agreements after they took a break in which they were cognitively busy with a distraction task than after a break in which they could reflect upon the negotiation.⁶⁵ Breaks are particularly beneficial for prosocial (versus proself) negotiators: prosocial negotiators who reflected during a three-minute break were more successful in reaching agreements than those who were distracted during the break or were proself.⁶⁶ Another example: think about the necklace problem you were challenged with in Exhibit 9-1, in which you are given four chains to make one necklace on a limited budget. Three groups of people worked on this problem.⁶⁷ One group spent 30 minutes trying to solve it, with a solution rate of 55%. A different group spent 30 minutes trying to solve it but was interrupted during the solving period with a 30-minute break. In this group, 64% of participants solved the problem. A third group spent 30 minutes trying to solve the problem but were interrupted in the solving process by a 4-hour break. Of this group, 85% solved the problem. Whereas we do not guarantee that difficult negotiation situations will always be met with illumination after putting the problem aside, it certainly cannot hurt to try.

Difficult issues in negotiation can stymie negotiations and even threaten agreement. Perhaps facing such obstacles can lead negotiators to step back and look at the big picture, or perhaps if they face such obstacles, they become so myopic they don't see other possibilities. Negotiators who face obstacles head-on tend to get stuck and are less able to create integrative solutions.⁶⁸ Negotiators with a "distal" (e.g., "10 years from now"), rather than "proximal" (e.g., "next month"), time perspective reached more integrative agreements.

3. **Illumination.** During the illumination phase, the key to a solution often appears. It often happens when people are doing something completely unrelated to solving the problem.
4. **Verification.** In the verification phase, problem solvers need to check the solution to make sure it works.

Rational Problem-Solving Model

The rational problem-solving model, patterned after Pólya, also describes four steps for solving a problem.⁶⁹ However, unlike the incubation method, the rational problem-solving model is deliberate and systematic:

1. **Understand the problem.** In this step, the negotiator needs to ask him- or herself: *What is known? What is unknown? What are the data I am using? What are my assumptions?*
2. **Devise a plan.** During this step, the negotiator may ask him- or herself whether past experience is a profitable means of finding a solution method, engaging in a search for similar problems, or perhaps restating the goal of the problem.

⁶⁵ Harinck, F., & De Dreu, C. K. W. (2008). Take a break! or not? The impact of mindsets during breaks on negotiation processes and outcomes. *Journal of Experimental Social Psychology*, 44(2), 397–404.

⁶⁶ Harinck, F., & DeDreu, C. K. W. (2011). When does taking a break help in negotiations? The influence of breaks and social motivation on negotiation processes and outcomes. *Negotiation and Conflict Management Research*, 4(1), 33–46.

⁶⁷ Silveira, J. M. (1972). Incubation: The effect of interruption timing and length on problem solution and quality of problem processing. *Dissertation Abstracts International*, 32(9-B), 5500.

⁶⁸ De Dreu, C. K. W., Giacomanantonio, M., Shalvi, S., & Sligte, D. (2009). Getting stuck or stepping back: Effects of obstacles and construal level in the negotiation of creative solutions. *Journal of Experimental Social Psychology*, 45(3), 542–548.

⁶⁹ Pólya, G. (1957). *How to solve it: A new aspect of mathematical method* (2nd ed.). New York: Doubleday; Pólya, G. (1968). *Mathematical discovery: Vol. II: On understanding, learning, and teaching problem solving*. New York: Wiley.

3. **Carry out the plan.** In this step, the negotiator carries out the plan and tests it.
4. **Look back.** In this step, the negotiator asks him- or herself whether the result can be obtained by using another method and looks at how it all fits together. In this step, it is important for the negotiator to ask what is the key takeaway.

Brainstorming

The goal of brainstorming is to maximize the quantity and quality of ideas. Paradoxically, quantity is a good predictor of quality: a group is more likely to discover a really good idea if it has a lot of ideas from which to choose. However, brainstorming involves more than mere quantity. Contrary to popular corporate lore that brainstorming sessions are wild and crazy free-for-alls where anything goes, brainstorming has defined rules⁷⁰:

- **Expressiveness:** Group members should express any idea that comes to mind, no matter how strange, weird, or fanciful. Group members are encouraged not to be constrained or timid. They should freewheel whenever possible.
- **Nonevaluation:** Do not criticize ideas. Group members should not evaluate any of the ideas in any way during the generation phase; all ideas should be considered valuable.
- **Quantity:** Group members should generate as many ideas as possible. Groups should strive for quantity; the more ideas, the better. Quantity of ideas increases the probability of finding excellent solutions.
- **Building:** Because all of the ideas belong to the group, members should try to modify and extend the ideas suggested by other members whenever possible.

An effective design for promoting creativity in negotiation involves separating the generation of ideas—leaving this task to individual team members—and then evaluating and discussing the ideas as a group.

One type of negotiation-specific brainstorming is **devising seminars**. A devising seminar is an off-the-record, facilitated workshop in which key stakeholders in negotiations brainstorm mutually advantageous approaches to their conflict challenges.⁷¹ Devising seminars include both unofficial and official stakeholders, and bring people together in their personal, rather than official capacities. Importantly, devising seminars do not attempt to produce binding agreements, but rather generate ideas. This is done through anonymity of ideas. Interviewers ask stakeholder representatives to share their interests, and all the findings are recorded in an assessment report with responses anonymized.

Negotiation Engineering

Negotiation engineering is based on the reduction of problems in the form of formal structures and the application of quantitative methods.⁷² In one investigation involving four case studies in international diplomacy, negotiation engineering and using mathematical language promoted logical accuracy and allowed for the use of mathematical tools to achieve agreement.

⁷⁰ Osborn, A. F. (1957). *Applied imagination*. New York: Scribner; Osborn, A. F. (1963). *Applied imagination* (3rd ed.). New York: Scribner.

⁷¹ Susskind, L. E., & Rumore, D. (2015). Using devising seminars to advance collaborative problem solving in complicated public policy disputes. *Negotiation Journal*, 31(3), 223–235.

⁷² Langenegger, T. W., & Ambühl, M. (2018). Negotiation engineering: A quantitative problem-solving approach to negotiation. *Group Decision and Negotiation*, 27(1), 9–31.

CHAPTER CAPSTONE

Effective negotiation requires creative thinking. Negotiators' mental models influence their behavior in negotiation. We identified five common mental models: haggling, cost-benefit analysis, game playing, partnership, and problem solving. Creative negotiations involve fractionating problems into several, simpler parts, pattern-finding, finding differences to exploit, expanding the pie, bridging, cost cutting, nonspecific compensation, and structuring contingent contracts. We reviewed several strategies for improving negotiation skills, including: negotiation skills training, feedback, learning versus performance goals, analogical reasoning, counterfactual reasoning, incubation, rational problem-solving model, brainstorming, and negotiation engineering.

EXHIBIT 9-5

Answers to Creativity Questions

CARD DECISION*

Correct answer: E and 7.

Averaging over a large number of experiments,[†] it has been found that 89% of people select E, which is a logically correct choice because an odd number on the other side would disconfirm the rule. However, 62% also choose to turn over the 4, which is not logically informative because neither a vowel nor a consonant on the other side would have falsified the rule. Only 25% elect to turn over the 7, which is a logically informative choice because a vowel behind the 7 would have falsified the rule. Only 16% elect to turn over K, which would not be an informative choice.

PERSON IN A ROOM DECISION**

Correct answer: Jack is a lawyer.

This problem illustrates a classic base-rate problem. We are given information that the probability of any one person selected is equivalent to the stated base rates; the normatively appropriate solution is 30%, thus making it more likely that Jack is a lawyer. Yet, most people choose to ignore base rate information and assume that Jack is an engineer. An answer that goes against explicitly stated probability theory runs the risk of being one based on stereotypes. Groups may be more likely to defend the stereotype decision.

BETTING DECISION^{††}

Correct answer: A (for the first bet).

The normatively appropriate logic here is to use expected value theory, in which the expected value of a risky choice is determined by the value of the payoff multiplied by its probability. Using this technique, the expected value of bet A is $\$80,000 \times 0.33 = \$26,664$. The expected value of bet B is $\$30,000 \times 0.83 = \$25,000$. Thus, bet A maximizes expected value. However, many people overweight high probabilities and end up choosing bet B. Groups tend to be riskier than individuals,

* Wason, P. C., & Johnson-Laird, P. N. (1972). *Psychology of reasoning: Structure and content*. Cambridge, MA: Harvard University Press.

† Oaksford, M., & Chater, N. (1994). A rational analysis of the selection task as optimal data selection. *Psychological Review*, 101(4), 608–631.

** Kahneman, D., & Tversky, A. (1973). On the psychology of prediction. *Psychological Review*, 80, 237–251.

†† Tversky, A., & Kahneman, D. (1981). The framing of decisions and the psychology of choice. *Science*, 211, 453–458.

(continued)

so groups often choose riskier decisions, whether they are normatively appropriate or not. For the second bet, either answer is normatively correct because their expected values are the same.

WATER JUGS*

Problem solvers can become biased by their experiences to prefer certain problem solving operators in solving a problem. Such biasing of the problem solution is known as a **set effect**. Also known as the **Einstellung effect**, or **mechanization of thought**, this can paradoxically lead to worsened performance. The Einstellung effect involves remembering a particular sequence of operations, and it is memory for this sequence that is blinding managers to other possibilities. In this series of problems, all problems except 8 can be solved by using the B-2C-A method. For problems 1 through 5, this solution is the simplest, but for problems 7 and 9, the simpler solution of A + C also applies. Problem 8 cannot be solved by the B-2C-A method but can be solved by the simpler solution of A-C. Problems 6 and 10 are also solved more simply as A-C than B-2C-A.

Of the participants who received the whole setup of 10 problems, 83% used the B-2C-A method on problems 6 and 7, 64% failed to solve problem 8, and 79% used the B-2C-A method for problems 9 and 10. The performance of people who worked on all 10 problems was compared with the performance of people who saw only the last 5 problems. These people did not see the biasing B-2C-A problems. Fewer than 1% of these people used B-2C-A solutions, and only 5% failed to solve problem 8. Thus, the first five problems can create a powerful bias for a particular solution. This bias hurt solution of problems 6 through 10.

STICK PROBLEM†

Correct answer: Form a tetrahedron (something like a pyramid).

Most people take the six sticks and form a square with an X in it. However, this solution is not acceptable because the triangles are not equilateral—each has a 90° angle. Another incorrect answer that is common is to form three of the sticks in a triangle and overlay them on another triangle upside down; this produces four triangles, but the sides of the triangle are not one stick in length. To solve the problem, the solver must think in three dimensions, making a pyramid with a triangle base. This is a general class of problem situations that often involve “insight”—a rearrangement of the parts in a certain way to solve a problem.

LETTER SEQUENCE**

Correct answer: E.

The answer to this Eureka problem is E. The letters are the first seven letters of the first eight digits: one, two, three, four, five, six, seven, and eight.

CHAIN PROBLEM††

Open one chain and put links between the other three.

* Luchins, A. S. (1942). Mechanization in problem solving. *Psychological Monographs*, 5(46), 1–95.

† Scheer, M. (1963). *Scientific American*, 208, 118–218.

** Source unknown.

†† De Bono, E. (1967). *The use of lateral thinking*. New York: Penguin.

SUSAN AND MARTHA

Correct answer: 36

This is a disjunctive decision task. It is a Eureka problem, and the answer must be calculated. Only 14 combinations yield a total of 13 (e.g., 1, 1, 11; 1, 2, 10; 1, 3, 9, etc.), and only two of these have the identical product (1, 6, 6 and 2, 2, 9). If we assume Susan knows her own age, she would still be confused only if she were 36.

NECKLACE*

Initially, people tend to break a link on each chain, attach it to another chain, and then close it. The more elegant (and cheaper) solution is to break a single three-link piece and use its links to attach others. It costs 6 cents to open three links. The total connection cost is 9 cents, yielding a 15-cent necklace.

GOLD CHAIN

Correct answer: 2

The chain puzzle is a Eureka problem. Many groups answer 11 because that would involve cutting only every other link. The correct answer, however, is 2. If the fourth and eleventh links are cut, all the values from 1 to 23 can be obtained by getting “change” back from the motel owner. Separate links (the fourth and the eleventh) are given on days 1 and 2, but on day 3 the three-link unit is given to the owner, who returns the separate links. These links are then used to pay on days 4 and 5, but on day 6 the six-link unit is used, and the owner returns the others as change. The process can be continued for 23 days.

NINE DOT PROBLEM[†]

Correct answer: See Panels 3 and 4.

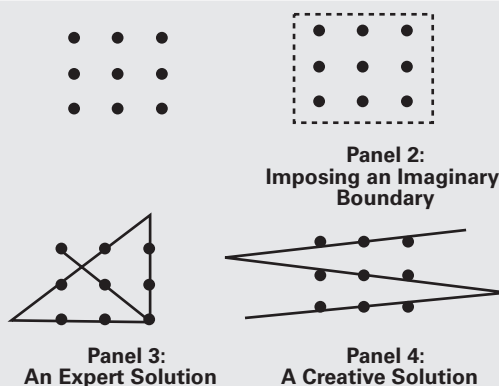
Most people implicitly assume that the lines must be drawn within an imaginary boundary, as shown in the second panel of the diagram. One possible solution that is preferred by “experts” is given in the third panel of the diagram. The problem solver must go outside the self-imposed square boundary. Another creative solution uses lines that do not go through the center of the dots, as shown in the fourth panel of the diagram. This solution involves overcoming another self-imposed limit on the problem—namely, realizing it is not necessary to draw the lines through the center of each dot.

Thus, one major kind of conceptual block is the tendency to impose too many constraints on the problem (that is, to represent the problem in a way that limits the potential kinds of solutions). Overcoming the conceptual blocks is similar to overcoming functional fixedness or *Einstellung*; instead, look for alternative ways of representing the problem.

* Wickelgren, W. A. (1974). *How to solve problems*. San Francisco, CA: W. H. Freeman.

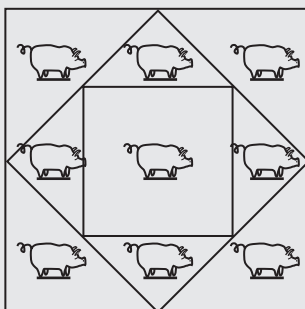
[†] Weisberg, R. W., & Alba, J. W. (1981). An examination of the alleged role of “fixation” in the solution of several insight problems. *Journal of Experimental Psychology: General*, 110, 169–192.

(continued)

**PIGPEN***

Correct answer: See diagram.

This is an “insight” problem. Most people assume that each pigpen must be square. The solution involves diamond-shaped pens.

**WATERLILIES†**

Correct answer: Day 59

This is a pure “insight” problem. People initially approach the problem as one involving a linearly increasing quantity and simply divide the total time in half. However, because the lilies increase exponentially in area, this approach is incorrect, and another representation is needed. Such a change in representation can occur when the participant tries to imagine what happens as the pond fills up and he or she works backward from the last day, rather than carrying out a formal analysis of the problem.

BARTENDER PROBLEM**

The man who walked into the bar had the hiccups. The bartender realized this and attempted to scare the daylight out of the man by pointing a gun at him. Some people are able to solve this problem immediately; others are not. This is a Eureka problem.

* Fixx, J. F. (1972). *More games for the super-intelligent*. New York: Warner Books.

† Sternberg, R. J., & Davidson, J. E. (1983). Insight in the gifted. *Educational Psychologist*, 18, 51–57.

** Dayton, T., Durso, F. T., & Shepard, J. D. (1990). A measure of the knowledge reorganization underlying insight. In R. W. Schreanveldt (Ed.), *Pathfinder associative networks: Studies in knowledge organization*. Norwood, NJ: Ablex.

10

Part III: Complex Negotiations

MULTIPLE PARTIES, COALITIONS, AND TEAMS

In 2018, 43 people were killed when a motorway bridge in Genoa, Italy, collapsed. It had been constructed by Autostrade per l'Italia, a company owned by the powerful Benetton family. The immensely rich family is estimated to be worth in excess of \$13 billion, and they ran two-thirds of Italy's motorway network. Giuseppe Conte, the Italian prime minister, has been waging a war against the Benettons in his negotiations since the 2018 tragedy, but there has been major friction and disagreements between Conte and other government ministers. Roberto Gualtieri, the Italian Minister of Economy and Finances, belongs to another political party and is a serious rival to Conte. He had argued for a much stronger stance against the Benettons. Conversely, a letter was leaked to the press in which Paola De Micheli, the Transport Minister, had urged Conte not to treat the Benettons too harshly. In the end, Conte pushed through an agreement that suited him; the family was fined \$3.76 billion and the state effectively took over control of the motorways. Throughout the complicated negotiation process, there was intense infighting between Conte and some of his ministers and between the ministers and other members of the government. Prior to the negotiation, many critics had derided Conte as indecisive and unwilling to focus and bring the negotiations to an end. The settlement of the issue in July 2020 surprised Conte's critics and seemed to unite the coalition parties.¹

The opening example indicates that negotiations within and between organizations are embedded in an intricate web of interdependent relationships and interests. The other parties may include negotiators, agents, constituents, and third parties. Just as a complete understanding of human anatomy requires analyses at the levels of cell chemistry, tissues, organs, and organ systems, a complete understanding of negotiation within and between organizations requires analysis at several levels.² To negotiate effectively in complex situations, negotiators need all of the skills we have discussed thus far, and then some. In this chapter we discuss skills specific to multiparty negotiation.

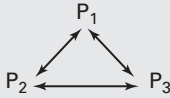
Consider the complexity of the Italian government and the Benetton's Autostrade per l'Italia negotiation concerning compensation for the deaths and ownership of the motorways. The negotiation involved a myriad of players, relationships, and issues. In the opening example, the Italian prime minister was being pulled left and right by members

¹ Amante, A., Fonte, G., & Jones, G. (2020, July 16). Italy PM Conte's victory over powerful Benettons may come with price. *Reuters*. uk.reuters.com.

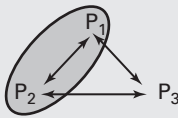
² Thompson, L., & Fox, C. R. (2001). Negotiation within and between groups in organizations: Levels of analysis. In M. E. Turner (Ed.), *Groups at work: Theory and research*. Hillsdale, NJ: Erlbaum.

EXHIBIT 10-1**Levels of Analysis in Multiparty Negotiation**

1. Multiparty



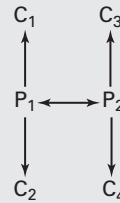
2. Coalitions



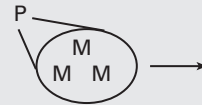
3. Principal-Agent



4. Constituencies



5. Team Negotiation



6. Intergroup



A: agent; C: constituency group; M: group member; P: principal

of his own government. Ultimately, he stood firm and obtained what he wanted, enhancing his reputation as a statesman.

In this chapter, we review six levels of analysis beyond one-on-one negotiation: (1) multiparty negotiations; (2) coalitions; (3) principal–agent relationships; (4) constituencies; (5) team negotiations; and (6) team-on-team negotiations, or intergroup negotiations (see Exhibit 10-1). For each level, we identify key challenges and suggest practical advice and strategies for maximizing negotiation effectiveness.

MULTIPARTY NEGOTIATIONS

A **multiparty negotiation** is formed when a group of three or more individuals, each representing their own interests, attempts to resolve perceived differences of interest.³ The involvement of more than two principals at the negotiation table complicates the situation enormously. Social

³ Bazerman, M. H., Mannix, E., & Thompson, L. (1988). Groups as mixed-motive negotiations. In E. J. Lawler, & B. Markovsky (Eds.), *Advances in group processes: Theory and research: Vol. 5*. Greenwich, CT: JAI Press; Kramer, R. M. (1991). The more the merrier? Social psychological aspects of multiparty negotiations in organizations. In M. H. Bazerman, R. J. Lewicki, & B. H. Sheppard (Eds.), *Research on negotiations in organizations: Handbook of negotiation research, Vol. 3* (pp. 307–332). Greenwich, CT: JAI Press.

interactions become more complex, information-processing demands increase exponentially, and coalitions form. Despite all these obstacles, groups make more accurate judgments and more readily aggregate information than do individuals.⁴

Key Challenges of Multiparty Negotiations

Consider four key challenges of multiparty negotiations followed by some practical advice.

DIVIDING RESOURCES When multiple parties are at the bargaining table, concerns about dividing the pie of resources loom large. Each party advocates in a self-serving fashion for their own interests and multiple definitions of fairness exist.

COALITIONS A key difference between two-party and group negotiations is the potential for two or more parties within a group to form a coalition to pool their resources and exert greater influence on outcomes.⁵ A **coalition** is a (sub) group of two or more individuals who combine their resources to affect the outcome of a decision in a mixed-motive situation involving at least three parties.⁶ Coalition formation is one way that otherwise weak group members may marshal a greater share of resources. Coalitions involve both cooperation in terms of attracting members and competition in terms of dividing resources.

Group members who form coalitions may engage in private caucusing for strategic purposes. Full-group communication is more time consuming, but reduces inequality of group members' outcomes, increases joint profitability, and minimizes perceptions of competition.⁷ However, when the task structure requires group members to logroll in a reciprocal fashion (as opposed to a circular fashion), restricted communication leads to higher joint outcomes than full communication. Consider the coalition formed by Walmart, Unilever, Nestle, and Dole for the shared goal of applying blockchain technology to food supply chains. Working with IBM as a partner, the coalition sought to use secure digital records to improve the traceability of meat, produce and additives. To be effective, the companies (who are technically rivals), had to agree to use open, secure ledgers (like blockchain), with the shared goal of quickly detecting spoiled and dangerous food from reaching consumers.⁸

Negotiators may need to communicate with coalition members in the presence of someone who should not understand the message. For example, consider a couple selling a house engaging in a face-to-face discussion with a potential buyer. Ideally, the couple wants to communicate information to one another in a way that the spouse understands, but the buyer does not—or better yet, in such a way that the buyer is not even aware that a surreptitious communication is taking place. This is the **multiple audience problem**.⁹

⁴ Bottom, W. P., Ladha, K., & Miller, G. J. (2002). Propagation of individual bias through group judgment: Error in the treatment of asymmetrically informative signals. *Journal of Risk and Uncertainty*, 25(2), 147–163.

⁵ Komorita, S. S., & Parks, C. D. (1995). Interpersonal relations: Mixed-motive interaction. *Annual Review of Psychology*, 46, 183–207.

⁶ Komorita, & Parks, "Interpersonal relations."; Murnighan, J. K. (1978). Models of coalition behavior: Game theoretic, social psychological, and political perspectives. *Psychological Bulletin*, 85, 1130–1153; Gamson, W. (1964). Experimental studies in coalition formation. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 1*. New York: Academic Press.

⁷ Palmer, L. G., & Thompson, L. (1995). Negotiation in triads: Communication constraints and tradeoff structure. *Journal of Experimental Psychology: Applied*, 2, 83–94.

⁸ Hackett, R. (2017, August 22). Walmart and 9 food giants team up on IBM blockchain plans. *Fortune*. fortune.com; McKenzie, J. (2018, February 4). Why blockchain won't fix food safety—yet. *The New Food Economy*. thenewfoodeconomy.org

⁹ Fleming, J. H., & Darley, J. M. (1991). Mixed messages: The multiple audience problem and strategic communication. *Social Cognition*, 9(1), 25–46.

Some people are quite skilled at communicating information to the intended recipient without the other party being aware.¹⁰ For example, former U.S. President Ronald Reagan was gifted in his ability to send targeted messages to different audiences within the same speech. Reagan's "Evil Empire" speech of March 8, 1983 to the National Association of Evangelicals (and indirectly, the whole world) is a case in point. In the early sections of this speech, Reagan established identification with the evangelical audience through an ethos that exemplified their ideals, even using their technical vocabulary (e.g., "I believe in intercessionary prayer"). The section of his speech dealing with foreign policy was addressed to a complex array of audiences, global as well as domestic. The phrase "evil empire," in reference to the Soviet Union, had strong resonance not only with evangelicals, but also with opponents of the Soviet Union everywhere, including those in Poland and Czechoslovakia. For the benefit of his diplomatic audiences however, Reagan carefully avoided references to specific evil actions of the Soviet Union, personally deleting from early drafts all references to chemical warfare in Afghanistan. And the speech's attack on the nuclear freeze movement of that time was balanced with a call for "an honest freeze," a term that created "presence" for his proposal for "extensive prior negotiations on the systems and numbers to be limited and on the measures to ensure effective verification and compliance."¹¹ To his audience in the international, diplomatic, and arms control communities, including those within the Soviet Union, such praise alluded to extratextual facts that gave this part of the message a pragmatic connotation.¹²

FORMULATING TRADE-OFFS In a multiparty negotiation, integrative trade-offs may be achieved through either circular or reciprocal logrolling.¹³ **Circular logrolling** involves trade-offs that require each group member to offer another member a concession on one issue while receiving a concession from yet another group member on a different issue. A circular trade-off is typified by the tradition of drawing names from a hat to give holiday gifts to people. People receive a gift from one person and give a gift to yet another person. Ideally, we give gifts that are more appreciated by the recipient than by the giver. In contrast, **reciprocal trade-offs** are fashioned between two members of a larger group. Reciprocal trade-offs are used in the more traditional form of exchanging presents. Circular trade-offs are more risky than reciprocal tradeoffs because they involve the cooperation of more than two group members.

VOTING AND MAJORITY RULE Groups often simplify the negotiation of multiple issues among multiple parties through voting and decision rules. However, if not used wisely, decision rules thwart effective negotiation, both in terms of pie expansion and pie slicing. A number of problems are associated with voting and majority rule.¹⁴

¹⁰ Fleming & Darley, "Mixed messages."

¹¹ Myers, F. (1999, February). Political argumentation and the composite audience: A case study. *Quarterly Journal of Speech*, 85(1), 55–65.

¹² Myers, "Political argumentation."

¹³ Palmer & Thompson, "Negotiation in triads."

¹⁴ Bottom, W. P., Eavey, C. L., Miller, G. J., & Victor, J. N. (2000). The institutional effect on majority rule instability: Bicameralism in spatial policy decisions. *American Journal of Political Science*, 44(3), 523–540; Bottom, W. P., Handlin, L., King, R. R., & Miller, G. J. (2002). Institutional modifications of majority rule. In C. Plott & V. Smith (Eds.), *Handbook of experimental economics results*. Amsterdam: North Holland.

Problems With Voting And Majority Rule The most common procedure used to aggregate preferences of team members is **majority rule**. Despite its democratic appeal, majority rule fails to recognize the strength of individual preferences. One person in a group may feel very strongly about an issue, but his or her vote counts the same as the vote of someone who does not have a strong opinion about the issue. Consequently, majority rule does not promote integrative trade-offs among issues. Groups negotiating under unanimous rule reach more efficient outcomes than groups operating under majority rule.¹⁵ Groups whose members multi-task reach lower joint profits under majority rule, but not unanimity rule.¹⁶

Although **unanimity rule** is time consuming, it encourages group members to consider creative alternatives to expand the size of the pie and satisfy the interests of all group members. Because strength of preference is a key component in fashioning integrative agreements, majority rule hinders the development of mutually beneficial trade-offs. Voting in combination with other decision aids, such as agendas, may be especially detrimental to the attainment of efficient outcomes because it prevents logrolling.¹⁷

Other problems arise with voting. Within groups that demonstrate prosocial motives (as opposed to prosocial motives), majority rule leads to more distributive and less integrative behavior.¹⁸ Group members may not agree upon a method for voting; for example, some members may insist upon unanimity, others may argue for a simple majority rule, and still others may advocate a weighted majority rule. Even if a voting method is agreed upon, it may not yield a choice if the group is evenly split. Voting does not *eliminate* conflicts of interest but instead, provides a way for group members to *live with* conflicts of interest; for this reason, majority rule decisions may not be stable. In this sense, voting masks disagreement within groups, which threatens long-term group and organizational effectiveness.

Voting Paradoxes Consider a three-person (Raines, Warner, and Lassiter) product development team. The three are in conflict over which design to use—A, B, or C. (See the preference ordering depicted in Exhibit 10-2.) As a way of resolving the conflict, Warner suggests voting between designs A and B. In that vote, A wins and B is discarded. Warner then proposes that the group vote between A and C. In that vote, C wins. Warner then declares that design C be implemented. Lassiter concludes that the group vote was fair and agrees to develop design C. However, Raines is perplexed and suggests taking another vote. Warner laughs and says, “We just took a vote and you lost—so just accept the outcome!” Raines glares at Warner and says, “Let’s do the vote again, and I will agree to accept the outcome. However, this time I want us to vote between B and C first.” Warner has no choice but to go along. In this vote, B is the clear winner and C is eliminated. Next, the vote is between A and B, and A beats B. Raines happily declares A the winner. Lassiter then declares the voting process fraudulent but cannot explain why.

¹⁵ Beersma, B., & De Dreu, C. K. W. (2002). Integrative and distributive negotiation in small groups: Effects of task structure, decision rule, and social motive. *Organizational Behavior and Human Decision Processes*, 87(2), 227–252; Mannix, E. A., Thompson, L., & Bazerman, M. H. (1989). Negotiation in small groups. *Journal of Applied Psychology*, 74(3), 508–517; Thompson, L., Mannix, E., & Bazerman, M. H. (1988). Group negotiation: Effects of decision rule, agenda, and aspiration. *Journal of Personality and Social Psychology*, 54, 86–95.

¹⁶ Mohammed, S., Rizzuto, T., Hiller, N. T., Newman, D. A., & Chen, T. (2008). Individual differences and group negotiation: The role of polychronicity, dominance, and decision rule. *Negotiation and Conflict Management Research*, 1(3), 282–307.

¹⁷ Mannix, Thompson, & Bazerman, “Negotiation in small groups.”; Thompson, Mannix, & Bazerman, “Group negotiation.”

¹⁸ Beersma & De Dreu, “Integrative and distributive negotiation in small groups.”

EXHIBIT 10-2**Managers' Preferences for Product Designs**

Manager	Design A	Design B	Design C
Raines	1	2	3
Warner	2	3	1
Lassiter	3	1	2

Raines, Warner, and Lassiter are victims of the **Condorcet paradox**, which demonstrates that the winners of majority rule elections will change as a function of the order in which alternatives are proposed. Alternatives that are proposed later, as opposed to earlier, are more likely to survive sequential voting.¹⁹ Thus, clever negotiators arrange to have their preferred alternatives entered at later stages of a sequential voting process.

The unstable voting outcomes of the product development team point to a larger concern known as the **impossibility theorem**.²⁰ This theorem states that the derivation of group preference from individual preference is indeterminate. Simply put, no method can combine group members' preferences in a way that guarantees group preference is maximized when groups contain three or more members and are facing three or more options. In other words, even though each manager's preferences are transitive, the group-level preference is intransitive.

Strategic Voting The problem of indeterminate group choice is further compounded by the temptation for members to **strategically misrepresent** their true preferences so that a preferred option is more likely to be favored by the group.²¹ For example, a group member may vote for his least-preferred option to ensure that the second choice option is eliminated. Raines could have voted strategically in the first election to ensure that his preferred strategy was not eliminated in the first round.

Consensus Agreements Consensus agreements require the consent of all parties to the negotiation before an agreement is binding. However, consensus agreements do not imply unanimity. Consensus agreements imply that parties agree *publicly* to a particular settlement, even though their *private* views about the situation may be in conflict.

Although consensus agreements are desirable, they precipitate several problems. They are time consuming because they require the consent of all members, who are often not in agreement. Second, they often lead to compromise in which parties identify a lowest common denominator acceptable to all. Compromise agreements are an extremely easy method of reaching

¹⁹ May, K. (1982). A set of independent, necessary and sufficient conditions for simple majority decisions. In B. Barry, & R. Hardin (Eds.), *Rational man and irrational society*. Beverly Hills, CA: Sage.

²⁰ Arrow, K. J. (1963). *Social choice and individual values*. New Haven, CT: Yale University Press.

²¹ Chechile, R. (1984). Logical foundations for a fair and rational method of voting. In W. Swapp (Ed.), *Group decision making*. Beverly Hills, CA: Sage; Ordeshook, P. (1986). *Game theory and political theory: An introduction*. Cambridge, England: Cambridge University Press; Plott, C. (1976). Axiomatic social choice theory: An overview and interpretation. *American Journal of Political Science*, 20, 511–596; Plott, C., & Levine, M. (1978). A model of agenda influence on committee decisions. *American Economic Review*, 68, 146–160.

agreement and are compelling because they appear to be fair, but they are usually inefficient because they fail to exploit potential pareto-improving trade-offs.²²

Strategies for Successful Multiparty Negotiations

Given that multiparty negotiations are complex and present special challenges, consider the strategies negotiators might use to enhance their ability to expand and slice the pie in a multiparty context.

KNOW WHO WILL BE AT THE TABLE Know who will be at the table and understand the interests of the constituencies they represent. When negotiators share a social network, they already have a basis of trust; they are more likely to follow through on commitments, and power differences are not as magnified.²³

MANAGE THE INFORMATION AND SYSTEMATIZE PROPOSAL MAKING Negotiators may experience “information overload” when dealing with multiple parties and multiple issues. It is nearly impossible to keep track of the issues, alternatives, and preferences of each party without some kind of information management device. Negotiators are well advised to develop a matrix that lists each party (along the rows) and each issue (along the columns), and then record each person’s preferences for each issue. To the extent that this information can be publicly displayed, it can greatly enhance the ability of the group to find win–win agreements.

Negotiating groups often severely mismanage their time. For example, negotiating groups begin by engaging in distributive bargaining and then transition to integrative bargaining.²⁴ Groups tend not to make proposals and explore options and alternatives in a systematic fashion. This can lead to **tunnel vision**, or the tendency for people in group negotiations to underestimate the number of feasible options available. In one of our investigations, we asked people who had just completed a multiparty negotiation how many feasible agreements they thought were possible (the negotiation contained five issues and four to five alternatives within each issue). The modal response was one! On average, people estimated approximately four feasible outcomes for the group (the highest estimate was 12). In fact, there were over 50 feasible outcomes! This example illustrates the tunnel vision (and ensuing desperation) that can overtake a group if members fail to systematize their proposal making. For this reason, negotiators should make several multi-issue proposals and record which proposals have been considered.

BRAINSTORM OPTIONS Most groups suggest fewer and lower-quality ideas than do individuals thinking independently.²⁵ **Brainwriting**, or **solitary brainstorming**, is a strategy whereby group members independently record ideas for resolving negotiations and then later, when the group meets, they share those ideas. Brainwriting capitalizes on the fact that individuals are better at generating ideas, but groups are superior in terms of evaluating ideas.

²² Mnookin, R. H. (2003). Strategic barriers to dispute resolution: A comparison of bilateral and multilateral negotiation. *Journal of Institutional and Theoretical Economics*, 159(1), 199–220.

²³ Molm, L. D., Melamed, D., & Whitman, M. (2013). Behavioral consequences of embeddedness: Effects of the underlying forms of exchange. *Social Psychology Quarterly*, 76(1), 73–97.

²⁴ Olekalns, M., Brett, J. M., & Weingart, L. R. (2003). Phases, transitions and interruptions: Modeling-processes in multi-party negotiations. *International Journal of Conflict Management*, 14(3/4), 191–211.

²⁵ Diehl, M., & Stroebe, W. (1987). Productivity loss in brainstorming groups: Toward the solution of a riddle. *Journal of Personality and Social Psychology*, 61, 392–403.

DEVELOP AND ASSIGN PROCESS ROLES Multiparty negotiations need a timekeeper, a process manager, and a recorder of information. These roles can be rotated, so as not to give any particular member an advantage or disadvantage.

STAY AT THE TABLE It is unwise for group members to leave the table when all parties need to reach agreement.²⁶ When groups leave the table, coalitions are more likely to form, which can be detrimental for the group.²⁷

STRIVE FOR EQUAL PARTICIPATION The problem of **uneven participation**, wherein one or two people do all the talking, thwarts information exchange in groups.

ALLOW FOR SOME POINT OF AGREEMENT, EVEN IF ONLY ON PROCESS Sometimes group negotiations can get bogged down because it takes longer for parties to reach agreement—even on a single issue. Failure to reach agreement on negotiation issues can make group members feel they are not making progress and that negotiations are stalemated. The more persistent negotiators are in their use of integrative strategies, the better they do for themselves.²⁸ Avoid reaching agreement for the sake of reaching settlement, and instead, agree on the process of reaching settlement. For example, a group member may suggest something like the following:

I know we have been working for over two hours and have not been able to agree on a single issue. We could take this as a sign of failure or ill will, but I do not think that would be wise. I suggest that we take 10 minutes as a group to revisit all of the proposals that we have considered and then independently rank them in terms of their favorability. This ranking may give us some sense of where to look for possible agreements.

AVOID THE “EQUAL SHARES” BIAS A tendency often emerges in group negotiations to divide things equally among the parties involved. A normative method of fair allocation does not exist.²⁹ When parties engage in nonbinding discussions about fairness in a three-party negotiation, they are more likely to divide resources equally than when engaging in nonbinding talk about competitive reasoning.³⁰

AVOID THE AGREEMENT BIAS The **agreement bias** occurs when negotiators are so intent on reaching common ground with the other party they are reluctant to recognize differences of interest, even when such differences might create viable options for joint gain. At the same time, don't assume everyone wants to “get to yes.” In some negotiation situations, people are paid to break deals and stall agreement.

²⁶ Palmer & Thompson, “Negotiation in triads,”

²⁷ Mannix, E. (1993). Organizations as resource dilemmas: The effects of power balance on coalition formation in small groups. *Organizational Behavior and Human Decision Processes*, 55, 1–22.

²⁸ Kern, M. C., Brett, J. M., & Weingart, L. R. (2005). Getting the floor: Motive-consistent strategy and individual outcomes in multi-party negotiations. *Group Decision and Negotiation*, 14(1), 21–41.

²⁹ Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Belknap.

³⁰ McGinn, K. L., Milkman, K. L., & Noth, M. (2012). Walking the talk in multiparty bargaining: An experimental investigation. *Journal of Economic Psychology*, 33(1), 278–291.

AVOID SEQUENTIAL BARGAINING Groups often use **sequential bargaining** (i.e., discussing one issue at a time) rather than simultaneous bargaining (where several issues are under consideration at any given time). By independently discussing and voting on each issue, negotiators cannot fashion win-win trade-offs among issues.³¹ When Netflix began negotiations with Disney in 2013, they expanded the issue set to include several additional issues, and an “opt out” clause. The centerpiece of the deal allowed Netflix exclusive distribution to Disney’s content such as Marvel and Star Wars movies. However, Netflix understood Disney’s long-term goal of producing their own streaming service and thus, included an opt-out clause for Disney. When Disney decided to end their contract with Netflix in 2017 and move their popular titles to their own streaming channel in 2019, the parties remained amicable. The Chief Content Officer of Netflix, Ted Sarandos, described the change in content access as “complementary to Netflix, rather than a direct competition,” with Disney’s move as a “natural evolution,” one that Netflix predicted could happen.³²

COALITIONS

Coalitions face three sets of challenges: (1) the formation of the coalition; (2) coalition maintenance; and (3) the distribution of resources among coalition members.

Challenges of Coalitions

OPTIMAL COALITION SIZE Ideally, coalitions should contain the minimum number of people necessary to achieve a desired goal. Coalitions are difficult to maintain because people are tempted by other members to join other coalitions and agreements are not enforceable.³³

TRUST AND TEMPTATION Members of coalitions experience a strong pull to remain intact even when it is not rational to do so.³⁴ According to the **status quo bias**, even when a new coalition structure that offers greater gain is possible, members are influenced by a norm of **coalitional integrity**, such that they remain with their current coalition.³⁵ Negotiators should form coalitions early so as not to be left without coalitional partners. Negotiators should also monitor their negative emotions when forming coalitions. Negotiators form negative impressions of people who use anger and exclude them from coalitions and coalition resources.³⁶ On the rare occasions when people do form coalitions with “angry” partners, they tend to make deep concessions.

³¹ Mannix, Thompson, & Bazerman, “Negotiation in small groups.”; Thompson, Mannix, & Bazerman, “Group negotiation.”

³² Grauso, A. (2017, August 11). Netflix is in active discussions with Disney about keeping Star Wars and Marvel movies. *Forbes*. forbes.com; Lopez, R. (2017, September 7). Star Wars, Marvel films moving from Netflix to Disney streaming service. *Variety*. variety.com

³³ Mannix, E., & Loewenstein, G. (1993). Managerial time horizons and inter-firm mobility: An experimental investigation. *Organizational Behavior and Human Decision Processes*, 56, 266–284.

³⁴ Bottom, W. P., Eavey, C. L., & Miller, G. J. (1996). Getting to the core: Coalitional integrity as a constraint on the power of agenda setters. *Journal of Conflict Resolution*, 40(2), 298–319.

³⁵ Bottom, Eavey, & Miller, “Getting to the core.”

³⁶ Beast, I., Van Kleef, G. A., & Van Dijk, E. (2008). Get angry, get out: The interpersonal effects of anger communication in multiparty negotiation. *Journal of Experimental Social Psychology*, 44(4), 993–1002.

DIVIDING RESOURCES Novice negotiators often settle for “equal division,” but experienced negotiators never do.³⁷ Experienced negotiators are much more willing and able to exploit differences in their relative bargaining power. To illustrate this observation, consider the following example: Lindholm, Tepe, and Clauson are independent organizations producing specialized products, equipment, and research for the rehabilitation medicine community.³⁸ This area has become a critical, high-growth industry, and each company is exploring ways to expand and improve its technologies through innovations in the research and development (R&D) divisions. Each organization recently applied for R&D funding from a funding agency.

The funding agency is willing to provide funds for the proposed research, but because the parties’ requests are so similar, they will fund only a consortium of two or three companies. The agency will not grant funding to Lindholm, Tepe, or Clauson alone. The largest of the three companies is Lindholm, followed by Tepe, and then Clauson. The agency took a variety of factors into consideration when it put caps on funding, as shown in Exhibit 10-3.

The agency strictly stipulated that for a consortium to receive funding, the parties in the consortium (either two or three parties) must be in complete agreement concerning the allocation of resources among parties.

If you are Lindholm, what consortium would you consider to be the best for you? Obviously, you want to be in on some consortium, with either Tepe or Clauson or both, to avoid being excluded. But what is the best division of resources within each of those consortiums? Suppose you approach Tepe about a two-way venture, and Tepe proposes receiving half of the \$220,000, or \$110,000. You argue that you should earn more because you are bigger and bring more synergy to the agreement. You demand \$200,000 for yourself, leaving \$20,000 for Tepe. Tepe threatens to leave you and approach Clauson. Tepe argues that Tepe and Clauson can

EXHIBIT 10-3

Maximum Funding Caps as a Function of Parties in a Consortium

Organizations in Consortium	Cap for R&D Funding
Lindholm alone	0
Tepe alone	0
Clauson alone	0
Lindholm and Tepe	\$220,000
Lindholm and Clauson	\$190,000
Tepe and Clauson	\$150,000
Lindholm, Tepe, and Clauson	\$240,000

³⁷ Bottom, W. P., Holloway, J., McClurg, S., & Miller, G. J. (2000). Negotiating a coalition: Risk, quota shaving, and learning to bargain. *Journal of Conflict Resolution*, 44(2), 147–169.

³⁸ This example is based on the case Federated Science Fund, written by Elizabeth Mannix, available through the Dispute Resolution Research Center, Kellogg School of Management, Northwestern University; and the Social Services case, in Raiffa, H. (1982). *The art and science of negotiation*, Cambridge, MA: Belknap.

command \$150,000 as a consortium without you, and each can receive \$75,000. At this point, you argue that you can outbid Tepe's offer to Clauson by proposing \$80,000 and keep \$110,000 for yourself. Just as Tepe is threatening to overbid you for Clauson, Clauson steps in and tells Tepe that Clauson would want at least \$100,000 of the \$150,000 pie that Clauson and Tepe together could command. Tepe is frustrated but relents.

You get nervous in your role as Lindholm. You certainly do not want to be excluded. You could attempt to get Clauson or Tepe in a consortium. Then a new thought occurs to you: maybe all three of you can be in a consortium. After all, all three parties command the greatest amount of funding (\$240,000). But how should the \$240,000 be divided between the three of you? You are the biggest, so you propose that you keep half of the \$240,000 (or \$120,000), that Tepe gets \$80,000, and that Clauson gets \$40,000. This allocation strikes you as fair. At this point, Clauson gets upset and tells you that Clauson and Tepe can team up and get \$150,000. Clauson thinks your share is unfair and should be reduced to something less than \$90,000. You then remind Clauson that you and Tepe can get \$190,000 together, of which you certainly deserve at least half, which is better than the \$90,000 offer. Then the three of you are at it again in a vicious circle of coalition formation and demolition.

The negotiation between Lindholm, Tepe, and Clauson illustrates the unstable nature of coalitions. In this example, the excluded party is always able to approach one of the two parties in the coalition and offer a better deal, which can then be beaten by the remaining party, *ad infinitum*. Furthermore, splitting the pie three ways seems to offer no obvious solution. So, what should the three parties do? Is there a solution? Or are the parties destined to go around in circles forever?

Getting Out Of The Vicious Circle As a way out of the vicious circle, let's conceptualize the problem as a system of simultaneous equations to solve. Namely,

$$\begin{aligned}
 L + T &= \$220,000 \\
 L + C &= \$190,000 \\
 T + C &= \$150,000 \\
 L + T + C &= \$240,000 \\
 L + T + C &= (\$220,000 + \$190,000 + \$150,000)/2 \\
 &= \$560,000/2 \\
 &= \$280,000 \text{ total funds needed}
 \end{aligned}$$

However, it is impossible to solve all simultaneous equations. We are \$40,000 short of satisfying each party's minimum needs. What should we do? Consider the following three solutions: the core solution, the Shapley solution, and a hybrid model.³⁹

Core Solution The core solution is a set of alternatives that are undominated.⁴⁰ An alternative is in the core if no coalition has both the power and desire to overthrow it.

³⁹ Raiffa, "The art and science of negotiation."

⁴⁰ McKelvey, R. D., & Ordeshook, P. C. (1980). Vote trading: An experimental study. *Public Choice*, 35, 151–184.

The first step in computing the core solution is to determine what would be each party's share if shortage of funds were not an issue. Thus, we solve for the L, T, and C shares as follows:

$$\begin{aligned}
 (L + T) - (L + C) &= \$220,000 - \$190,000 \\
 &= (T - C) = \$30,000 \\
 (L + T) - (T + C) &= \$220,000 - \$150,000 \\
 &= (L - C) = \$70,000 \\
 (T + C) + (T - C) &= \$150,000 + \$30,000 \\
 2T &= \$180,000 \\
 T &= \$90,000 \\
 L + T &= \$220,000 \\
 L + \$90,000 &= \$220,000 \\
 L &= \$220,000 - \$90,000 \\
 L &= \$130,000 \\
 L + C &= \$190,000 \\
 \$130,000 + C &= \$190,000 \\
 C &= \$190,000 - \$130,000 \\
 C &= \$60,000 \\
 \textit{Check:} \\
 L &= \$130,000 \\
 T &= \$90,000 \\
 C &= \$60,000 \\
 \text{Total} &= \$280,000
 \end{aligned}$$

Thus, if we had a total of \$280,000, we could solve each equation. But, the harsh reality is that we do not. So, the second step is to get the total reduced to \$240,000 by deducting \$40,000 from somewhere. In the absence of any particular argument as to why one party's share should be cut, we deduct an equal amount, \$13,333, from each party's share. In the final step, we compute the "core" shares as follows:

Lindholm:	\$116,670
Tepe:	\$76,670
Clauson:	\$46,670

As Lindholm, you are delighted. Tepe agrees, but Clauson is not happy. Clauson thinks that \$46,670 is too little and hires a consultant to evaluate the situation. The consultant proposes a different method, called the Shapley model.

The Shapley Model Consider a coalition formation in which one player starts out alone, and then is joined by a second and third player. The Shapley model determines the overall payoff

that a player can expect on the basis of his or her **pivotal power**, or the ability to change a losing coalition into a winning coalition. The consultant considers all possible permutations of players joining coalitions one at a time. The marginal value added to each coalition's outcome is attributed to the pivotal player. The Shapley value is the mean of a player's added value (see Exhibit 10-4). When all players bring equal resources, the Shapley value is the total amount of resources divided by the total number of people. This outcome, of course, is the **equal division principle**, as well as the **equity principle**.

When Clauson's consultant presents this report, Clauson is delighted with a share that increased by almost \$20,000. Lindholm is disappointed with a share that decreased. Tepe is tired of all the bickering and proposes a settlement in between the two proposed solutions.

Raiffa's Hybrid Model We have presented two models to solve for shares in coalition situations. The medium-power player's share in both models is identical, but the high- and low-power players' shares fluctuate quite dramatically. It is possible that an egocentric argument could ensue between Lindholm and Clauson as to which model to employ. One solution is a hybrid model

EXHIBIT 10-4

Analysis of Pivotal Power in the Shapley Model

Order of Joining	Lindholm Added Value	Tepe Added Value	Clauson Added Value
LTC	\$0	\$220,000	\$20,000
LCT	\$0	\$50,000	\$190,000
TLC	\$220,000	\$0	\$20,000
TCL	\$90,000	\$0	\$150,000
CLT	\$190,000	\$50,000	\$0
CTL	\$90,000	\$150,000	\$0
Shapley (average)*	\$98,333	\$78,333	\$63,333

*These figures are rounded slightly.

⁴¹ Raiffa, "The art and science of negotiation."

⁴² Mannix, E. (1993). Organizations as resource dilemmas: The effects of power balance on coalition formation in small groups. *Organizational Behavior and Human Decision Processes*, 55, 1–22.

⁴³ Mannix, "Organizations as resource dilemmas."; McAlister, L., Bazerman, M. H., & Fader, P. (1986). Power and goal setting in channel negotiations. *Journal of Marketing Research*, 23, 238–263.

⁴⁴ Mannix, "Organizations as resource dilemmas."

⁴⁵ McClintock, C. G., & Liebrand, W. B. (1988). Role of interdependence structure, individual value orientation, and another's strategy in social decision making: A transformational analysis. *Journal of Personality and Social Psychology*, 55(3), 396–409.

in which the mean of the Shapley and core values is computed.⁴¹ This model yields the following shares:

Lindholm:	\$107,500
Tepe:	\$77,500
Clauson:	\$55,000

Tips For Low-power Negotiators Each of the three preceding models of fair solutions is compelling and defensible because each makes explicit the logic underlying the division of resources. It is easy to be a high-power player in coalition situations. However, the real trick is to know how to be an effective low-power player. Weakness can be power if you can recognize and disrupt unstable coalitions. Power is intimately involved in the formation of coalitions and the allocation of resources among coalition members. Power imbalance among coalition members can be detrimental for the group. Compared to egalitarian power relationships, unbalanced power relationships produce more coalitions defecting from the larger group,⁴² fewer integrative agreements,⁴³ greater likelihood of bargaining impasse,⁴⁴ and more competitive behavior.⁴⁵ Power imbalance makes power issues salient to group members, whose primary concern is to protect their own interests. What is best for the coalition is often not what is best for the organization.

Does there exist an optimal division of resources among multiple parties so that group members are not tempted to form coalitions that may hinder group welfare? Although several defensible methods can be used to allocate resources among coalition members, no single best way exists.⁴⁶

Maximizing Coalitional Effectiveness

What follows are some behavioral strategies for effectively navigating coalitions.⁴⁷

MAKE YOUR CONTACTS EARLY Because of the commitment process, people tend to feel obligated to others with whom they have made explicit or implicit agreements. For this reason, it is important to make contact with key parties early in the process of multiparty negotiation before they become committed to others.

VERBAL COMMITMENTS Most people feel obligated to follow through with promises they make to others, even when verbal commitments are not legally binding.⁴⁸

UNBIASED-APPEARING RATIONALE TO DIVIDE THE PIE If one or more members of the coalition regard the proposed allocation of resources to be unfair, the coalition will be less stable, and they will be likely to renege. To the extent to which coalitional members feel that the distribution of the pie is fair, they are more likely to resist persuasion from others to leave the coalition.

⁴⁶ Raiffa, "The art and science of negotiation."

⁴⁷ Bottom, W. P., Eavey, C. L., Miller, G. J., & Victor, J. N. (2000). The institutional effect on majority rule instability: Bicameralism in spatial policy decisions. *American Journal of Political Science*, 44(3), 523–540.

⁴⁸ Cialdini, R. B. (1993). *Influence: Science and practice*. New York: HarperCollins.

PRINCIPAL–AGENT NEGOTIATIONS

The reason why principal-agent negotiations are problematic is that “a risk-neutral principal must negotiate an incentive contract to motivate a risk-averse agent to undertake costly actions that cannot be observed.”⁴⁹ An agent has a stake in the outcome (e.g., a real estate agent earns a commission on the sale of a house). In the negotiation between the Italian government and Benetton’s Autostrade per l’Italia, there were many intermediaries between the two parties, but each of them had their own agenda. Many advantages can be realized by using agents to represent one’s interests.⁵⁰

- **Expertise.** Agents usually have more expertise in the negotiation process (e.g., a real estate agent).
- **Substantive knowledge.** Agents may have more information than the principal about certain areas. For example, a tax attorney has a wealth of information about tax law and exemptions.
- **Networks and special influence.** Often, people work through agents because they do not know what potential principals might be interested in their product or service.
- **Emotional detachment.** Agents can provide emotional detachment and tactical flexibility. For example a “divorce planner” is not an attorney, but rather a person who can act as an agent and bring rationality and perspective to an otherwise heated emotional process.⁵¹
- **Ratification.** Precisely because an agent does not have authority to make or accept offers (unless directed to do so by the principal), the agent has power in the same way that a car salesperson has limited authority to offer price reductions (without the approval of the owner-manager).
- **Face saving.** Agents can provide a face-saving buffer for principals.

However, agency also comes with costs. Because they are usually compensated for their services, agents diminish the resources to be divided among the principals. In addition, ineffective agents complicate the negotiation dynamic and thereby inhibit settlement. Most problematically, the agent’s interests may be at odds with those of the principals.⁵²

Consider a typical home sale involving two principals and two agents. Is it wise for a home buyer to tell her agent her reservation price (how much she is willing to spend for a particular house)? Similarly, should a seller tell his agent the least amount of money he would accept for his home? No! Selling prices are lowest when the agent knows only the seller’s reservation price and highest when the agent knows only the buyer’s reservation price.⁵³

⁴⁹ Bottom, W. P., Holloway, J., Miller, G. J., Mislin, A., & Whitford, A. B. (2006). Building pathways to cooperation: Negotiation and social exchange between principal and agent. *Administrative Science Quarterly*, 51(1), 29–58.

⁵⁰ Rubin, J. Z., & Sander, F. E. A. (1988). When should we use agents? Direct vs. representative negotiation. *Negotiation Journal*, 4(4), 395–401.

⁵¹ Grondhal, P. (2003, March 9). Offering a lifeline at marriage’s end. *Times Union-Albany*, p. C17.

⁵² Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3, 305–360.

⁵³ Valley, K. L., White, S. B., Neale, M. A., & Bazerman, M. H. (1992). Agents as information brokers: The effects of information disclosure on negotiated outcomes. *Organizational Behavior and Human Decision Processes*, 51(2), 220–236.

Not surprisingly, when buyers don't reveal their reservation price, their agent spends more time asking them about it.⁵⁴

Agents increase the likelihood of impasse.⁵⁵ Agents may be maximally effective only when their interests are aligned with those of the principal. The social relationship the agent has with the principal affects how much effort the principal exerts.⁵⁶ The extent to which the agent believes the principal is a "benevolent individual" is directly related to the wage a principal offers an agent. However, money matters as well: the size of the bonus that principals offer agents predicts how much effort agents exert.

Disadvantages of Agents

SHRINKING ZOPA Using an agent means more parties are claiming a fixed bargaining surplus. A small bargaining zone increases the likelihood of an impasse. (For an example, see Exhibit 10-5.)

INCOMPATIBLE INCENTIVE STRUCTURE It is unwise to trust someone to effectively represent your interests when their incentives are not aligned with yours. Ultimately, an agent's goal is to broker a deal, and thus agents are motivated to apply pressure to whomever is motivated to reach a deal. Agents have an incentive to make transactions happen. For example, in home buying, a buyer's agent is really an agent of the seller. The buyer agent's preference is a higher sales price because he or she gets a commission. Furthermore, an agent may give biased information to get an agreement from his or her constituency. If the principal has strong bargaining power (i.e., attractive outside options), the principal has an incentive to understate those options and then renege on promised payments. Conversely, if agents have strong bargaining power, the principal has an incentive to overstate her outside option to capture more surplus.⁵⁷

A key question for agents is whether to align with their principal or to align with the other agent.⁵⁸ Obviously, certain laws and regulations govern disclosure, but the question is which social bond is most important for the final agreement. Agents initially show greater loyalty to their principals, but over time their loyalty to the other agent is greater. Moreover, to the extent that the across-the-table relationship among agents is strong, the likelihood of agreement is greater and settlements occur in the middle of the bargaining zone. Most notably, to the extent that the agents are socially similar (i.e., graduated from the same school, etc.) and familiar with each other, they are more likely to forge a bond. Agents who are "securely" attached to their principals negotiate more effectively and are less proself than are agents who are not securely attached.⁵⁹

⁵⁴ Valley, K. L., White, S. B., & Iacobucci, D. (1992). The process of assisted negotiations: A network analysis. *Group Decision and Negotiation*, 2, 117–135.

⁵⁵ Bazerman, M. H., Neale, M. A., Valley, K., Zajac, E., & Kim, P. (1992). The effect of agents and mediators on negotiation outcomes. *Organizational Behavior and Human Decision Processes*, 53, 55–73.

⁵⁶ Bottom, W. P., Holloway, J., Miller, G. J., Mislin, A., & Whitford, A. B. (2006). Building pathways to cooperation: Negotiation and social exchange between principal and agent. *Administrative Science Quarterly*, 51(1), 29–58.

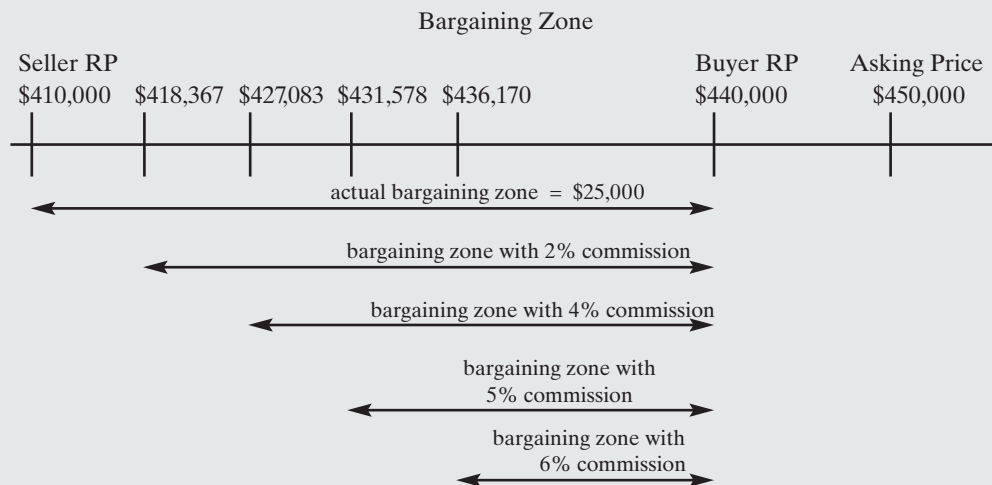
⁵⁷ Halac, M. (2012). Relational contracts and the value of relationships. *American Economic Review*, 102(2), 750–779.

⁵⁸ Kurtzberg, T., Dunn-Jensen, L., & Matsibekker, C. L. Z. (2005). Multiparty e-negotiations: Agents, alliances, and negotiation success. *International Journal of Conflict Management*, 16(3), 245–264.

⁵⁹ Lee, S., & Thompson, L. (2011). Do agents negotiate for the best (or worst) interest of principals? Secure, anxious and avoidant principal-agent attachment. *Journal of Experimental Social Psychology*, 47(3), 681–684.

EXHIBIT 10-5**The Bargaining Zone, Maximum Surplus, and Agent Commission Rates for a House Sale**

Commission	Seller RP* [adjusted from \$410,000/ (1 - c)]	Bargaining Zone [Buyer RP (\$440,000) - Seller RP*]	Buyer Maximum Surplus	Seller Maximum Surplus	Agents' Surplus Range
0% (for sale by owner)	\$ 410,000	\$30,000	\$30,000	\$30,000	\$0
2%	\$ 418,367	\$21,633	\$21,633	\$21,200	\$8,367-\$8,800
4%	\$ 427,083	\$12,917	\$12,917	\$12,400	\$17,083-\$17,600
5%	\$ 431,578	\$8,422	\$8,422	\$8,000	\$21,579-\$22,000
6%	\$ 436,170	\$3,830	\$3,830	\$3,600	\$26,170-\$26,400



Note: In this example, assume that the house is originally listed for sale at \$450,000. Assume that the buyer's reservation price is \$440,000 and the seller's reservation price is \$410,000. If no agency fees were involved, the bargaining range is \$30,000 (i.e., any price between \$410,000 and \$440,000). The agent commission fees mean that the seller must adjust his or her reservation price upward. For example, if the agent commission rate is 6%, the seller cannot sell below \$436,170.

RP: reservation price.

LOSS OF CONTROL Because an agent is negotiating in your stead, you are giving up control over the process of negotiation and ultimately, the outcome. Indeed, agents are more active in a negotiation than principals.⁶⁰

⁶⁰ Valley, White, & Iacobucci, "The process of assisted negotiations."

AGREEMENT AT ANY COST Because agents have an incentive to reach agreement, they may fall prey to the **getting to yes bias** in which agreement becomes more important than the contents of the deal.⁶¹

Working Effectively with Agents

SHOP AROUND Do not assume the first agent you meet is uniquely qualified to represent you. Ask the agent how he or she will successfully represent your interests. Ask the agent about what is expected of you. Ask the agent about the nature of your relationship and what obligations if any, you have to one another. For example, when superstar music mogul Jay-Z entered into the sports agency business with his partner, Kimberly Miale, they lured several baseball athletes away from their longtime teams to more lucrative contracts with competing teams. One complication to Jay-Z's sports agency, Roc Nation, was that the founder himself, Jay-Z, was not certified as an official agent by the NFL Players Association (NFLPA). The NFLPA, which has the goal of representing athletes' interests, insisted that all meetings with potential clients had to be co-attended by partner Miale, who was NFLPA certified.⁶² Roc Nation's company officials argued Jay-Z's deep pockets from his partner businesses allowed the agency to be selective as to who they represent and put their clients' interests ahead of their business interests. "We're fortunate that our sports division is part of a bigger company. We can afford to be selective" said Michael Yormark, Roc Nation's President and Chief of Branding and Strategy.⁶³ Ask agents about their negotiation training and strategies rather than just relying on a recommendation or reputation. (See Exhibit 10-6 for some suggested questions to ask an agent.)

KNOW YOUR BATNA BEFORE MEETING WITH YOUR AGENT Do your homework before meeting with your agent. Know your own BATNA. Determine your reservation price. Prepare questions to ask your agent that allow you to test the accuracy of your reservation price, but do not reveal your reservation price. For example, a home seller might say, "I would like to find out what average sale prices are for this type of home."

COMMUNICATE YOUR INTERESTS WITHOUT REVEALING YOUR RESERVATION PRICE One of the most challenging tasks for a negotiator is to communicate his or her interests, priorities, and preferences, but not reveal his or her reservation price. Help your agent by prioritizing your key interests and what you perceive to be the alternatives for meeting those interests. Anticipate that your agent will ask you about your reservation price. When this question comes up (and it will!), focus on your priorities (e.g., "I am not sure how helpful it is to tell you the most money I am willing to pay for the house you showed me today. However, I am really interested in a home within this school district and a three-car garage. In fact, I would be willing to pay more for those features than I would a master suite and an updated kitchen.").

CAPITALIZE ON THE AGENT'S EXPERTISE Good agents have a wealth of expertise. Ask them about their key strategies for targeting opportunities for you and closing deals. Agents can use

⁶¹ Gibson, K., Thompson, L., & Bazerman, M. H. (1994). Biases and rationality in the mediation process. In L. Heath, F. Bryant, & J. Edwards (Eds.), *Application of heuristics and biases to social issues: Vol. 3*. New York: Plenum.

⁶² Volin, B. (2013, May 26). Jay-Z involvement has NFL agents crying foul. *The Boston Globe*. bostonglobe.com

⁶³ Lynch, J. (2017, November 20). How Jay-Z's 'absolutely contagious' entrepreneurial spirit turned him into a mogul worth over \$800 million. *Business Insider*. businessinsider.com; Maeso, R. (2016 May, 26). Inside Roc Nation Sports, Jay Z's high-end boutique athlete agency. *The Washington Post*. washingtonpost.com; Garafolo, M. (2013, December 6). Jay Z beats rap with NFLPA regarding Geno Smith recruitment. *Fox Sports*. foxsports.com

persuasion with the counterparty; in a multiparty negotiation, agents should persuade opponents who have strong influence on other agents involved in the negotiation to be maximally effective.⁶⁴

TAP INTO YOUR AGENT'S SOURCES OF INFORMATION Agents, by virtue of their professional affiliations and networks, have access to a lot of information. If your agent is unwilling or unable to obtain information, interview another agent and see whether he or she can provide the information.

NETWORKS Agents are usually part of larger social networks. A negotiation chain is formed when multiple related negotiations are spread over multiple agents.⁶⁵ For example, more than five agents, representing three unions, federal mediators, and the Bay Area Rapid Transit's (BART) board of directors were ultimately involved in the resolution of the BART strike of 2013.⁶⁶ Whereas each agent has their own goals and tries to maximize their own interests, their ultimate outcomes are related to how well other agents cooperate. Agents perform better when they understand the larger network and allocate appropriate time for each negotiation.

RATIFICATION By nature of the principal–agent relationship, an agent's authority is limited with respect to making certain concessions or types of agreements (i.e., your agent cannot reduce or increase your offer without explicit direction from you).

FACE-SAVING Sometimes negotiators make what they regard to be perfectly reasonable proposals that are insulting to the other party. When this situation happens (and if the counterparty is insulted), negotiations may start on a losing course. In an agent-mediated negotiation, you can attempt to salvage damaged egos and relationships by blaming your agent. For example, a lead negotiator in a large joint venture deal noticed that the counterparty's attorney repeatedly misrepresented terms in the contract. So, he stood up and announced they were leaving the table and would not return until the counterparty replaced the attorney. Two days later, the counterparty called to apologize and said that he had appointed a new attorney. By attacking the counterparty's attorney—and not the counterparty—the manager created a face-saving option.⁶⁷

BUFFER EMOTIONS Agents can provide an emotional buffer between parties who either may dislike one another or are irrational. Effective agents will put a positive “spin” on the communications by each party and effectively “tune into” their principal's needs.

CONSTITUENT RELATIONSHIPS

When a negotiating party is embedded within an organization, several peripheral players may have an indirect stake in the outcome and may influence the negotiation process. A **constituent** is on the “same side” as a principal but exerts an independent influence on the outcome through the principal. Constituents can be used to exert pressure on the other side of the table.

⁶⁴ Monteserin, A., & Amandi, A. (2015). Whom should I persuade during a negotiation? An approach based on social influence maximization. *Decision Support Systems*, 77, 1–20.

⁶⁵ Zhang, X., & Lesser, V. (2013). Meta-level coordination for solving distributed negotiation chains in semi-cooperative multi-agent systems. *Group Decision & Negotiation*, 22(4), 681–713.

⁶⁶ Tucker, J. (2013, November). 2 BART unions approve contract. *SFGate*. sfgate.com; Rosenberg, M., & Hurd, R. (2013, November 2). Major BART unions approve contract that ended strike. *Mercury News*. mercurynews.com

⁶⁷ Silverman, S. (2018, April 17). Silverman: Drive for a win-win when negotiating a deal. *Philadelphia Business Journal*. bizjournals.com

Twenty-first Century Fox's bid for British telecommunications and media company Sky PLC was influenced by several constituent partners. When Sky PLC's shares rose above the price that 21st Century Fox offered for the pay-TV giant, pressure was put on Fox to increase their financial offer to the shareholders of Sky PLC, whose approval was needed before the acquisition could be completed. 21st Century Fox also needed to gain the Disney Company's approval before increasing their bid for Sky. At the time, Disney agreed to buy the majority of Fox assets, including a 39% stake in Sky for \$52 billion. The Disney–Fox constituent relationship meant that if Fox successfully acquired 100% of Sky, Disney would then assume the debt used by Fox to finance a deal with Sky.⁶⁸

We distinguish three types of constituencies: superiors who have authority over principals, subordinates who are under the authority of principals, and the constituency itself, the party whom the principal represents—that is, for whom the principal is responsible and to whom the principal is accountable (constituencies are represented by C in Exhibit 10-1). In the 21st Century Fox and Sky PLC example, 21st Century Fox is accountable to Disney and Sky PLC is accountable to their shareholders.

Challenges for Constituent Relationships

BEHIND-THE-TABLE BARRIERS The **behind-the-table barrier** refers to how negotiators must sell deals to their own internal constituencies as well as the other party.⁶⁹ These barriers are also known as “level-two” barriers, which refer to the formal or informal domestic ratification of traditional diplomatic agreements. One strategy for reaching mutual agreement is when party A negotiates with party B to help B strengthen B's internal supporters and overcome B's internal opponents. In this sense, A and B form a tactical coalition to overcome potential blocking coalitions. Another strategy is to reach agreement on the elements of the negotiation process itself. In one union-management negotiation, the parties realized that reaching agreement too quickly would raise suspicions by the parties' constituencies. So, the negotiators agreed to lock themselves into a room from mid-afternoon through dawn. Outside the room was heard angry shouts and table pounding. Inside, nice meals were ordered and plenty of alcohol flowed with the parties periodically making loud theatrical noises amid authentic chuckling to dramatize the alleged battle being fought.⁷⁰

ACCOUNTABILITY The negotiators seated at the bargaining table comprise the primary relationship in negotiation. The relationship parties share with their constituents is the **second table**.⁷¹ Constituents do not have to be physically present at the negotiation table for their presence to be strongly felt.⁷² Negotiators who are accountable to their constituents make higher

⁶⁸ Woo, S., & Dummett, B. (2018, February 15). Sky's rise pressures Fox. *The Wall Street Journal*, pp. B3.

⁶⁹ Sebenius, J. K. (2013). Level two negotiations: Helping the other side meets its “behind-the-table” challenges. *Negotiation Journal*, 29(1), 7–21.

⁷⁰ Sebenius, “Level two negotiations.”

⁷¹ Ancona, D. G., Friedman, R. A., & Kolb, D. M. (1991). The group and what happens on the way to “yes.” *Negotiation Journal*, 7(2), 155–173.

⁷² Kramer, R., Pommerenke, P., & Newton, E. (1993). The social context of negotiation: Effects of social identity and accountability on negotiator judgment and decision making. *Journal of Conflict Resolution*, 37(4), 633–654; Pruitt, D. G., & Carnevale, P. J. (1993). *Negotiation in social conflict*. Pacific Grove, CA: Brooks-Cole; Tetlock, P. E. (1985). Accountability: A social check on the fundamental attribution error. *Social Psychology Quarterly*, 48, 227–236.

demands and are less willing to compromise than those not accountable to constituents.⁷³ Gender affects accountability. Women, compared to men, believe they are more generous when representing a group; conversely, men do not believe this. When it comes to actual behavior, men are significantly more self-interested when they are responsible for a group as compared to when they are acting only on behalf of themselves; female representatives don't behave differently whether they are representing a group or just themselves.⁷⁴ Male constituency representatives tend to explain and justify their successes and not their failures; whereas women tend to justify their failures but not their successes.⁷⁵

The second table has a paradoxical effect on the primary table. Representatives of groups often are not given power to enact agreements; that is, they are not monolithic.⁷⁶ Whereas this would seem to reduce one's power at the bargaining table, the negotiator whose "hands are tied" is often more effective than the negotiator who has the power to ratify agreements. Anyone who has ever negotiated a deal on a new car has probably experienced the "my hands are tied" or "let me take it to the boss" ploy, in which the salesperson induces the customer to commit to a price that requires approval before a deal is finalized.

Decision-making Vigilance Decision makers who are accountable for their actions consider relevant information and alternatives more carefully.⁷⁷ Accountability increases thoughtful, deliberate processing of information and decreases automatic, heuristic processing.⁷⁸ However, decision accountability may not always promote more thorough and unbiased processing of information if organizational actors are partisan to a particular view.⁷⁹ Accountable partisans fall prey to the fixed-pie assumption because they are motivated to reach a particular conclusion. However, nonpartisan observers are willing to reach whatever conclusion the data will allow, and their judgments are therefore driven by the evidence, not their desires.

Impression Management And Face-saving When people are concerned with what others will think, they use face-saving strategies and make their actions appear more favorable to relevant others. Negotiators who want to save face will be more aggressive and uncompromising

⁷³ Ben-Yoav, O., & Pruitt, D. G. (1984). Accountability to constituents: A two-edged sword. *Organizational Behavior and Human Processes*, 34, 282–295; Carnevale, P. J., Pruitt, D. G., & Britton, S. (1979). Looking tough: The negotiator under constituent surveillance. *Personality and Social Psychology Bulletin*, 5, 118–121; O'Connor, K. M. (1997). Groups and solos in context: The effects of accountability on team negotiation. *Organizational Behavior and Human Decision Processes*, 72, 384–407.

⁷⁴ Song, F., Cadsby, C., & Morris, T. (2004). Other-regarding behavior and behavioral forecasts: Females versus males as individuals and as group representatives. *International Journal of Conflict Management*, 15(4), 340–363.

⁷⁵ Medina, F. J., Povedano, A., Martinez, I., & Munduate, L. (2009). How do we approach accountability with our constituency? Gender differences in the use of influence tactics. *International Journal of Conflict Management*, 20(1), 46–59.

⁷⁶ Raiffa, H. (1982). *The art and science of negotiation*, Cambridge, MA: Belknap.

⁷⁷ Tetlock, P. E. (1985). Accountability: A social check on the fundamental attribution error. *Social Psychology Quarterly*, 48, 227–236; Tetlock, P. E. (1992). The impact of accountability on judgment and choice: Toward a social contingency model. *Advances in Experimental Social Psychology*, 25, 331–376.

⁷⁸ Chaiken, S. (1980). Heuristic versus systematic information processing and the use of source versus message cues in persuasion. *Journal of Personality and Social Psychology*, 39(5), 752–766; Fiske, S. T., & Neuberg, S. L. (1990). A continuum of impression formation, from category-based to individuating processes: Influences of information and motivation on attention and interpretation. In M. P. Zanna (Ed.), *Advances in experimental social psychology: Vol. 23* (pp. 1–74). New York: Academic Press.

⁷⁹ Thompson, L. (1995). "They saw a negotiation": Partisanship and involvement. *Journal of Personality and Social Psychology*, 68(5), 839–853.

so they will not be viewed as weak. Indeed, negotiators who are accountable to constituents are more likely to maintain a tough bargaining stance, make fewer concessions, and hold out for more favorable agreements compared to those who are not accountable.⁸⁰ Negotiators are more likely to reach integrative agreements when the constituent majority is dovish rather than hawkish, but only when the hawkish minority has low status; when the hawkish minority has high status, constituency representatives reach suboptimal agreements.⁸¹

Prototypical versus Peripheral Representatives A key question concerns who should represent the group. Certainly, not everyone in the group is qualified to represent the group. *Prototypical* members feel secure about their position in the group, but *peripheral* members are less certain about their position. For this reason, peripheral representatives are more attentive and responsive to information relevant to the negotiation than are prototypical representatives. Indeed, peripheral representatives are more motivated to process information, recall more information, are more perceptive about the emotional expressions of counterparties, and are more likely to attain win–win agreements than are prototypical representatives.⁸² However, when the representative is cooperative (versus competitive), prototypical representatives are most likely to engender favorable perceptions and trigger constructive behaviors toward the outcome.⁸³ When negotiations are purely instrumental (i.e., about maximizing profit), people prefer pro–out-group deviants to be their representatives. In contrast, when negotiators are identity related (i.e., about achieving a positive social outcome), group members prefer normative members and pro–in-group deviants as their representatives.⁸⁴ This suggests that groups strategically support deviant members when their goal is to pressure the other party to concede.

CONFLICTS OF INTEREST It is important to understand the relationships negotiators share across the bargaining table and the hidden table of constituent relationships.⁸⁵ Teams who report to a “profit-oriented” supervisor claim a greater share of the resources than do teams who report to a “people-oriented” supervisor and teams not accountable to a manager.⁸⁶ In an investigation of representatives with a proself versus prosocial orientation, prosocial representatives were more willing to sacrifice self-interest to benefit both the constituency and the adversary.⁸⁷

⁸⁰ Carnevale, P. J., & Pruitt, D. G. (1992). Negotiation and mediation. *Annual Review of Psychology*, 43, 531–582.

⁸¹ Aldering, H., & DeDreu, C. K. W. (2012). Why hawks fly higher than doves: Intragroup conflict in representative negotiation. *Group Processes and Intergroup Relations*, 15(6), 713–724.

⁸² Van Kleef, G. A., Steinel, W., & Homan, A. C. (2013). On being peripheral and paying attention: Prototypicality and information processing in intergroup conflict. *Journal of Applied Psychology*, 98(1), 63–79.

⁸³ Saygı, Ö., Greer, L. L., Van Kleef, G. A., & De Dreu, C. K. (2015). Bounded benefits of representative cooperativeness in intergroup negotiations. *Group Decision and Negotiation*, 24(6), 993–1014.

⁸⁴ Teixeira, C. P., Dermoulin, S., & Yzerbyt, V. Y. (2011). Choosing the best means to an end: The influence of ingroup goals on the selection of representatives in intergroup negotiations. *Journal of Experimental Social Psychology*, 47(1), 228–234.

⁸⁵ Kolb, D. (1983). *The mediators*. Cambridge, MA: MIT Press.

⁸⁶ Peterson, E., & Thompson, L. (1997). Negotiation teamwork: The impact of information distribution and accountability on performance depends on the relationship among team members. *Organizational Behavior and Human Decision Processes*, 72(3), 364–383.

⁸⁷ Aldering, H., Greer, L. L., van Kleef, G. A., & DeDreu, C. K. W. (2013). Interest misalignments in representative negotiations: Do pro-social agents fuel or reduce intergroup conflict? *Organizational Behavior and Human Decision Processes*, 120(2), 240–250.

Improving Constituent Relationships

COMMUNICATION Representatives need to understand their constituents' interests, not just their positions. Moreover when constituents feel heard, they are less likely to take extreme action. In many cases, representatives act too early (before they understand their constituency's real needs) so as to demonstrate their competence. For example, a minority of "hawks" (people who support competitive behavior) is sufficient to induce constituency representatives to act in a competitive way, even when the majority are "doves" (people who support cooperative behavior).⁸⁸ Constituency representatives unconsciously accord more weight to hawkish than to dovish messages.

DO NOT EXPECT HOMOGENEITY OF CONSTITUENT VIEWS Constituencies are often composed of individuals and subgroups with different needs and interests.

EDUCATE YOUR CONSTITUENTS ON YOUR ROLE AND YOUR LIMITATIONS Constituents, like other people, suffer from egocentric bias and want you to educate the other side with your position. It is important to clearly define your role to your constituents early on in the process. Set realistic expectations. Do not characterize yourself as an "evangelist" for their "crusade." Share all possible outcomes, not just the favorable ones, with your constituents.

HORIZON THINKING **Horizon thinking** involves making projections about future outcomes. People have a difficult time thinking about future events,⁸⁹ tend to under- or overestimate the duration of future emotional states,⁹⁰ and fail to account for positive or negative circumstances that could arise.⁹¹ Help your constituents develop a sound BATNA and realistic aspirations by engaging in horizon thinking.

TEAM NEGOTIATION

Consider the following situations:

- A married couple negotiates with a salesperson on the price of a new car.
- A group of disgruntled employees approaches management about wages and working conditions.
- A large software company approaches a small software company about an acquisition.

⁸⁸ Steinel, W., De Dreu, C. K. W., Ouwehand, E., & Ramirez-Marin, J. Y. (2009). When constituencies speak in multiple tongues: The relative persuasiveness of hawkish minorities in representative negotiation. *Organizational Behavior and Human Decision Processes*, 109(1), 67–78.

⁸⁹ Gilbert, D. T., & Wilson, T. D. (2000). Miswanting: Some problems in the forecasting of future affective states. In J. P. Forgas (Ed.), *Feeling and thinking: The role of affect in social cognition. Studies in emotion and social interaction, Second series* (pp. 178–197). New York: Cambridge University Press.

⁹⁰ Gilbert, D. T., Pinel, E. C., Wilson, T. D., Blumberg, S. J., & Wheatley, T. P. (1998). Immune neglect: A source of durability bias in affective forecasting. *Journal of Personality and Social Psychology*, 75(3), 617–638.

⁹¹ Loewenstein, G. F., & Schkade, D. (1999). Wouldn't it be nice? Predicting future feelings. In D. Kahneman, & E. Diener (Eds.), *Well-being: The foundations of hedonic psychology* (pp. 85–105). New York: Russell Sage Foundation; Schkade, D. A., & Kahneman, D. (1998). Does living in California make people happy? A focusing illusion in judgments of life satisfaction. *Psychological Science*, 9(5), 340–346; Wilson, T. D., Wheatley, T. P., Meyers, J., Gilbert, D. T., & Axsom, D. (2000). Focalism: A source of durability bias in affective forecasting. *Journal of Personality and Social Psychology*, 78, 821–836.

In all of these examples, people join together on one side of the bargaining table as a team. Unlike solo negotiators, members of negotiating teams may play different roles for strategic reasons, such as “good cop–bad cop.”⁹²

Are teams effective at exploiting integrative potential at the bargaining table? A comparison of three types of negotiation configurations (team versus team, team versus solo, and solo versus solo negotiations) revealed that the presence of at least one team at the bargaining table increased the size of the pie.⁹³ Why are teams so effective? Negotiators exchange much more information about their interests and priorities when at least one team is at the bargaining table than when solos negotiate.⁹⁴ Information exchange leads to greater judgment accuracy about parties’ interests,⁹⁵ which promotes integrative agreement.⁹⁶ The **team effect** is quite robust: it is not even necessary that team members privately caucus with one another to be effective.⁹⁷ In negotiations with integrative potential, teams outperform solos; however, in extremely competitive tasks, teams are more likely to behave in a competitive fashion.⁹⁸

The presence of a team at the bargaining table increases the integrativeness of joint agreements,⁹⁹ but what about the distributive component? Do teams outperform their solo counterparts? Not necessarily. Nevertheless, both teams and solo players believe teams have an advantage—a **team efficacy effect**.¹⁰⁰ Even situations in which teams reap greater shares of profit than their solo counterparts, solos are still better off negotiating with a team than with another solo player. The solo negotiator earns less than the team, but the amount of jointly available resources is greater in the team–solo negotiation than in the solo–solo negotiation. The **team halo effect** refers to the fact that teams tend not to be blamed for their failures as much as individuals do, holding constant the nature of the failure.¹⁰¹ Rather, teams are given a lot of

⁹² Brodt, S., & Tuchinsky, M. (2000). Working together but in opposition: An examination of the “good cop/bad cop” negotiating team tactic. *Organizational Behavior and Human Decision Processes*, 81(2), 155–177.

⁹³ Thompson, L., Peterson, E., & Brodt, S. (1996). Team negotiation: An examination of integrative and distributive bargaining. *Journal of Personality and Social Psychology*, 70(1), 66–78; Morgan, P., & Tindale, R. S. (2002). Group vs. individual performance in mixed-motive situations: Exploring the inconsistency. *Organizational Behavior and Human Decision Processes*, 87(1), 44–65.

⁹⁴ O’Connor, K. M. (1997). Groups and solos in context: The effects of accountability on team negotiation. *Organizational Behavior and Human Decision Processes*, 72, 384–407; Carnevale, P. J. (2008). Positive affect and decision frame in negotiation. *Group Decision and Negotiation*, 17(1), 51–63; Thompson, L., Peterson, E., & Brodt, S. (1996). Team negotiation: An examination of integrative and distributive bargaining. *Journal of Personality and Social Psychology*, 70(1), 66–78.

⁹⁵ O’Connor, “Groups and solos in context.”; Carnevale, “Positive affect and decision frame in negotiation.”; Thompson, Peterson, & Brodt, “Team negotiation.”

⁹⁶ Thompson, L. (1991). Information exchange in negotiation. *Journal of Experimental Social Psychology*, 27(2), 161–179.

⁹⁷ Thompson, Peterson, & Brodt, “Team negotiation.”

⁹⁸ Morgan, & Tindale, “Group vs individual performance in mixed-motive situations.”

⁹⁹ Morgan, & Tindale, “Group vs individual performance in mixed-motive situations.”; O’Connor, “Groups and solos in context.”; Carnevale, *Team effects in bilateral negotiation*.

¹⁰⁰ O’Connor, “Groups and solos in context.”; Carnevale, “Positive affect and decision frame in negotiation.”; Thompson, Peterson, & Brodt, “Team negotiation.”

¹⁰¹ Naquin, C., & Tynan, R. (2003). The team halo effect: Why teams are not blamed for their failures. *Journal of Applied Psychology*, 88(2), 332–340.

credit for their successes, but are not blamed for their failures. The reason being: people have an easier time imagining how an *individual* might have done something better than imagining how a *team* might have done something better.

Teams not only facilitate the creation of integrative agreements in negotiations with positive bargaining zones, they can successfully avoid reaching poor agreements when the bargaining zone is negative.¹⁰² Recall the agreement trap that occurs when negotiators reach deals that are actually worse than their BATNA. Two- and three-person teams are significantly more likely to extricate themselves from unprofitable negotiations as compared to solo negotiators.

Challenges that Face Negotiating Teams

For a comprehensive review, see Brodt and Thompson.¹⁰³

SELECTING YOUR TEAMMATES Consider the following criteria for choosing and evaluating teammates:

1. **Negotiation expertise.** People with good negotiation skills may be able to devise an integrative solution to a complex conflict situation. A negotiation expert can streamline preparation, ensure the team avoids the four major traps of negotiation (see Chapter 1), avoid destructive conflict strategies, and instigate a creative problem-solving process.
2. **Technical expertise.** It helps to have someone with technical expertise in the domain of interest. For example, when house buying, it is valuable to have someone skilled in architecture, plumbing, electricity, and so on.
3. **Interpersonal skills.** Negotiation involves many interpersonal skills, such as the ability to establish rapport, communicate effectively, and redirect a power- or rights-based argument to one focusing on interests.¹⁰⁴

TEAM SIZE Two or three heads can be better than one, but at some point conformity pressures increase with group size, peaking at about five and then leveling off.¹⁰⁵ As teams grow in size, coordination problems increase.

COMMUNICATION Communication, or **information pooling**, is facilitated if members are acquaintances or share a relationship. For example, when the clues for solving a murder mystery game are distributed among group members, groups of friends are more likely to pool their diverse information than are groups of strangers.¹⁰⁶

¹⁰² Cohen, T. R., Leonardelli, G. J., & Thompson, L. (2014). Avoiding the agreement trap: Teams facilitate impasse in negotiations with negative bargaining zones. *Negotiation and Conflict Management Research*, 7(4), 232–242.

¹⁰³ Brodt, S., & Thompson, L. (2001). Negotiating teams: A levels of analysis approach. *Group Dynamics: Theory, Research, and Practice*, 5(3), 208–219.

¹⁰⁴ Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. San Francisco: Jossey-Bass.

¹⁰⁵ Latané, B. (1981). The psychology of social impact. *American Psychologist*, 36, 343–356.

¹⁰⁶ Gruenfeld, D. H., Mannix, E. A., Williams, K., & Neale, M. A. (1996). Group composition and decision making: How member familiarity and information distribution affect process and performance. *Organizational Behavior and Human Decision Processes*, 67(1), 1–15.

COHESION **Cohesion** is the strength of positive relations within a team,¹⁰⁷ the sum of pressures acting to keep individuals in a group,¹⁰⁸ and the result of all forces acting on members to remain in a group.¹⁰⁹ Cohesive groups perform better than less cohesive groups.

Different kinds of bonds keep teams together. **Common-identity groups** are composed of members who are attracted to the group; the individual members may come and go. **Common-bond groups** are composed of members who are attracted to particular members in the group.¹¹⁰

INFORMATION PROCESSING Organizational members often negotiate as a team or a group because no single person has the requisite knowledge and expertise required to negotiate effectively. Thus, knowledge is distributed among team members. How effective are teams at utilizing knowledge that is distributed among members?

It is more efficient for each team member to be responsible for a particular piece of information so that each member is not overwhelmed by too much data. However, as storage space is minimized, so are the chances of successfully retrieving the desired information. Furthermore, groups are less likely to consider and discuss information that is shared only by a subset of its members. They suffer from the **common information bias**.¹¹¹

Members of groups are not privy to the same facts and information. People rely on others for information. Teams can be more efficient by dividing the labor among members. However, distributed cognition is risky because information may be lost to the entire group if a team loses one of its members. Thus, groups face a dilemma: divide responsibility, which can increase members' dependence upon each individual member, or share information, which can be clumsy and redundant.

Improving Team Negotiation

GOAL AND STRATEGY ALIGNMENT It is imperative that team members have shared goals and interests. A large experiment with 80 four-person teams revealed that conflict between subgroups exerted a detrimental effect on negotiation performance.¹¹² The higher the level of team identification, the lower the level of task and relationship conflict in teams.¹¹³ For example, top management teams with high trust have greater agreement-seeking behavior and collaboration than low-trust teams.¹¹⁴ When teams aggregate their individual interests, majority members have more influence than minority members, and hawkish members have more influence than dovish members.¹¹⁵

¹⁰⁷ Evans, C. R., & Dion, K. L. (1991). Group cohesion and performance: A meta-analysis. *Small Group Research*, 22, 175–186.

¹⁰⁸ Back, K. W. (1951). Influence through social communication. *Journal of Abnormal Social Psychology*, 46, 9–23.

¹⁰⁹ Festinger, L. (1950). Informal social communication. *Psychological Review*, 57, 271–282.

¹¹⁰ Prentice, D. A., Miller, D. T., & Lightdale, J. R. (1994). Asymmetries in attachments to groups and to their members: Distinguishing between common-identity and common-bond groups. *Personality and Social Psychology Bulletin*, 20, 484–493.

¹¹¹ Gigone, D., & Hastie, R. (1993). The common knowledge effect: Information sharing and group judgment. *Journal of Personality and Social Psychology*, 65, 959–974; Stasser, G. (1992). Pooling of unshared information during group discussion. In S. Worchel, W. Wood, & J. A. Simpson (Eds.), *Group processes and productivity* (pp. 48–67). Newbury Park, CA: Sage.

¹¹² Halevy, N. (2008). Team negotiation: Social, epistemic, economic, and psychological consequences of subgroup conflict. *Personality and Social Psychology Bulletin*, 34(12), 1687–1702.

¹¹³ Guohong, H., & Harms, P. D. (2010). Team identification, trust and conflict: A mediation model. *International Journal of Conflict Management*, 21(1), 20–43.

¹¹⁴ Parayitam, S., Olson, B. J., & Bao, Y. (2010). Task conflict, relationship conflict and agreement-seeking behavior in Chinese top management teams. *International Journal of Conflict Management*, 21(1), 94–116.

¹¹⁵ Bonner, B. L., Okhyusen, G. A., & Sondak, H. (2011). Intragroup decision making in intergroup negotiation: Majority/minority effects and hawkishness of member preferences. *Group Dynamics: Theory, Research, and Practice*, 15(3), 246–257.

PREPARE TOGETHER Team preparation is so important that we developed a worksheet for effective team preparation (see Exhibit 10-7). Preparing together creates a transactive memory system in which group members understand the information others have and how and when to access it. For example, groups in one investigation were given instructions on how to assemble

EXHIBIT 10-7

Preparing for Your Team-on-Team Negotiation

Team-on-team negotiation can be an advantage over solo negotiation if the team prepares properly. Here are some guidelines:

Step 1: *Individual Preparation*

- Identify the issues.
- Identify your BATNA.
- Determine what you believe to be your team's "worst-case" scenario.
- Determine what you believe to be your team's "best-case" scenario.
- Write down these scenarios and be prepared to share them with the members of your team.

Step 2: *As a Team, Decide on Your Procedures for Running the Preparation Meeting*

- Who is going to run the meeting (i.e., who is going to summarize, synthesize, etc.)?
- What materials do you need to be effective (flipcharts, computer, etc.), and who is bringing them?
- What is your timeline, and who will enforce it so that the team arrives at the negotiation table prepared and refreshed?

Step 3: *As a Team, Clarify Facts and Information (Note: You are not discussing strategy yet!)*

- Develop a "Positions and Interests" chart.
- Prioritize your issues. Understand the reasons for your priorities.
- Identify what you think the other party's priorities are.
- Identify what information you need from the other party.
- Determine your BATNA.
- What do you know about the other party's BATNA?
- Identify your worst-case scenario (reservation price).
- Identify your best-case scenario (target).
- As you complete the preceding tasks, make a list of questions to research.
- Identify information that is too sensitive to reveal at any point under any condition (get clarification and closure within the team on this point).
- Identify information that you are willing to share with the other team if they inquire (get clarification and closure within the team on this point).

Step 4: *Strategy*

- As a team, plan your opening offer. (Note: It is not advisable to simply want the "other party" to open; you need to be able to put something on the table at some point.)
- Choose a *lead negotiator* (speaker).
- Choose a *lead strategist* (listener and strategic watchdog).
- Choose an *accountant* to run the numbers.
- Choose a *scribe* to keep track of offers. Decide on a signal to adjourn for a private caucus.

a transistor radio. Some groups trained together; in other groups, individuals trained individually (or with a different group). When it came to actual performance, groups who had trained together outperformed those who had trained individually or with different groups.¹¹⁶

SCHEDULE BREAKS Make sure that you schedule breaks into your negotiation to allow team members to meet privately. When they found themselves at an impasse over a pay and hiring discrimination case, Oracle and U.S. Labor Department attorneys notified the court they wished to take a break from the courtroom dispute. After a short recess, both sides agreed to mediate their legal fight with the help of a professional mediator.¹¹⁷

A word of caution: Many teams spend too much time in private caucus and not enough time at the table. This behavior is ultimately not effective for negotiation.

ACCOUNTABILITY It is important to assess the extent to which team members are accountable to others outside of the team. For example, when teams are accountable to a supervisor, they are more effective than when they negotiate strictly on their own behalf.¹¹⁸

INTERGROUP NEGOTIATION

Intergroup negotiation involves everyday life as well as complex political and international relations.¹¹⁹ For example, members of a student council and university administrators, union and management negotiators, and groups of students from rival universities are all examples of intergroup negotiators. On a larger scale, nations negotiate with other nations.

Challenges of Intergroup Negotiations

SHARED VERSUS INDIVIDUAL IDENTITY People identify with many different social groups.¹²⁰ For example, a student might consider a relevant group to be the other students in his or her study group, the class as a whole, marketing majors in general, or the entire student body. At any given time, one group might be more or less salient to the student: at a football game, students might identify most strongly with the entire student body; in a dining hall, students might identify most strongly with a particular dorm or floor.

Imagine you are in an organization in which marketing and finance are distinct subgroups located on different floors of a building. Contrast that arrangement to a situation in which marketing and finance are not separate functional units, but instead, are part of the same product

¹¹⁶ Moreland, R. L., Argote, L., & Krishnan, R. (1996). Socially shared cognition at work. In J. L. Nye, & A. M. Brower (Eds.), *What's social about social cognition?* Thousand Oaks, CA: Sage.

¹¹⁷ Casuga, J. B. (2017, November 8). Oracle, Labor Department press pause on pay, hiring bias dispute. *Bloomberg Law News*. bloomberglaw.com

¹¹⁸ Peterson, E., & Thompson, L. (1997). Negotiation teamwork: The impact of information distribution and accountability on performance depends on the relationship among team members. *Organizational Behavior and Human Decision Processes*, 72(3), 364–383.

¹¹⁹ Deutsch, M. (1973). *The resolution of conflict*. New Haven, CT: Yale University Press; Klar, Y., Bar-Tal, D., & Kruglanski, A. W. (1988). Conflict as a cognitive schema: Toward a social cognitive analysis of conflict and conflict termination. In W. Stroebe, A. Kruglanski, D. Bar-Tal, & M. Hewstone (Eds.), *The social psychology of intergroup conflict*. Berlin: Springer-Verlag; Sherif, M. (1936). *The psychology of social norms*. New York: Harper and Row; Narlikar, A. (2010). *Deadlocks in multilateral negotiations: Causes and solutions*. Cambridge, UK: Cambridge University Press.

¹²⁰ Kramer, R. M. (1991). The more the merrier? Social psychological aspects of multiparty negotiations in organizations. In M. H. Bazerman, R. J. Lewicki, & B. H. Sheppard (Eds.), *Research on negotiations in organizations: Handbook of negotiation research*, Vol. 3 (pp. 307–332). Greenwich, CT: JAI Press.

team. What happens in the case in which a marketing manager negotiates with a financial manager? Negotiations among individuals representing different social groups are less mutually beneficial than negotiations among individuals who perceive themselves as belonging to a larger social organization—one that encompasses all those present at the bargaining table.¹²¹ When people define their social identity at the level of the organization, they are more likely to make more organizationally beneficial choices than when social identity is defined at an individual or subgroup level. For example, when group members are instructed to consider features they have in common with another group, behavior toward out-groups is much more generous than when they consider features that are distinct.¹²²

IN-GROUP BIAS Five beliefs propel groups toward conflict: superiority, injustice, vulnerability, distrust, and helplessness.¹²³ These deeply entrenched beliefs can trigger destructive action. Moreover, to the extent that groups receive social support from their fellow in-group members, such beliefs can lead to even greater intergroup conflict.¹²⁴ Bias and discrimination can also thwart effective negotiation. Group distinctions and social boundaries may be created on the basis of completely arbitrary distinctions.¹²⁵ In one investigation, participants were divided into two groups on the basis of an arbitrary procedure (random draws from a box).¹²⁶ Then, individuals negotiated with either a member of their “own group” or the “other group.” Even though the information concerning the negotiation situation was identical in both respects, negotiations with members of out-groups were anticipated to be more contentious than negotiations with members of in-groups; further, the mere anticipation of negotiation with an out-group member led to increased **in-group bias** (i.e., positive evaluations of one’s own group relative to the out-group). In another investigation, people allocating money between their group and a competing group took a significantly greater share of the monetary funds than people allocating between themselves and a competing individual.

When we anticipate negotiations with out-group members, we often engage in **downward social comparison**.¹²⁷ We evaluate the competitor to be less attractive on a number of organizationally relevant dimensions (such as intelligence, competence, and trustworthiness) than members of our group. However, after successful negotiation with out-groups, intergroup relations improve, and downward social comparison virtually disappears.¹²⁸ Negotiation with out-group members is threatening to organizational actors, but to the extent that integrative agreements are feasible, negotiation has remarkable potential for improving intergroup relations.

¹²¹ Kramer, R. M. (1991). The more the merrier? Social psychological aspects of multiparty negotiations in organizations. In M. H. Bazerman, R. J. Lewicki, & B. H. Sheppard (Eds.), *Research on negotiations in organizations: Handbook of negotiation research*, Vol. 3 (pp. 307–332). Greenwich, CT: JAI Press.

¹²² Kramer, R. M., & Brewer, M. (1984). Effects of group identity on resource use in a simulated commons dilemma. *Journal of Personality and Social Psychology*, 46, 1044–1057.

¹²³ Eidelson, R. J., & Eidelson, J. I. (2003). Dangerous ideas: Five beliefs that propel groups toward conflict. *American Psychologist*, 58(3), 182–192.

¹²⁴ Wildschut, T., Insko, C. A., & Gaertner, L. (2002). Intragroup social influence and intergroup competition. *Journal of Personality and Social Psychology*, 82(6), 975–992.

¹²⁵ Tajfel, H. (1970). Experiments in intergroup discrimination. *Scientific American*, 223, 96–102.

¹²⁶ Thompson, L. (1993). The impact of negotiation on intergroup relations. *Journal of Experimental Social Psychology*, 29(4), 304–325.

¹²⁷ Wills, T. A. (1981). Downward comparison principles in social psychology. *Psychological Bulletin*, 90, 245–271.

¹²⁸ Thompson, L. (1993). The impact of negotiation on intergroup relations. *Journal of Experimental Social Psychology*, 29(4), 304–325.

Although our initial expectations may be quite pessimistic, interactions with members of opposing groups often have a beneficial impact on intergroup relations if several key conditions are met (e.g., mutual dependence for goal attainment).

People of high status, those of low status who have few alternatives, and members of groups who have an opportunity to improve their group are most likely to identify with their own group. Members of groups with lower perceived status display more in-group bias than members of groups with higher perceived status.¹²⁹ However, high-status group members show more in-group bias on group status-related dimensions, whereas low-status group members consider the in-group superior on alternative dimensions.

EXTREMISM Groups in conflict do not have an accurate understanding of the views of the other party and exaggerate the position of the other party in a way that promotes the perception of conflict.¹³⁰ Each party views the other as holding more extreme and opposing views than is actually the case. And people perceive more disagreement with rivals about values that are central to their own party's ideological position than those that are central to their rival's position.¹³¹ Moreover, people believe their adversaries are actually motivated by their opposition to their own core values rather than by the promotion of the adversaries' core values.

According to the **naïve realism** principle, people expect others to hold views of the world similar to their own.¹³² When conflict erupts, people are initially inclined to sway the other party with evidence. When this tactic fails to bridge interests, people regard dissenters as extremists who are out of touch with reality.

Optimizing Intergroup Negotiations

Consider the following strategies in intergroup negotiations:

COMMON IDENTITY To the extent groups in conflict share a common identity, conflict and competition decrease dramatically.¹³³ People in organizations may identify at different levels within their organization (e.g., person, group, department, unit, organization as a whole). In one investigation, groups were told to focus on their group identities. Other groups who were involved in an objectively identical conflict were told to focus on the collective organization. Cooperation increased when groups focused on the collective, rather than their group, identities. Moreover, the stronger the group identification, the more likely it is that groups develop a

¹²⁹ Ellemers, N., Van Rijswijk, W., Roefs, M., & Simons, C. (1997). Bias in intergroup perceptions: Balancing group identity with social reality. *Personality and Social Psychology Bulletin*, 23(2), 186–198.

¹³⁰ Robinson, R. J., Keltner, D., Ward, A., & Ross, L. (1994). Actual versus assumed differences in construal: "Naïve Realism" in intergroup perception and conflict. *Journal of Personality and Social Psychology*, 68, 404–417; Ross, L., & Ward, A. (1996). Naïve realism in everyday life: Implications for social conflict and misunderstanding. In E. S. Reed, E. Turiel, & T. Brown (Eds.), *The Jean Piaget symposium series: Values and knowledge*. (pp. 103–135). Hillsdale, NJ, US: Lawrence Erlbaum Associates, Inc.

¹³¹ Chambers, J. R., & Melnyk, D. (2007). Why do I hate thee? Conflict misperceptions and intergroup mistrust. *Personality and Social Psychology Bulletin*, 32(10), 1295–1311.

¹³² Ross, L., & Ward, A. (1996). Naïve realism in everyday life: Implications for social conflict and misunderstanding. In E. S. Reed, E. Turiel, & T. Brown (Eds.), *The Jean Piaget symposium series. Values and knowledge*. (pp. 103–135). Hillsdale, NJ, US: Lawrence Erlbaum Associates, Inc.

¹³³ Kramer, R. M., & Brewer, M. (1986). Social group identity and the emergence of cooperation in resource conservation dilemmas. In H. Wilke, C. Rutte, & D. Messick (Eds.), *Experimental studies of social dilemmas*. Frankfurt, Germany: Peter Lang.

shared understanding that leads to more integrative outcomes.¹³⁴ Finding common identity may be more efficacious when dealing with out-group members than actually understanding their underlying interests. Negotiations with in-group members are more cooperative when they share information about their underlying self-interests. Conversely, negotiations with out-group members are more cooperative when they don't share information about their underlying interests.¹³⁵

DEBATES VERSUS DISAGREEMENTS There are two ways that dissenting groups might characterize their differences, namely as “debates” or “disagreements.” When conflicts are expressed as debates versus disagreements, group members share more information because they are perceived as more receptive to dissenting opinions.¹³⁶

COOPERATIVE COMMUNICATION As might be expected, *competitive* (as opposed to cooperative or neutral) communication by out-group representatives decreases satisfaction with eventual outcomes and increases derogation of out-groups.¹³⁷ When the competition is expressed early (rather than late), outcome satisfaction actually increases because group members have reduced expectations, but early competition leads to lower trust of the out-group.

CONTACT The **mere contact** strategy is based on the principle that greater contact among members of diverse groups increases cooperation among group members. Unfortunately, contact does not always lead to better intergroup relations, and in some cases it may even exacerbate negative relations among groups. For example, little relationship is noted between interdepartmental contact and conflict in organizations,¹³⁸ and college students studying abroad become increasingly negative toward their host countries the longer they remain in them.¹³⁹

Several conditions need to be in place before contact can have its desired effect of reducing prejudice.

- **Social and institutional support.** For contact to work, a framework of social and institutional support is needed. That is, people in positions of authority should be unambiguous in their endorsement of the goals of the integration policies.
- **Acquaintance potential.** Successful contact must be of sufficient frequency, duration, and closeness to permit the development of meaningful relationships between members of the groups concerned. Infrequent, short, and casual interaction will do little to foster more favorable attitudes and may even make them worse.¹⁴⁰ This type of close interaction will lead to the discovery of similarities and disconfirm negative stereotypes.

¹³⁴ Swaab, R., Postmes, T., van Beest, I., & Spears, R. (2007). Shared cognition as a product of, and precursor to, shared identity in negotiations. *Personality and Social Psychology Bulletin*, 33(2), 187–199.

¹³⁵ Harinck, F., & Ellemers, N. (2006). Hide and seek: The effects of revealing one's personal interests in intra- and intergroup negotiations. *European Journal of Social Psychology*, 36(6), 791–813.

¹³⁶ Tsai, M. H., & Bendersky, C. (2015). The pursuit of information sharing: Expressing task conflicts as debates vs. disagreements increases perceived receptivity to dissenting opinions in groups. *Organization Science*, 27(1), 141–156.

¹³⁷ Saygi, &, Greer, L., Van Kleef, G., & De Dreu, C. (2014). Competitive representative negotiations worsen intergroup relations. *Group Processes & Intergroup Relations*, 17(2), 143–160.

¹³⁸ Brown, R. J., Condor, F., Mathew, A., Wade, G., & Williams, J. A. (1986). Explaining intergroup differentiation in an industrial organization. *Journal of Occupational Psychology*, 59, 273–286.

¹³⁹ Stroebe, W., Lenkert, A., & Jonas, K. (1988). Familiarity may breed contempt: The impact of student exchange on national stereotypes and attitudes. In W. Stroebe, A. W. Kruglanski, D. Bar-Tal, & M. Hewstone (Eds.), *The social psychology of intergroup conflict* (pp. 167–187). New York: Springer-Verlag.

¹⁴⁰ Brewer, M. B., & Brown, R. J. (1998). Intergroup relations. In D. T. Gilbert, S. T. Fiske, & G. Lindzey (Eds.), *The handbook of social psychology: Vol. 2* (4th ed.) (pp. 554–594). New York: McGraw-Hill.

- **Equal status.** The third condition necessary for contact to be successful is that participants have equal status. Many stereotypes of out-groups comprise beliefs about the inferiority of out-group members to perform various tasks. If the contact situation involves an unequal-status relationship between men and women—for example, with women in the subordinate role (e.g., taking notes, acting as secretaries)—stereotypes are likely to be reinforced rather than weakened.¹⁴¹ If, however, the group members work on equal footing, prejudiced beliefs become hard to sustain in the face of repeated experience of task competence by the out-group member.
- **Shared goal.** When members of different groups depend on each other for the achievement of a jointly desired objective, they have instrumental reasons to develop better relationships. The importance of a shared group goal is a key determinant of intergroup relations. Sometimes a common enemy is a catalyst for bonding among diverse people and groups. For example, by “waging a war against cancer,” members of different medical groups and laboratories work together.
- **Cross-group friendships.** Sometimes it is not necessary for groups to have real contact with one another to improve intergroup relations. If group members know that another member of their own group has a friendship or relationship with a member of the out-group or a cross-group friendship, in-group members have less negative attitudes toward the out-group.¹⁴² It is not necessary that all members of a group have cross-group friendships; merely knowing that one member of the group does can go a long way toward reducing negative out-group attitudes.

Many of these strategies are preventative and can help ward off unhealthy, destructive competition between groups. What steps can a manager take to deal with conflict after it has erupted?

GRIT STRATEGY The Graduated and Reciprocal Initiative in Tension Reduction, or **GRIT model**, is a model of conflict reduction for warring groups (see Exhibit 10-8). Originally developed as a program for international disarmament negotiations, GRIT also can be used to deescalate intergroup problems on a smaller, domestic scale.¹⁴³ The goals of this strategy are to increase communication and reciprocity between groups while reducing mistrust, thereby allowing for deescalation of hostility and creation of a greater array of possible outcomes. The model prescribes a series of steps that call for specific communication between groups in the hope of establishing the “rules of the game.” Other stages are designed to increase trust between the two groups as the consistency in each group’s responses demonstrates credibility and honesty. Some steps are necessary only in extremely intense conflict situations in which the breakdown of intergroup relations implies a danger for the group members.

Within the fiercely competitive tech industry, legal battles over patents and intellectual property are common and can quickly escalate then drag on for years. It was not surprising that Apple and Finnish telecommunications company, Nokia, found themselves in such a dispute, but the relatively quick resolution of their lawsuits defied the norm. In 2016 Nokia accused Apple of infringing on dozens of Apple patents. Apple had signed a licensing deal with Nokia in 2011,

¹⁴¹ Bradford, D. L., & Cohen, A. R. (1984). *Managing for excellence*. New York: Wiley.

¹⁴² Wright, S. C., Aron, A., McLaughlin-Volpe, T., & Ropp, S. A. (1997). The extended contact effect: Knowledge of cross-group friendships and prejudice. *Journal of Personality and Social Psychology*, 73(1), 73–90.

¹⁴³ Osgood, C. E. (1979). GRIT 1 (Vol. 8, No. 1, 0553–4283). Dundas, Ontario: Peace Research Reviews.

EXHIBIT 10-8**GRIT Strategy: Gradual Reduction in Tension**

1. Announce your general intentions to deescalate conflict and your specific intention to make an initial concession.
2. Execute your initial concession unilaterally, completely, and publicly. Provide as much verification and documentation as possible.
3. Invite reciprocity from the other party. Expect the other party to react to these steps with mistrust and skepticism. To overcome this, consider making another concession.
4. Match any reciprocal concessions made by the other party. Invite more.
5. Diversify the nature of your concessions.
6. Maintain your ability to retaliate if the other party escalates conflict. Any such retaliation should be carefully calibrated to match the intensity of the other party's actions.

Source: Based on Barron, R. S., Kerr, N. L., & Miller, N. (1992). *Group process, group decision, group action* (151). Pacific Grove, CA: Brooks/Cole.

but no longer wanted pay to use Nokia's patents, many of which were built into Apple's suite of products. Apple accused Nokia of extortion. Nokia responded by filing lawsuits in 11 countries, insisting that Apple pay for the right to Nokia's technology in Apple's phones, tablets, and computers. Apple countersued Nokia subsidiaries. This escalation prompted Nokia to file yet another suit, this time suing Apple directly. Apple responded by pulling Nokia-owned Withings' products from Apple retail stores. The dispute was escalating in a costly fashion. However, in less than six months, Apple and Nokia settled all lawsuits, and forged a new patent. By following the GRIT model, both companies made and reciprocated concessions. Apple agreed to stock Nokia's digital health products in its stores. In return, Nokia agreed to provide mobile network infrastructure products and services to Apple. Apple agreed to pay Nokia a \$2 billion up-front payment for a patent license agreement and collaborating on technologies and research in the digital health space. "This is a meaningful agreement between Nokia and Apple," said Chief Legal Officer Maria Varsellonga, "It moves our relationship with Apple from being adversaries in court to business partners working for the benefit of our customers."

CHAPTER CAPSTONE

Multiparty negotiations require all of the pie-slicing and pie-expanding skills of two-party negotiations, and then some. The key challenges of multiparty negotiations are the development and management of coalitions, the complexity of information management, voting rules, and communication breakdowns. We discussed several different levels of analysis involved in multiparty negotiations and key strategies to finesse each situation, including coalition management, principal-agent relationships, team negotiation, intergroup negotiation, and dealing with constituencies.

CROSS-CULTURAL NEGOTIATION

In June 2020, the governments of Norway and Denmark entered an agreement whereby their citizens would be allowed to freely travel across borders without the necessity of having to follow any quarantine rules. This deal was also extended to include Iceland and Germany, but Sweden was notably left out. At the time, Sweden had recorded nearly 4,400 COVID-19 deaths, compared to just 571 in Denmark and 236 in Norway. From the onset of the pandemic, Sweden had adopted a clearly different approach to social distancing and other preventive measures, such as the mandatory wearing of masks in public spaces. Instead of announcing a mandate, they relied on their citizens to be sensible. At first, the anti-lockdown approach was applauded by libertarians, but fewer hailed the measure as the death toll increased. Mette Frederiksen, the Danish prime minister, observed that Sweden and Denmark are “different places,” and she was supported by Erna Solberg, the Norwegian prime minister—they saw cultural divisions as the reason for the different approach to the pandemic, with the Danes opting for a total lockdown and the Swedes betting on a herd immunity approach. The other Scandinavians looked on in horror as the Swedes seemed to go about their normal business with schools, bars, restaurants, gyms, and clubs all open. Swedes generally take the “Swedish way is best” approach to negotiations and make decisions based on consensus; they focus on tolerance and avoid direct conflict. In comparison, Danes favor information-sharing and mutual trust, and they tend to approach negotiations with a focus on joint problem-solving.¹

Negotiations between people of different cultures often stir up deeply held values and beliefs; behaviors that are normative in one culture often create controversy and even legal action in other cultures. North Americans are a minority—about 5% of the world’s population. If the Earth’s population were a village of 100 people, with all existing human ratios remaining the same, there would be 60 from Asia, 16 from Africa, 10 from Europe, 9 from South America and the Caribbean, and 5 from North America. Of these people, the language break down would be: 12 Chinese-speaking people, 6 Spanish-speaking, 5 English, 4 Hindi, 3 Arabic, 3 Bengali, 3 Portuguese, 2 Russian, 2 Japanese, and 60 people would speak other languages.²

¹ Nikel, D. (2020, May 30). Norway, Denmark snub Sweden in open border travel deal. *Forbes*. www.forbes.com; Milne, R. (2020, June 19). Nordic co-operation crumbles at the Norway-Sweden border. *Financial Times*. www.ft.com.

² 100 people: A world portrait. (2016). *100 people: A world portrait. A global education toolbox* [Data file]. 100people.org/statistics

When people from different cultures get together to negotiate, they may fail to reach integrative agreements.³ Often, value is left on the table because people are not prepared for the challenges of cross-cultural negotiation. This chapter provides a business plan for effective cross-cultural negotiation. We begin by defining culture, then introduce models and frameworks for examining culture. Next, we identify the biggest barriers to effective intercultural negotiation and provide strategies for effective cross-cultural negotiation. This chapter provides a means by which to expose our own cultural beliefs and those of others, how to avoid mistakes, and how to profit from intercultural negotiations.⁴

LEARNING ABOUT CULTURE

Defining Culture

Culture is the unique character of a social group; the values and norms shared by its members that distinguish it from other social groups.⁵ Culture encompasses economic, social, political, and religious institutions. It also reflects the unique products produced by these groups—art, architecture, music, theater, and literature.⁶ Cultural institutions preserve and promote a culture's ideologies. Culture influences help to create mental models of how things work, including social behaviors and cause-and-effect relationships.

We do not offer advice on a country-by-country basis for two reasons. First, doing so would be contrary to the book's focus, which is to provide negotiation skills that apply across people and situations. We do not want to promote cultural stereotypes. By making a generic list of characteristics for cultures, we magnify stereotypes, which is neither practical nor informative. People prefer to be considered unique individuals.

Prototypes versus Stereotypes

We distinguish cultural **stereotypes** from cultural **prototypes**. A stereotype is a faulty belief that everyone from a given culture is exactly alike. In contrast, prototypes recognize that substantial variation is present within cultures.⁷ Within cultures, personality traits vary, and different traits are associated with better performance within certain cultures, but not others.⁸ A cultural framework is sensitive to diversity within cultural groups. Most cultures are different today than they were even just a few years ago, particularly with the rise of information technology. A dynamic framework allows us to learn how cultures change and grow.

³ Brett, J. M. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco: Jossey-Bass.

⁴ Brett, "Negotiating globally."

⁵ Lytle, A. L., Brett, J. M., & Shapiro, D. L. (1999). The strategic use of interests, rights and power to resolve disputes. *Negotiation Journal*, 15(1), 31–52.

⁶ Brett, "Negotiating globally."

⁷ Brett, "Negotiating globally."

⁸ Liu, L. A., Friedman, R. A., & Chi, S. C. (2005). "Ren Qing" versus the "Big Five": The role of culturally sensitive measures of individual difference in distributive negotiations. *Management and Organization Review*, 1(2), 225–247.

Iceberg Model

Think of culture as an iceberg.⁹ Typically, about one-ninth of an iceberg is visible; the rest is submerged. As Exhibit 11-1 indicates, the top (visible) part of the cultural iceberg is the behaviors, artifacts, and institutions that characterize a culture. This portion includes traditions, customs, habits, and other immediately visible stimuli. These behaviors and artifacts are an expression of deeper-held values, beliefs, and norms. Driving these values and norms are fundamental assumptions about the world and humanity. The artifacts and customs that characterize a culture are not arbitrary; rather, they are manifestations of fundamental values and beliefs about the world.

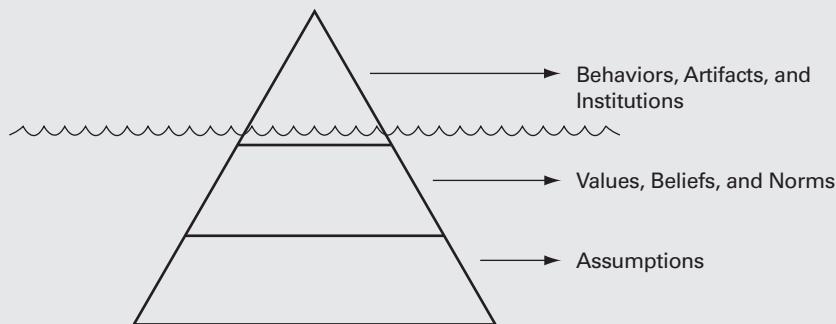
CULTURAL FRAMEWORKS

There are several different models of culture that can be used to examine cultural norms and behaviors.

Hofstede Model

According to Hofstede, people from different cultures differ in terms of two key dimensions: individualism–collectivism and small–large power distance. **Individualism–collectivism** refers to the basic human motive concerning preservation of the self versus the collective.¹⁰ **Power distance** reflects the tendency to see a large distance between those in the upper part of a social or organizational structure and those in the lower part. Hofstede examined 73 countries in terms of power distance and individualism–collectivism.¹¹ Exhibit 11-2 reveals where different

EXHIBIT 11-1 Culture As an Iceberg

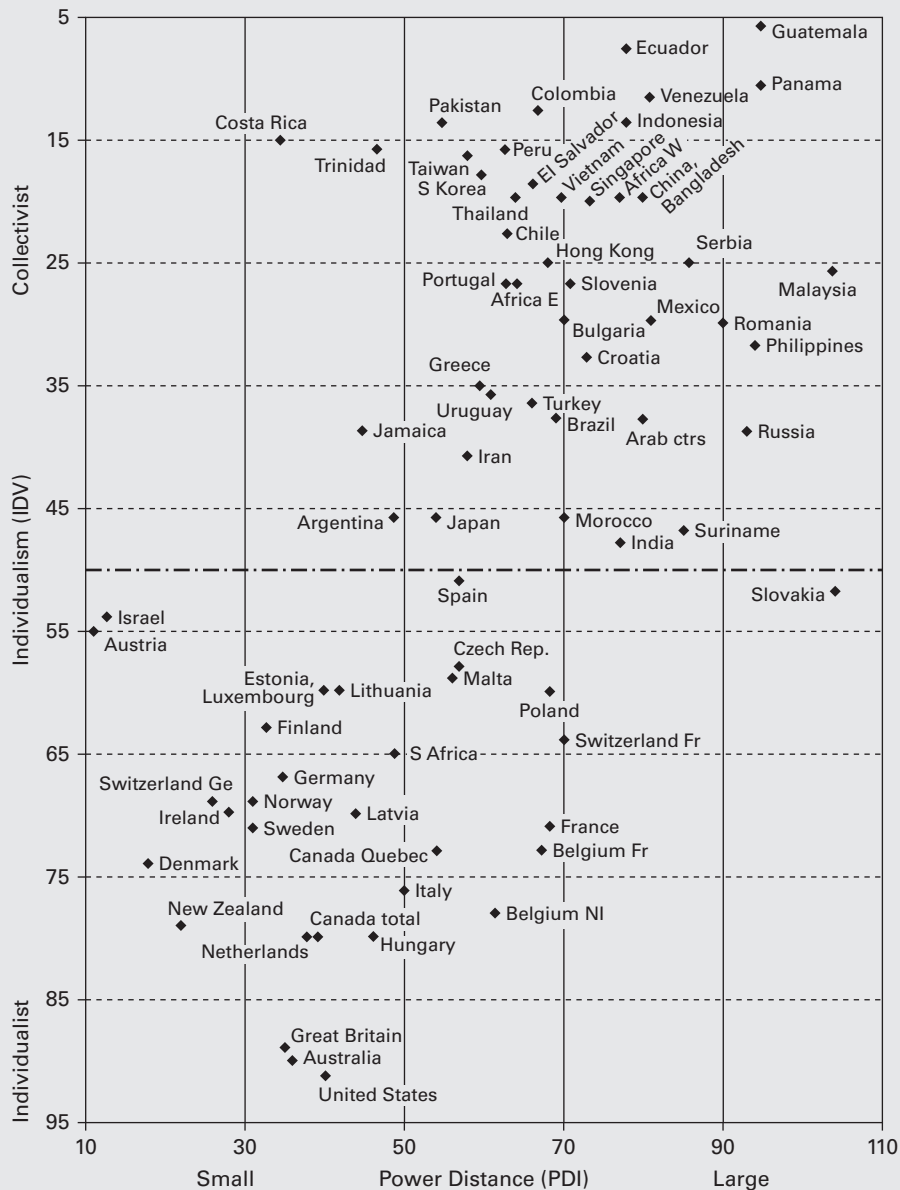


Based on French, W. L., & Bell, C. H. (1923). *Organization development behavioral science in interventions for organization improvement* (p. 18). New Jersey: Prentice-Hall.

⁹ French, W. L., & Bell, C. H. (1923). *Organization Development: Behavioral science in interventions for organization improvement* (p. 18). New Jersey: Prentice-Hall.

¹⁰ Triandis, H. C. (1994). *Culture and social behavior*, (pp. 29–54). New York: McGraw-Hill; Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage; Schwartz, S. (1994). Beyond individualism/collectivism: New cultural dimensions of values. In H. C. Triandis, U. Kim, & G. Yoon (Eds.), *Individualism and collectivism* (pp. 85–117). London: Sage; Gelfand, M. J., Bhawuk, D. P. S., Nishii, L. H., & Bechtold, D. (2004). Individualism and collectivism. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership, and organizations: The GLOBE study of 62 cultures* (437–512). Thousand Oaks, CA: Sage.

¹¹ Minkov, M., & Hofstede, G. (2012). Hofstede's fifth dimension: New evidence from the World Values Survey. *Journal of Cross-Cultural Psychology*, 43(1), 13–14.

EXHIBIT 11-2**Position of Countries on Power Distance and Individualism**

Source: Used with permission from Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and organizations, software of the mind* (3rd Ed). Chicago: McGraw-Hill.

countries are positioned in terms of individualism–collectivism and power distance. Note that individualism and low-power distance are related and collectivism and high-power distance tend to correlate. Countries high in collectivism also tend to be high in power distance. The most collectivistic, high-power countries include: Guatemala, Panama, and Ecuador. The most individualistic, low-power distance countries include: Great Britain, the United States, and Australia.

INDIVIDUALISM VERSUS COLLECTIVISM In individualistic cultures, the pursuit of happiness and regard for personal welfare are paramount. People in individualistic cultures give priority to their personal goals, even when these goals conflict with those of their family, work group, or country. Individual happiness and expression are valued more than collective and group needs. People from individualistic cultures enjoy having influence and control over their world and others. Consequently, individual accomplishments are rewarded by economic and social institutions. Furthermore, legal institutions in individualist cultures are designed to protect individual rights.

One implication of individualism concerns the use of distributive (value-claiming) tactics. People who are more self-interested are motivated to use tactics that increase their bargaining power. U.S. MBA students are more accepting of competitive bargaining tactics and bluffing, which raises the possibility that negotiators in the U.S. may be perceived as less ethical by their international counterparts.¹² On the other hand, Chinese managers are more likely to consider it appropriate to use ethically questionable negotiation strategies, such as misrepresentation, false promises, and manipulation of an opponent's network.¹³

Collectivist cultures are rooted in social groups and individuals are viewed as members of groups. People in collectivist cultures give priority to in-group goals. People of collectivist cultures view their work groups and organizations as fundamental parts of themselves. Collectivists are concerned about how the results of their actions affect members of their in-group; they share resources with in-group members, feel interdependent with in-group members, and feel involved in the lives of in-group members.¹⁴ In contrast to individualistic cultures that focus on influence and control, collectivist cultures emphasize the importance of adjustment. Collectivist cultures are more concerned with maintaining harmony in interpersonal relationships with the in-group than are individualistic cultures. Social norms and institutions promote the interdependence of individuals through emphasis on social obligations and the sacrifice of personal needs for the greater good. Legal institutions place the greater good of the collective above the rights of the individual, and political and economic institutions reward groups as opposed to individuals.¹⁵

Whereas individualists desire to save face and are concerned with their personal outcomes, collectivists are concerned with others' outcomes. An analysis of U.S. and Hong Kong negotiations revealed that U.S. negotiators are more likely to subscribe to self-interest and joint problem-solving

¹² Lewicki, R. J., & Robinson, R. J. (1998). Ethical and unethical bargaining tactics: An empirical study. *Journal of Business Ethics*, 17(6), 665–682.

¹³ Ma, Z., Liang, D., & Chen, H. (2013). Negotiating with the Chinese: Are they more likely to use unethical strategies? *Group Decision and Negotiation*, 22(4), 641–655.

¹⁴ Billings, D. K. (1989). Individualism and group orientation. In D. M. Keats, D. Munroe, & L. Mann (Eds.), *Heterogeneity in cross-cultural psychology: Selected papers* (pp. 22–103). Symposium conducted at the ninth annual international conference of the International Association for Cross-Cultural Psychology, Newcastle, N.S.W., Australia; Hofstede, G. (1991). Empirical models of cultural differences. In N. Bleichrodt & P. J. D. Drenth (Eds.), *Contemporary issues in cross-cultural psychology* (pp. 4–20). Netherlands: Swets and Zeitlinger; Hui, C. H., & Triandis, H. C. (1986). Individualism–collectivism: A study of cross-cultural researchers. *Journal of Cultural Psychology*, 17, 225–248.

¹⁵ Cox, T. H., Lobel, S. A., & McLeod, P. L. (1991). Effects of ethnic group cultural differences in cooperative and competitive behavior on a group task. *Academy of Management Journal*, 34(4), 827–847.

norms, whereas negotiators from Hong Kong are more likely to subscribe to an equality norm.¹⁶ In one investigation of Canadians (individualists) and Japanese (collectivists), Canadians were reluctant to conclude they had performed worse than their average classmate (self-enhancement); in contrast, Japanese negotiators were hesitant to conclude that they had performed better.¹⁷

People from collectivist cultural traditions engage in more cooperative behavior in mixed-motive interactions than do people from individualistic cultures.¹⁸ For example, Japanese negotiators are more cooperative than are U.S. negotiators (and, in turn, expect others to be more cooperative).¹⁹ People from collectivist cultures place greater emphasis on the needs and goals of their group and are more likely to sacrifice personal interests for the attainment of group goals. Americans are more likely to remember situations in which they *influenced* others; in contrast, Japanese people are more likely to remember situations in which they *adjusted* to others (a form of cooperation).²⁰ An examination of Japanese and U.S. newspaper stories on conflict revealed that Japanese newspapers more frequently make reference to mutual blame than do U.S. newspapers, presumably because ascribing blame to both parties affords the maintenance of the social unit and is less threatening to the collective.²¹ Moreover, Americans who successfully influenced others reported feeling very *efficacious* (a typical individualistic emotion), whereas Japanese people who adjusted reported feeling *related* (a collectivist emotion).

In-group favoritism is the strong tendency to favor the members of one's own group more than those in other groups, even when one has no logical basis for doing so. Members of collectivist cultures display more in-group favoritism than members of individualistic cultures. For example, making group boundaries salient creates more competitive behavior among members of collectivist cultures than among members of individualistic cultures.²² Moreover, members of collectivistic cultures become more competitive when they perceive their group to be in the minority.²³ Because harmony norms predominate in collectivist cultures such as Taiwan, negotiators who work in teams may be focused on harmony to the detriment of reaching win-win agreements. Indeed, Taiwanese teams negotiated less optimal joint outcomes than Taiwanese solos.²⁴ In-group favoritism often has positive effects for members of in-groups, but it can be deleterious for members of out-groups and for intergroup relations.

¹⁶ Tinsley, C. H., & Pillutla, M. M. (1998). Negotiating in the United States and Hong Kong. *Journal of International Business Studies*, 29(4), 711–728.

¹⁷ Heine, S. J., Takata, T., & Lehman, D. R. (2000). Beyond self-presentation: Evidence for self-criticism among Japanese. *Personality and Social Psychology Bulletin*, 26(1), 71–78.

¹⁸ Cox, Lobel, & McLeod, "Effects of ethnic group cultural differences."

¹⁹ Wade-Benzoni, K. A., Okumura, T., Brett, J. M., Moore, D., Tenbrunsel, A. E., & Bazerman, M. H. (2002). Cognitions and behavior in asymmetric social dilemmas: A comparison of two cultures. *Journal of Applied Psychology*, 87, 87–95.

²⁰ Morling, B., Kitayama, S., & Miyamoto, Y. (2002). Cultural practices emphasize influence in the United States and adjustment in Japan. *Personality and Social Psychology Bulletin*, 28(3), 311–323.

²¹ Gelfand, M. J., Nishii, L. H., Holcombe, K. M., Dyer, N., Ohbuchi, K.-I., & Fukuno, M. (2001). Cultural influences on cognitive representations of conflict: Interpretations of conflict episodes in the United States and Japan. *Journal of Applied Psychology*, 86(6), 1059–1074.

²² Espinoza, J. A., & Garza, R. T. (1985). Social group salience and interethnic cooperation. *Journal of Experimental Social Psychology*, 21, 380–392.

²³ Espinoza & Garza, "Social group salience and interethnic cooperation."

²⁴ Gelfand, M. J., Brett, J. M., Gunia, B. C., Imai, L. H., Huang, T.-J., & Hsu, B.-F. (2013). Toward a culture-by-context perspective on negotiation: Negotiating teams in the United States and Taiwan. *Journal of Applied Psychology*, 98(3), 504–513.

You don't have to be from a collectivist culture to show collectivist behavior, such as in-group favoritism; rather, everyone has an "interdependent" and an "independent" self, which can be emphasized.²⁵ Bicultural individuals are often able to spontaneously generate either self, depending upon which cultural cue is present.²⁶ (See Exhibit 11-3 for an example of how priming works).

Individualism and collectivism represent a continuum with substantial within-culture variation. One factor that can push people toward behaving more in line with their native cultural values is **accountability pressure**—the extent to which they are answerable for conducting themselves in a certain manner.²⁷ Accountability pressure motivates negotiators

EXHIBIT 11-3

Priming Individualism and Collectivism

Everyone needs to be individualistic at times and more collectivistic, or group-focused, at other times. In a series of investigations, we "primed" U.S. managers to be either individualistic (focused on the self) or relational (focused on others). To create this focus, we had the U.S. managers read a story about a leader who had an important decision to make—choosing a successor. In one version of the story, the leader chooses someone on the basis of personal talent and merit (individualistic value); in the other version of the story, the leader chooses someone on the basis of his relationship to him (collectivistic value). Then, we watched how the U.S. managers resolved a dispute. The U.S. managers who were in a position of power in a dispute were significantly more generous and cooperative if they had previously read the collectivistic story. In contrast, the U.S. managers who had read the individualistic story were significantly more self-interested.

In another twist, we then had teams of managers negotiate against other teams. We hypothesized that if we used the same collectivistic prime, it would increase the negotiator's loyalty to his or her team, but would lead to significantly more in-group favoritism and less generosity across the table. That's exactly what happened. Negotiators were more generous when they were "primed" with interdependence (rather than independence) in a one-on-one (dyadic) negotiation (see panel A). However, the tables turned when the priming occurred in a group setting: negotiators primed with interdependence were less generous. In panel B, we see the likelihood of impasse follows the same pattern: with interdependent negotiators, they are least likely to impasse when they are one-on-one and most likely to impasse when they are team-on-team.

The message? Self-interested or other-focused behavior can be triggered in negotiations with subtle primes. Triggering collectivism in a two-party situation will lead the powerful person to be more generous across the table. However, in a team situation, collectivism leads to greater in-group favoritism (to the tune of more than \$80,000). Groups primed for collectivism were more successful in avoiding costly court action than were those who were primed to be independent—even though the facts in the situation, their bargaining reservation prices, and other details were objectively identical. In fact, no one who was primed with interdependence escalated to court action, but 20% of those with an independent focus did.

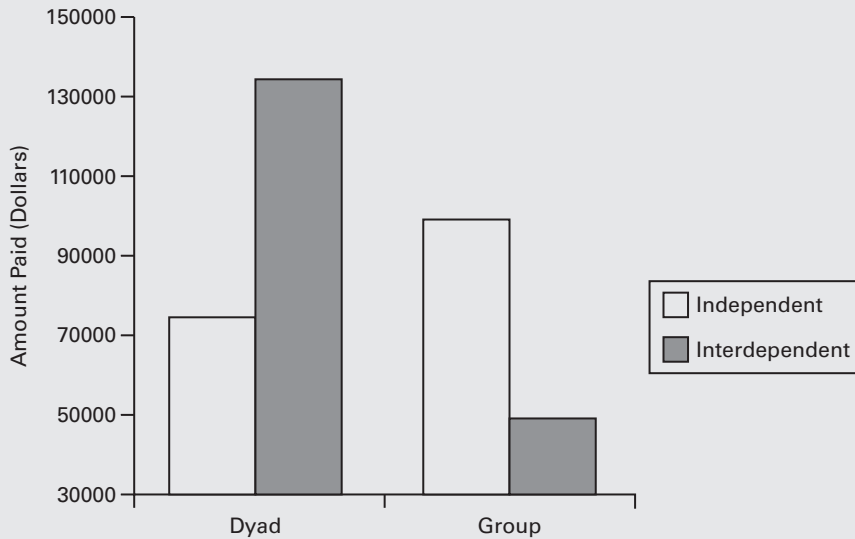
(continued)

²⁵ Gabriel, S., & Gardner, W. L. (1999). Are there "his" and "her" types of interdependence? The implications of gender differences in collective and relational interdependence for affect, behavior, and cognition. *Journal of Personality and Social Psychology*, 75, 642–655.

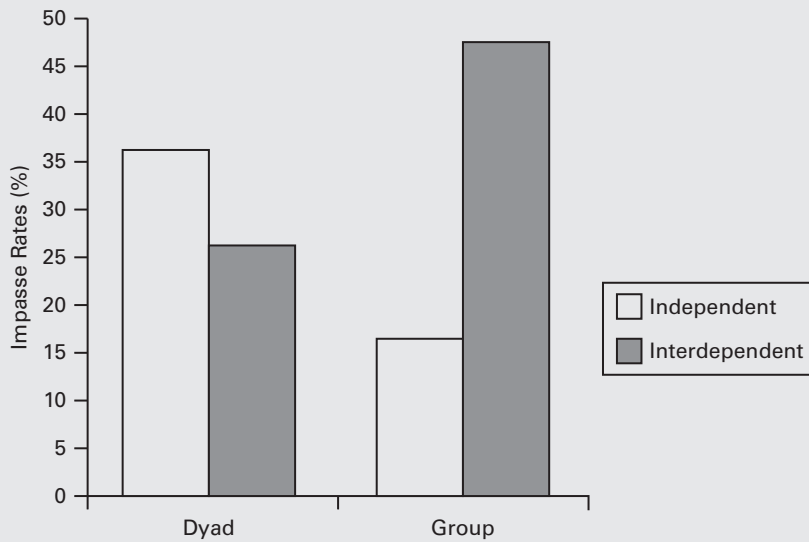
²⁶ Fu, J. H.-Y., Chiu, C.-Y., Morris, M. W., & Young, M. J. (2007). Spontaneous inferences from cultural cues: Varying responses of cultural insiders and outsiders. *Journal of Cross-Cultural Psychology*, 38(1), 58–75.

²⁷ Gelfand, M. J., & Realo, A. (1999). Individualism-collectivism and accountability in intergroup negotiations. *Journal of Applied Psychology*, 84(5), 721–736.

Panel A



Panel B



Based on Howard, E., Thompson, L., & Gardner, W. (2007). The role of the self-concept and the social context in determining the behavior of power holders: Self-construal in intergroup versus dyadic dispute resolution negotiations. *Journal of Personality and Social Psychology*, 93(4), 614–631.

from relationally-focused (collectivist) cultures to use more pro-relationship strategies when the counterparty is also from the same group, but not when the counterparty is an out-group member. For example, when Chinese managers negotiate with an in-group member, they use more pro-relationship strategies than when negotiating with a person from the U.S.²⁸ The strong attention to relationships however, results in higher fixed-pie perceptions and lower joint gains.

POWER DISTANCE A key factor that influences behavior across cultures is the means by which people influence others and use power. People from low-power distance cultures typically endorse egalitarian values and believe that status differences are permeable. Conversely, people from high-power distance cultures typically hold hierarchical values and believe that status differences are not readily permeable.

EGALITARIAN POWER RELATIONSHIPS In egalitarian power relationships, people expect to be treated equally. Egalitarian power relationships do not mean that everyone is of equal status, but rather, that status differences are easily permeated. Egalitarian cultures empower members to resolve conflict themselves. Furthermore, the base of power in negotiations may differ; in egalitarian cultures, one's BATNA and information are key sources of power (status and rank are irrelevant).

HIERARCHICAL POWER RELATIONSHIPS In some cultures, great deference is accorded to status; status implies social power and is not easily permeated or changed. Social inferiors are expected to defer to social superiors who, in return for privilege, are obligated to protect the needs of social inferiors.²⁹ Conflict threatens the stability of a hierarchical society because it implies either that social inferiors have not met expectations or that social superiors have not met the needs of social inferiors.³⁰ The norm in hierarchical cultures is not to challenge high-status members; thus, conflict is less frequent between members of different social ranks than in egalitarian cultures.³¹ Furthermore, conflict between members of the same social rank in hierarchical cultures is more likely to be handled by deference to a superior than by direct confrontation between social equals.³² Hierarchy reduces conflict by providing norms for interaction. For this reason, superiors intervene in conflicts (in China and Japan), behave more autocratically, and decide on more conservative outcomes; conversely, superiors in Western cultures generally involve the disputants themselves and obtain integrative outcomes that go beyond contract-related mandates.³³

²⁸ Liu, W., Friedman, R., & Hong, Y-Y. (2012). Culture and accountability in negotiation: Recognizing the importance of in-group relations. *Organizational Behavior and Human Decision Processes*, 117(1), 221–234.

²⁹ Leung, K. (1987). Some determinants of reactions to procedural models for conflict resolution: A cross-national study. *Journal of Personality and Social Psychology*, 53(5), 898–908.

³⁰ Brett, J. M. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco: Jossey-Bass.

³¹ Brett, "Negotiating globally."

³² Leung, "Some determinants of reactions to procedural models for conflict resolution."

³³ Brett, J. M., Tinsley, C. H., Shapiro, D. L., & Okumura, T. (2007). Intervening in employee disputes: How and when will managers from China, Japan, and the U.S. act differently? *Management and Organization Review*, 3(2), 183–204.

Implications for Negotiation

COOPERATION IN DILEMMAS One investigation studied managers from four different cultural groups (Germany, Hong Kong, Israel, and the United States) negotiating face-to-face in power-asymmetric dilemmas. Low-power managers from Hong Kong (high-power distance and collectivistic), adjusted their cooperation depending on the culture of the high-power manager with whom they interacted, presumably so as to behave in a culturally-appropriate fashion.³⁴

EMOTIONS One investigation examined emotions and behavior in unsuccessful intercultural business negotiations involving Finnish (individualistic) and Indian (collectivistic) managers.³⁵ The expressed emotions were markedly different following a negotiation failure: *dejection* for individualists versus *agitation* by collectivists. However, different negative emotions can lead to the same behavioral tendency—namely, “approach” for both individualists and collectivists.

NEGOTIATION REPRESENTATIVE For managers to be successful in multicultural negotiations, they must display culturally differentiated behavior and adapt to different cultural settings.³⁶ One of the first issues that negotiators must consider prior to intercultural negotiations is determining who will do the negotiating. In egalitarian cultures, power is usually determined by expertise and knowledge (rather than rank or status), and so, it is not unusual for persons of different organizational status to find themselves at the bargaining table. In contrast, in hierarchical cultures, power is associated with one’s position and rank, and it is insulting to send a lower-rank employee to meet with a CEO (even if that person has more expertise concerning the business at hand). For example, one negotiator learned the hard way: a newcomer joined their U.S. negotiation team and nearly derailed the entire deal when he asked the members of the Chinese counterparty team if they had siblings. They were all only children, due to China’s one-child policy. The team member returned home two weeks later to get reassigned.³⁷

DISPUTE RESOLUTION Four types of dispute resolution procedures characterize how different cultures resolve disputes: bargaining, mediation, adversarial adjudication, and inquisitorial adjudication. In **bargaining**, or negotiation, two disputants retain full control over the discussion process and settlement outcome. In **mediation**, disputants retain control over the final decision, but a third party guides the process. In **adversarial adjudication**, a judge makes a binding settlement decision, but disputants retain control of the process. In **inquisitorial adjudication**, disputants yield to a third party control over both the process and the final decision. Collectivist cultures such as China differ from individualistic cultures such as the United States in terms of

³⁴ Kopelman, S., Hardin, A. E., Myers, C. G., & Tost, L. P. (2016). Cooperation in multicultural negotiations: How the cultures of people with low and high power interact. *Journal of Applied Psychology*, 101(5), 721.

³⁵ Luomala, H. T., Kumar, R., Singh, J. D., & Jaakkola, M. (2015). When an intercultural business negotiation fails: Comparing the emotions and behavioural tendencies of individualistic and collectivistic negotiators. *Group Decision and Negotiation*, 24(3), 537–561.

³⁶ Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and organizations, software of the mind* (3rd ed.). Chicago: McGraw-Hill.

³⁷ Negotiating in China: 11 essential tips to securing business. (2016, February). *The managers resource handbook*. managersresourcehandbook.com

preferences for dispute resolution.³⁸ For example, when it comes to resolving conflict, Japanese managers prefer to defer to a higher-status person, Germans prefer to regulate behavior via rules, and Americans prefer an interests model that relies on resolving underlying interests.³⁹ One investigation examined differences between Chinese and American commercial arbitrators. Chinese arbitrators made higher awards for interfirm contract violations than did Americans, presumably because the Chinese arbitrators actually made greater internal attributions even when observing the actions of a group.⁴⁰

U.S. managers often feel satisfied with their outcomes following interests-based negotiations.⁴¹ However, other cultures use different dispute resolution strategies, often with equally satisfying results.⁴² For example, U.S. managers prefer to use interests-based methods, such as discussing parties' interests and synthesizing multiple issues.⁴³ In one investigation, U.S. managers were more likely than Hong Kong Chinese managers to resolve a greater number of issues and reach more integrative outcomes; in contrast, Hong Kong Chinese managers were more likely to involve higher management in conflict resolution and choose a relationally connected third party.⁴⁴ One way people from indirect cultures communicate their disapproval is by shaming others. For example, Chinese managers show a stronger desire to shame and teach moral lessons compared to U.S. managers.⁴⁵ In collectivist cultures, shaming is a common form of social control.⁴⁶ In contrast, U.S. managers are more likely to choose a direct approach in response to conflict.

Tripartite Model of Culture

The tripartite model of culture is based on three cultural prototypes: face, dignity, and honor.⁴⁷ These cultural values represent negotiators' self-views and are highly correlated with particular geographic regions. Face, honor, and dignity all refer to how negotiators define and regard their self-worth (see Exhibit 11-4).

³⁸ Leung, K. (1987). Some determinants of reactions to procedural models for conflict resolution: A cross-national study. *Journal of Personality and Social Psychology*, 53(5), 898–908; Morris, M. W., Leung, K., & Iyengar, S. S. (2004). Person perception in the heat of conflict: Negative trait attributions affect procedural preferences and account for situational and cultural differences. *Asian Journal of Social Psychology*, 7(2), 127–147.

³⁹ Tinsley, C. H. (1998). Models of conflict resolution in Japanese, German, and American cultures. *Journal of Applied Psychology*, 83(2), 316–323; Tinsley, C. H. (2001). How we get to yes: Predicting the constellation of strategies used across cultures to negotiate conflict. *Journal of Applied Psychology*, 86(4), 583–593.

⁴⁰ Friedman, R., Liu, W., Chi, S., & Chen, C. (2007). Causal attribution for interfirm contract violation: A comparative study of Chinese and American commercial arbitrators. *Journal of Applied Psychology*, 92(3), 856–864.

⁴¹ Tinsley, "How we get to yes."

⁴² Tinsley, "How we get to yes."

⁴³ Tinsley, C. H., & Brett, J. M. (2001). Managing workplace conflict in the United States and Hong Kong. *Organizational Behavior and Human Decision Processes*, 85(2), 360–381.

⁴⁴ Tinsley & Brett, "Managing workplace conflict"; Fu, J. H.-Y., Morris, M. W., Lee, S.-I., Chao, M., Chiu, C.-Y., & Hong, Y.-Y. (2007). Epistemic motives and cultural conformity: Need for closure, culture, and context and determinants of conflict judgments. *Journal of Personality and Social Psychology*, 92(2), 191–207.

⁴⁵ Tinsley, C. H., & Weldon, E. (2003). Responses to a normative conflict among American and Chinese managers. *International Journal of Cross-Cultural Management*, 3(2), 183–234.

⁴⁶ Creighton, M. R. (1990). Revisiting shame and guilt cultures: A forty-year pilgrimage. *Ethos*, 18(3), 279–307; Demos, J. (1996). Shame and guilt in early New England. In R. Harre & W. G. Parrott (Eds.), *The emotions* (74–88). London: Sage.

⁴⁷ Brett, J. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco: Jossey-Bass.

EXHIBIT 11-4

Face, Dignity, and Honor Cultures

Cultural Prototype	Primary Geographic Location	Description	Negotiation Behaviors and Expectations
Face	East Asia, including China, Japan, Korea, Taiwan	Saving face; giving face; earning respect from others	Non-confrontational; indirect information exchange; making multi-issue proposals
Dignity	Europe, North American, Australia, New Zealand	Self-determination; individualism; meritocracy	Direct question-asking; assume others are trustworthy unless given reason not to; task-focused
Honor	Middle East, South Asia, North Africa, Latin America	Protecting one's own and family honor; claiming self-worth	Show resolve; argumentation and substantiation; using extreme emotions

Source: Based on Brett, J. (2014). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (3rd ed.). San Francisco: Jossey-Bass.

FACE CULTURE Saving face and giving face are important in face cultures. A study of four cultures (China, Japan, Germany, and the United States) revealed that the concept of saving another person's face is associated with remaining calm, apologizing, and giving in, whereas saving one's own face is related with defending positively.⁴⁸ In Western culture, people whose face is threatened act more assertively; in contrast, members of Eastern cultures act more passively.⁴⁹ Flattery is a common form of Chinese face-saving.⁵⁰

People from face cultures agree with statements such as, “People should be very humble to maintain good relationships,” and “People should control their behavior in front of others.”⁵¹ One faulty perception about Face cultures is that negotiators are consistently trusting and cooperative. One investigation examined labor-management negotiations in the Philippines (Face culture). Audio recordings of labor-management revealed low trust.⁵² However, joint gains were created within the context of contentious tactics with efforts to maintain harmony.

Negotiators who identify with Face cultures communicate differently from Dignity cultures. For example, one investigation examined how U.S. and Chinese employees reacted

⁴⁸ Oetzel, J., Garcia, A. J., & Ting-Toomey, S. (2008). An analysis of the relationships among face concerns and facework behaviors in perceived conflict situations: A four-culture investigation. *International Journal of Conflict Management*, 19(4), 382–403.

⁴⁹ Brew, F. P., & Cairns, D. R. (2004). Styles of managing interpersonal workplace conflict in relation to status and face concerns: A study with Anglos and Chinese. *International Journal of Conflict Management*, 15(1), 27–56.

⁵⁰ Pachman, “Getting to ‘hao!’”

⁵¹ Brett, J. (2018). *Cultural survey report*. Negotiation and Team Resources Institute. negotiationandteamresources.com; Brett, “*Negotiating Globally*.”

⁵² Teng-Calleja, M., Baquiano, M. J., & Montiel, C. J. (2015). From “Good day” to “Sign here”: Norms shaping negotiations within a face culture. *Negotiation and Conflict Management Research*, 8(4), 228–242.

to different emails that included “facework” (e.g., “I hope all is well”) and message structure (i.e., the placement of reasoning either before or after a request).⁵³ The Chinese (Face culture) employees expressed more desire to do business with the sender of an email that included “facework” (e.g., “I hope all is well”) and placed the reasoning *before* the request; in contrast, the U.S. employees were more irritated with this type of email.

In negotiation situations, people from Face cultures do not immediately trust others, the way that people from Dignity cultures do. Rather, they build trust slowly, over time. For example, interpersonal trust is an important element of Chinese **guanxi** networks, which are networks of deep trust built over the years, if not decades. China, as is the case with many developing economies, exists in a low-trust environment and as a result, Chinese people build trust networks based typically on familial lines. Consequently, others find it virtually impossible to enter into these networks unless they have spent years in China. Affect- and cognition-based trust is more interconnected among Chinese managers than U.S. managers.⁵⁴ In one study, students from the U.S. and Hong Kong negotiated with someone whom they believed to be a friend or a stranger from their own culture. The Hong Kong students changed their behavior more when interacting with a friend than did the U.S. students.⁵⁵ Whereas U.S. managers are equally likely to trust and reciprocate with a partner, as well as with someone in the network (whom they don’t know directly), collectivist managers only trust and reciprocate when interacting within the relationship.⁵⁶ Indian negotiators trust their opponents less than American negotiators do, and the lack of trust leads to relatively poor outcomes.⁵⁷

Cultures develop social networks within the organization according to different sets of norms (see Exhibit 11-5).⁵⁸ North American business relationships are characterized by a *market* orientation in which people form relationships according to the market standard of whether it is profitable. North Americans form ties without the prior basis of friendship, paying attention only to instrumentality. Chinese business relationships are characterized by a *familial* orientation, in which employees make sacrifices for the welfare of the organization. Sharing resources within the in-group, loyalty, and deference to superiors characterize network relationships. German business relationships are characterized by *legal-bureaucratic* orientation, formal categories, and rules. In addition, Spanish business relationships are characterized by *affiliative* orientations, such as sociability and friendliness.

Another aspect of Face cultures is communication. Communication in Face cultures is highly context-dependent, meaning that people do not bluntly ask questions and request offers, but rather signal their interests subtly so as to help others save face. Making a lot of

⁵³ Richard, E., & McFadden, M. (2016). Saving face: Reactions to cultural norm violations in business. *Journal of Business and Psychology*, 31(2), 307–321.

⁵⁴ Chua, R. Y. J., Morris, M. W., & Ingram, P. (2009). Guanxi versus networking: Distinctive configurations of affect- and cognition-based trust in the networks of Chinese and American managers. *Journal of International Business Studies*, 40(3), 490–508.

⁵⁵ Chan, D. K. S., Triandis, H. C., Carnevale, P. J., Tam, A., & Bond, M. H. (1994). *Comparing negotiation across cultures: Effects of collectivism, relationship between negotiators, and concession pattern on negotiation behavior*. Unpublished manuscript, Department of Psychology, University of Illinois at Urbana–Champaign.

⁵⁶ Buchan, N., Croson, R., & Dawes, R. M. (2002). Swift neighbors and persistent strangers: A cross-cultural investigation of trust and reciprocity in social exchange. *American Journal of Sociology*, 108(1), 168–206.

⁵⁷ Gunia, B. C., Brett, J. M., Nandkeolyar, A. K., & Kamdar, D. (2011). Paying a price: Culture, trust and negotiation consequences. *Journal of Applied Psychology*, 96(4), 774–789.

⁵⁸ Morris, M. W., Podolny, J. M., & Ariel, S. (2000). Missing relations: Incorporating relational constructs into models of culture. In P. C. Earley, & H. Singh (Eds.), *Innovations in international and cross-cultural management* (pp. 52–90). Thousand Oaks, CA: Sage Publications.

EXHIBIT 11-5**Dominant Norms of Business Relations**

Culture	Dominant Attitude	Business Relationships
North American: <i>Market norms</i>	Economic individualism	Short lived Low multiplexity
Chinese: <i>Familial norms</i>	Filial loyalty Economic collectivism	Directed upward to powerful
German: <i>Legal-bureaucratic norms</i>	Economic collectivism	Bounded by formal rules Low affectivity
Spanish: <i>Affiliative norms</i>	Self-expressive collectivism	Long lived High affectivity

Source: Based on Morris, M. W., Podolny, J. M., & Ariel, S. (2000). Missing relations: Incorporating relational constructs into models of culture. In P. C. Earley & H. Singh, (Eds.), *Innovations in international and cross-cultural management* (pp. 52–90). Thousand Oaks, CA: Sage; Morris, M. W., Podolny, J., & Sullivan, B. N. (2008). Culture and coworker relations: Interpersonal patterns in American, Chinese, German, and Spanish divisions of global retail bank. *Organization Science*, 19(4), 517–532.

proposals is a form of indirect communication.⁵⁹ The pattern of proposals allows inferences to be made about what is important to each party and where points of concession might be. Face cultures (such as that of Japan) transmit messages indirectly and implicitly, and communication is elusive.⁶⁰ For example, Japanese negotiators are less likely to say “No” and more likely to remain silent than U.S. negotiators when confronted with an option that is not favorable.⁶¹

Negotiators from Dignity cultures prefer sharing information directly, asking questions, and getting (in return for giving) answers. In contrast, negotiators from Face cultures prefer sharing information indirectly, telling stories in an attempt to influence their opponents, and gleaning information from proposals.⁶² Cultural norms and values have implications for the reciprocity principle in negotiation. In an investigation of intracultural and intercultural negotiations between the United States and Japan, negotiators reciprocated culturally normative behaviors.⁶³ U.S. negotiators were more likely to reciprocate direct information exchange; in contrast, Japanese negotiators were more likely to reciprocate indirect information exchange.

⁵⁹ Brett, J. M., Shapiro, D. L., & Lytle, A. (1998). Breaking the bonds of reciprocity in negotiations. *Academy of Management Journal*, 41(4), 410–424.

⁶⁰ Ting-Toomey, S. (2008). Intercultural conflict styles and facework. *The International Encyclopedia of Communication*. onlinelibrary.wiley.com

⁶¹ Graham, J. L., & Sano, Y. (1984). *Smart bargaining: Doing business with the Japanese*. Cambridge, MA: Ballinger; March, R. M. (1990). *The Japanese negotiator: Subtlety and strategy beyond western logic* (1st paperback ed.). New York: Kodansha International.

⁶² Brett, J. M., Adair, W. A., Lempereur, A., Okumura, T., Shikhirev, P., Tinsley, C., & Lytle, A. (1998). Culture and joint gains in negotiation. *Negotiation Journal*, 14(1), 61–86.

⁶³ Adair, W. L., & Brett, J. M. (2005). The negotiation dance: Time, culture, and behavioral sequences in negotiations. *Organization Science*, 16(1), 33–51.

DIGNITY CULTURE Negotiators who identify with the Dignity norm speak their mind and expect the the same from their counterparty. They make arguments using facts and data, present linear arguments and offer cost-benefit rationales. People from Dignity cultures endorse views such as, “*People should stand up for what they believe in, even when others disagree,*” and “*How much a person respects oneself is far more important than how much others respect them.*”⁶⁴ In negotiation, people from Dignity cultures ask pointed questions and willingly exchange information. Their tendency is to trust others, unless they are given reason not to.

Getting information out on the table is critical for expanding the pie; it is not enough to rely on context alone to convey information necessary to craft integrative agreements.⁶⁵ One investigation examined integrative sequences in same- and mixed-culture negotiations. Managers from Hong Kong, Japan, Russia, and Thailand used more indirect integrative strategies (e.g., making multiple offers at the same time); in contrast, managers from Israel, Germany, Sweden, and the United States used direct integrative strategies (e.g., asking for priority information).⁶⁶ People from Face cultures seamlessly enter into a “dance” of complementary, indirect information exchange.⁶⁷ For example, by complementing priority information and offers, negotiators from Face cultures supplement the information that may not have been sufficiently conveyed through reciprocal offers.

Because indirect communication requires more complex and subtle communication skills, negotiators from Dignity cultures often find it difficult or impossible to engage in nuance; in contrast, people from Face cultures can be direct when necessary.⁶⁸

An investigation of negotiation strategies in six countries: France, Russia, Japan, Hong Kong, Brazil, and the United States revealed that cultures that used direct (as opposed to indirect) information-sharing strategies or a combination of direct and indirect strategies reached the most integrative, pie-expanding agreements.⁶⁹ Exchanging information about preferences and priorities was insufficient. For example, in the same study of intracultural negotiations involving the United States, Japan, Brazil, France, Russia, and Hong Kong, negotiators from Russia and Hong Kong generated the lowest joint gains, or integrative agreements.⁷⁰ Russia and Hong Kong are indirect communication countries. However, Japanese negotiators had high joint gains, even though they also are an indirect communication culture. Japanese negotiators engaged in more direct information exchange (i.e., asking questions) than the negotiators from Russia or Hong Kong. Thus, making comparisons and contrasts to identify trade-offs and direct reactions appears to be essential.⁷¹ Moreover, offers have different effects across cultures. Early offers

⁶⁴ Brett, J. (2018). *Cultural survey report*. Negotiation and Team Resources Institute. negotiationandteamresources.com; Brett, “*Negotiating Globally*.”

⁶⁵ Brett, J. M., Adair, W. A., Lempereur, A., Okumura, T., Shikhirev, P., Tinsley, C., & Lytle, A. (1998). Culture and joint gains in negotiation. *Negotiation Journal*, 14(1), 61–86.

⁶⁶ Adair, W. (2003). Integrative sequences and negotiation outcome in same- and mixed-culture negotiation. *International Journal Conflict Management*, 14, 273–296.

⁶⁷ Adair, W. L., & Brett, J. M. (2005). The negotiation dance: Time, culture, and behavioral sequences in negotiations. *Organization Science*, 16(1), 33–51.

⁶⁸ Hall, E. T. (1976). *Beyond Culture*. New York, NY: Anchor Books.

⁶⁹ Brett, J. M., Adair, W. A., Lempereur, A., Okumura, T., Shikhirev, P., Tinsley, C., & Lytle, A. (1998). Culture and joint gains in negotiation. *Negotiation Journal*, 14(1), 61–86.

⁷⁰ Brett, Adair, Lempereur, Okumura, Shikhirev, Tinsley, & Lytle, “Culture and joint gains in negotiation.”

⁷¹ Brett, Adair, Lempereur, Okumura, Shikhirev, Tinsley, & Lytle, “Culture and joint gains in negotiation.”

generate higher joint gains for Japanese negotiators but lower joint gains for U.S. negotiators.⁷² Conversely, direct exchange of information about interests and issues generates higher joint gains for U.S. negotiators but lower joint gains for Japanese negotiators.⁷³

In Dignity cultures, the process of deal making comes first; in Face cultures, the relationship comes first and provides a context for making deals. In China, the relationship comes before the deal and trust is built incrementally. For example, when a British manager of a venture capital firm assumed control of a Chinese plant, he was surprised that the employees did not trust him from the onset of his arrival. Instead, they continued to follow the directives of their longtime manager with whom they built a trusting relationship with over many years.⁷⁴

One study compared American (Dignity) and Chinese (Face) negotiators' perceptions of masculinity and femininity.⁷⁵ Americans categorized competitive goals and behaviors as masculine and cooperative ones as feminine in both business and consumer contexts; Chinese (Face) participants categorized behaviors as masculine or feminine based on the context: competitive goals and behavior that are "socially inappropriate" were regarded as feminine; competitive goals that were "socially appropriate" were masculine.

HONOR CULTURE Negotiators who identify with Honor cultures express their ideas and often take matters into their own hands relative to people from Face and Dignity cultures, and they are more emotionally expressive. Negotiators from Honor cultures endorse statements such as, "*People must always be ready to defend their honor*" and "*If a person gets insulted and they don't respond, they will look weak.*"⁷⁶ Negotiators from Honor cultures might be perceived as overly argumentative, and even emotional. When Lebanese comedian Hicham Haddad, told a joke about Saudi Crown Prince Mohammed bin Salman's expanding waistline, the joke did not amuse the Lebanese authorities. Instead the public prosecutor defended the honor and reputation of His Majesty, by filing charges of libel and defamation against Mr. Haddad. Mr. Haddad was not dissuaded from a comedic response to the prosecutor's charges; on his next program he appeared in black-and-white prison scrubs next to a shimmying belly dancer while addressing the state prosecutor in song, suggesting the country's civil servants prosecute more worthwhile causes like regular garbage pickup. Unimpressed, the High Judicial Council called for additional charges against Mr. Haddad, saying he had damaged the prestige of the judiciary.⁷⁷

A study examining negotiators from Honor cultures revealed an "honor dictionary" in which the use of rational and logical arguments (characteristic of Dignity cultures) actually backfired and hindered agreements in Egypt. Creative negotiation agreements in Egypt reflect

⁷² Adair, W. L., Weingart, L., & Brett, J. (2007). The timing and function of offers in U.S. and Japanese negotiations. *Journal of Applied Psychology*, 92(4), 1056–1068.

⁷³ Adair, Weingart, & Brett, "The timing and function."

⁷⁴ PON Staff. (2018, August 3). The importance of relationship building in China. *Program on Negotiation at Harvard Law School*. [Daily Blog]. pon.harvard.edu

⁷⁵ Shan, W., Keller, J., & Imai, L. (2016). What's a masculine negotiator? What's a feminine negotiator? It depends on the cultural and situational contexts. *Negotiation and Conflict Management Research*, 9, 22–43.

⁷⁶ Brett, "Negotiating Globally."

⁷⁷ Hubbard, B. (2018, February 21). When jokes become a crime: Free speech under fire in Lebanon. *The New York Times*. nytimes.com

an honor model of negotiating with language that promotes **honor gain** (i.e., moral integrity) and **honor protection** (i.e., image and strength).⁷⁸

NEGOTIATION PERFORMANCE One study compared the strategies used by negotiators from Dignity, Face, and Honor cultures. Honor and Face cultures used more competitive strategies than did negotiators from Dignity cultures.⁷⁹ A qualitative investigation of negotiations amongst French and Latin American negotiators suggests that the behavior of French negotiators is characterized by three main components that do not necessarily reflect a Dignity culture—conventionality, pride in historical legacy and conflict proneness.⁸⁰

ETHICS Negotiators' use of ethically-questionable behaviors is influenced by who is on the other side of the negotiation table. Overall, U.S. negotiators are less likely than Chinese negotiators to use ethically-questionable tactics.⁸¹ However, U.S. participants are *more* likely to make false promises and engage in inappropriate information gathering when seated across the table from a Chinese counterparty, than a U.S. counterparty. Conversely, the opposite is true for Chinese negotiators: Chinese negotiators are *less* likely to make false promises and attack the opponent's network when negotiating across the table from a U.S. counterparty, but not a Chinese counterparty.

Tight versus Loose Cultures

Tight-Loose refers to the degree to which cultural institutions control people's behavior and how much variability there is in people's behaviors in a given culture. As an example, consider greeting behavior. In loose cultures, there is a lot of variability: negotiators may shake hands, hug, kiss, do a "high-five", bow or something else. In tight cultures, there is not much variability and negotiators need to follow established norms. Dignity cultures, like the U.S. are loose; Face cultures, like China are relatively tight.⁸² Because loose cultures do not have defined expectations, it is relatively easy for members of tight cultures to enter into loose cultures; however, the reverse is not true: members of loose cultures are at social risk when they attempt to negotiate in a tight culture because they may unwittingly make cultural mistakes. Consider Japan's tight culture and the challenges faced by American businesses when negotiating. Japan Intercultural Consulting guides visitors in navigating the specific rules and customs associated with doing business. For example, when working or visiting a Japanese company, there is a protocol to knocking on an office door. Always knock three times, knocking twice is frowned upon because that is associated with checking to see if a toilet is vacant. If you have to give any important documents to your counterparty, use both hands to offer them; this gesture shows the importance of the transaction.⁸³

⁷⁸ Gelfand, M. J., Severance, L., Lee, T., Bruss, C. B., Lun, J., Abdel-Latif, A.-H., Al-Moghazy, A. A., & Moustafa Ahmed, S. (2015). Culture and getting to yes: The linguistic signature of creative agreements in the United States and Egypt. *Journal of Organizational Behavior*, 36, 967–989.

⁷⁹ Aslani, S., Ramirez-Marin, J., Brett, J., Yao, J., Semnani-Azad, Z., Zhang, Z. -X., Tinsley, C., Weingart, L., & Adair, W. (2016). Dignity, face, and honor cultures: A study of negotiation strategy and outcomes in three cultures. *Journal of Organizational Behavior*, 37, 1178–1201.

⁸⁰ Fosse, S. M., Ogliastri, E. & Rendon, M. I. (2017). When dignity and honor cultures negotiate: Finding common ground. *Negotiation and Conflict Management Research*, 10, 265–285.

⁸¹ Yang, Y., De Cremer, D., & Wang, C. (2017). How ethically would Americans and Chinese negotiate? The effect of intra-cultural versus inter-cultural negotiations. *Journal of Business Ethics*, 145(3), 659–670.

⁸² Gelfand, M. J., Raver, J. L., Nishii, L., Leslie, L. M., Lun, J., Lim, B. C., & Aycan, Z. (2011). Differences between tight and loose cultures: A 33-nation study. *Science*, 332(6033), 1100–1104.

⁸³ Reynolds, I. (2017, April 6). Knocking, 'recruit suits' and bowing: Etiquette key for Japan's job-seekers. *Japan Times*. japantimes.com

CHALLENGES OF INTERCULTURAL NEGOTIATION

Next, we consider the intercultural challenges of creating value, claiming value, sacred values, biased punctuation of conflict, ethnocentrism, affiliation bias, faulty perceptions of conciliation and coercion, and naïve realism.

Creating Value

Negotiators have more difficulty expanding the pie when negotiating *across* cultures than *within* a culture. A landmark study of five countries (Japan, Hong Kong, Germany, Israel, and the United States) examined intracultural (within the same culture) negotiations versus intercultural (across cultures) negotiations. Negotiations between Japan and the United States resulted in a smaller expansion of the pie than did intracultural negotiations (Japan–Japan and U.S.–U.S. negotiations).⁸⁴ Another study examined joint gains in intra- and intercultural negotiations between Japanese and U.S. negotiators and found that joint gains were significantly lower in intercultural negotiations, as opposed to intracultural negotiations.⁸⁵ The key reason appeared to be the degree to which parties understood the counterparty's respective priorities and the opportunity for exploiting compatible issues. In cross-cultural negotiations, negotiators' bargaining styles did not match, meaning they had less understanding of the counterparty's priorities and consequently did not create as much value. Each culture expected the other culture to adopt its own style of negotiating. For example, North Americans expected others to talk directly, whereas people from Face cultures expected to use implicit forms of communication, such as heuristic trial and error. U.S. negotiators exchange information directly and avoid using influence strategies when negotiating intra- and intercultural. In contrast, Japanese negotiators exchange information indirectly and use influence when negotiating intraculturally, but adapt their behaviors when negotiating intercultural.⁸⁶

Claiming Value

As compared to other cultures, people from the United States are more unabashedly self-interested and consequently, often have higher aspirations. Aspirations influence opening offers and are strongly predictive of the ultimate slice of the pie negotiators receive. Indeed, U.S. negotiators who have higher aspirations than their opponents achieve greater profit than managers from China and Japan, primarily because Face cultures are not as self-interested.⁸⁷

Sacred Values and Taboo Trade-offs

Sacred values, or protected values, are the beliefs, customs, and assumptions that form the basis of a group or culture's belief system.⁸⁸ Sacred values are by definition those values and beliefs people

⁸⁴ Brett, "Negotiating Globally."

⁸⁵ Brett, J. M., & Okumura, T. (1998). Inter- and intracultural negotiation: U.S. and Japanese negotiators. *Academy of Management Journal*, 41(5), 495–510.

⁸⁶ Adair, W., Okumura, T., & Brett, J. M. (2001). Negotiation behavior when cultures collide: The U.S. and Japan. *Journal of Applied Psychology*, 86(3), 371–385.

⁸⁷ Chen, Y., Mannix, E., & Okumura, T. (2003). The importance of who you meet: Effects of self- versus other-concerns among negotiators in the United States, the People's Republic of China, and Japan. *Journal of Experimental Social Psychology*, 39, 1–15.

⁸⁸ Baron, J., & Spranca, M. (1997). Protected values. *Organizational Behavior and Human Decision Processes*, 70(1), 1–16; Tetlock, P. E., Peterson, R., & Lerner, J. (1996). Revising the value pluralism model: Incorporating social content and context postulates. In C. Seligman, J. Olson, & M. Zanna (Eds.), *The psychology of values: The Ontario Symposium: Vol. 8*. Mahwah, NJ: Erlbaum.

regard to be so fundamental that they are not discussible nor debatable. Sacred values resist trade-offs with other values, particularly economic values. When people contemplate buying or selling “sacred objects,” they are more likely to distort the price, refuse to answer questions, and express moral outrage and cognitive confusion.⁸⁹ However, when it is in their economic interest, people may turn a blind eye to taboo trade-offs.⁹⁰ For example, the Arctic National Wildlife Refuge (ANWR), has been protected for over 40 years from development by oil companies seeking to tap the potential oil and gas reserves under the land. When the federal government opened ANWR’s coastal plane to oil and gas exploration, indigenous people were enraged. Whereas the discovery of oil promised to bring a large amount of money to the tribes, the issue divided villages across Alaska. The Gwich’in people see the caribou not only as a subsistence resource, but also as a spiritual animal. Additionally, the land that the herd uses as their calving grounds is a sacred area, and the Gwich’in people do not allow themselves to trespass on what is known as Iizhik Gwats’an Gwnadaii Goodlit, or “the sacred place where life begins.” “We stand firm against development in the Arctic National Wildlife Refuge,” says Bernadette Demientieff, Executive Director of the Gwich’in Steering Committee. “This is going to have a huge negative impact on our way of life and is a violation of our human rights . . . we will be gearing up our people to continue to defend what is sacred to us.”⁹¹

To examine how sacred values raise conflict, people were shown a list of actions and asked to respond “Yes” if they were in favor of the action and were willing to accept a great deal of money to see the action carried out, and “No” or “Not Sure” if they were not in favor.⁹² Some of the actions included:

- destruction of natural forests by human activity, resulting in the extinction of plant and animal species forever
- raising the IQ of normal children by giving them (completely safe) drugs
- using genetic engineering to make people more intelligent
- performing abortions of normal fetuses in the early stages of pregnancy
- performing abortions of normal fetuses in the second trimester of pregnancy
- fishing in a way that leads to the painful death of dolphins
- forcing women to have abortions for the purposes of population control
- putting people in jail for expressing nonviolent political views
- letting people sell their organs (e.g., a kidney or an eye) for whatever price they could command
- refusing to treat someone who needs a kidney transplant because he or she cannot afford it
- letting a doctor assist in the suicide of a consenting terminally ill patient
- letting parents sell their daughter in a bride auction (i.e., the daughter becomes the bride of the highest bidder)
- punishing people for expressing nonviolent political opinions

⁸⁹ McGraw, A. P., & Tetlock, P. E. (2005). Taboo trade-offs, relational framing, and the acceptability of exchanges. *Journal of Consumer Psychology*, 15(1), 2–15.

⁹⁰ McGraw & Tetlock, “Taboo trade-offs.”

⁹¹ Meyer, R. (2017, December 2). The GOP tax bill could forever alter Alaska’s indigenous tribes. *The Atlantic*. theatlantic.com; Bourne, J.K. (2017, December 19). Arctic refuge has lots of wildlife—oil, maybe not so much. *National Geographic News*. news.nationalgeographic.com

⁹² Baron, J., & Spranca, M. (1997). Protected values. *Organizational Behavior and Human Decision Processes*, 70(1), 1–16.

Sacred values are the opposite of **secular values**, which are issues and resources that can be traded and exchanged. Within a culture, a near-universal ascription to sacred values generally exists with some notable exceptions. However between cultures, extreme conflict may occur when one culture regards an issue to be sacred and another treats it as secular. Taboo trade-offs take place when sacred values are proposed for exchange or trade.⁹³

The trade-off principle is ideal for handling scarce resource conflicts containing issues that are fungible. Principles of rationality assume people can compare and trade resources in a way that maximizes their outcomes, and rational bargaining theory assumes everything is comparable and has a price.⁹⁴ However, the notion of trading becomes unconscionable in some conflict situations.⁹⁵ People sometimes refuse to place a monetary value on a good or even think of trading it. Attaching a monetary value to a bottle of wine, a house, or the services of a gardener can be a cognitively demanding task, but it raises no questions about the morality of the individual who proposes the sale or trade. In contrast, attaching monetary value to human life, familial obligations, national honor, and the ecosystem seriously undermines one's social identity or standing in the eyes of others.⁹⁶ For example, in a dispute concerning the construction of a dam that would remove Native Americans from their ancestral land, a Yavapai teenager said, "The land is our mother. You don't sell your mother."⁹⁷

Proposals to exchange sacred values (e.g., body organs) for secular ones (e.g., money, time, or convenience) constitute **taboo trade-offs**. Given the inherently sacred values that operate in many countries, the familiar notions of trading and logrolling so important to interests-based negotiation are likely to be considered unacceptable and reprehensible to members of different cultures. The extent to which sacred issues negatively influence negotiations depends on the BATNAs of parties.⁹⁸ When parties have strong BATNAs, sacred issues produce impasses, lower joint outcomes, and more negative perceptions; however, when negotiators do not have attractive BATNAs, they can't afford to stand on principle. Perhaps this is why a couple agreed to name their infant son GoldenPalaceDotCom Silverman after an Internet casino paid them \$15,000.⁹⁹

Sacred and secular issues are culturally defined with no absolutes.¹⁰⁰ Sociocultural norms affect the sacredness of certain positions, such as smoking, which is now generally considered baneful, but in the recent past was completely acceptable. The sanctity of issues is also influenced by the labels and names used to define conflicts.

The term **sacred** describes people's preferences on issues on which they view themselves as uncompromising. It immediately becomes obvious however, that labeling an issue as sacred

⁹³ Tetlock, Peterson, & Lerner, "Revising the value pluralism model."

⁹⁴ Von Neumann, J., & Morgenstern, O. (1947). *Theory of games and economic behaviour*. Princeton, NJ: Princeton University Press.

⁹⁵ Tetlock, Peterson, & Lerner, "Revising the value pluralism model."

⁹⁶ Schlenker, B. R. (1980). *Impression management: The self-concept, social identity, and interpersonal relations*. Belmont, CA: Brooks-Cole.

⁹⁷ Espeland, W. (1994). Legally mediated identity: The national environmental policy act and the bureaucratic construction of interests. *Law and Society Review*, 28(5), 1149–1179.

⁹⁸ Tenbrunsel, A. E., Wade-Benzoni, K. A., Tost, L. P., Medvec, V. H., Thompson, L., & Bazerman, M. H. (2009). The reality and myth of sacred issues in negotiations. *Negotiation and Conflict Management Research*, 2(3), 263–284.

⁹⁹ Parents gamble on baby boy's name. (2011, July 6). *NPR Morning Edition*. npr.org

¹⁰⁰ Tetlock, Peterson, & Lerner, "Revising the value pluralism model."

may be a negotiation ploy rather than a reflection of heartfelt value. The strategy is similar to the irrevocable commitment strategy.¹⁰¹ We refer to issues that are not really sacred, but are positioned as such, as **pseudo-sacred**.¹⁰²

Biased Punctuation of Conflict

The **biased punctuation of conflict** occurs when people interpret interactions with their adversaries in self-serving and other-derogating terms.¹⁰³ An actor, A, perceives the history of conflict with another actor, B, as a sequence of B-A, B-A, B-A, in which the initial hostile or aggressive move was made by B, causing A to engage in defensive and legitimate retaliatory actions. Actor B punctuates the same history of interaction as A-B, A-B, A-B however, reversing the roles of aggressor and defender. An example of biased punctuation conflict took place between Tesla and the National Transportation Safety Board (NTSB) in 2018 when Walter Huang died while driving his automated controlled Tesla Model X. Immediately after the incident, Tesla and the NTSB attributed the cause of the accident to different factors. Tesla released a statement claiming that “they [NTSB] repeatedly released partial bits of incomplete information to the media in violation of their own rules, at the same time that they were trying to prevent us from telling all the facts.” Tesla believed the incomplete information damaged their company’s reputation and reacted by revealing details about the victim’s car and its automated control system. Conversely, the NTSB felt that Tesla had violated the party agreement to a fair and unbiased investigation by releasing this information and responded by removing Tesla as a party to its crash investigation. “The NTSB took this action because Tesla violated the party agreement by releasing investigative information before it was vetted and confirmed by the NTSB.”¹⁰⁴

Negotiation behaviors are a continuous stream of cause-and-effect relationships in which each person’s actions influence the actions of others.¹⁰⁵ To an outside observer, their interaction is an uninterrupted sequence of interchanges. However, people who are actively engaged in conflict do not always see things this way. Instead, they organize their interactions into a series of discrete, causal chunks,¹⁰⁶ a process known as **causal chunking** or **punctuation**.¹⁰⁷ Causal chunks influence the extent to which people are aware of their influence on others, as well as their impressions of others. Two kinds of chunking patterns are self-causal and other-causal. People form self-causal chunks (e.g., “My action causes my partner’s action.”) when they possess an offensive set and other-causal chunks when they possess a defensive set. Disagreement about how to punctuate a sequence of events and a conflict relationship is at the root of many cross-cultural disputes.

¹⁰¹ Schelling, T. (1960). *The strategy of conflict*. Cambridge, MA: Harvard University Press.

¹⁰² We are indebted to Max Bazerman for this term; Thompson, L., & Gonzalez, R. (1997). Environmental disputes: Competition for scarce resources and clashing of values. In M. Bazerman, D. Messick, A. Tenbrunsel, & K. Wade-Benzoni (Eds.), *Environment, ethics, and behavior* (pp. 75–104). San Francisco: New Lexington Press; Wade-Benzoni, K. A., Okumura, T., Brett, J. M., Moore, D., Tenbrunsel, A. E., & Bazerman, M. H. (2002). Cognitions and behavior in asymmetric social dilemmas: A comparison of two cultures. *Journal of Applied Psychology*, 87, 87–95.

¹⁰³ Kahn, R. L., & Kramer, R. M. (1990). *Untying the knot: De-escalatory processes in international conflict*. San Francisco: Jossey-Bass.

¹⁰⁴ The Tesla autopilot crash investigation; a timeline. (2018, April 14). *Fortune*. fortune.com

¹⁰⁵ Jones, E. E., & Gerard, H. B. (1967). *Foundations of social psychology*. New York: Wiley.

¹⁰⁶ Swann, W. B., Pelham, B. W., & Roberts, D. C. (1987). Causal chunking: Memory and inference in ongoing interaction. *Journal of Personality and Social Psychology*, 53(5), 858–865.

¹⁰⁷ Whorf, B. L. (1956). Science and linguistics. In J. B. Carroll (Ed.), *Language, thought, and reality: Selected writings of Benjamin Whorf*. New York: Wiley.

Ethnocentrism

If egocentrism refers to unwarranted positive beliefs about oneself relative to others, then **ethnocentrism** refers to unwarranted positive beliefs about one's own group relative to other groups.¹⁰⁸ Ethnocentrism, or the strong, universal liking of one's own group and the simultaneous negative evaluation of out-groups, generates a set of universal reciprocal stereotypes in which each culture sees itself as good and other cultures as bad, even when both groups engage in the same behaviors. The behavior may be similar, but the interpretation is not: "We are loyal, they are clannish; we are brave and willing to defend our rights, they are hostile and arrogant." Even when members of groups do not know one another and never interact, people show in-group favoritism.¹⁰⁹

Affiliation Bias

Affiliation bias occurs when people evaluate a person's actions on the basis of his or her affiliations rather than on the merits of the behavior itself. For example, when football fans watch a game, they believe the other side commits more infractions than does their own team.¹¹⁰ Consider the following actions a country could take: establishing a rocket base close to the borders of a country with which it has strained relations, testing a new assault weapon, or establishing trade relations with a powerful country. People's perceptions of the acceptability of these actions differ dramatically as a function of the perceived agent. For example, during the time of the Cold War, U.S. citizens regarded the preceding actions to be much more beneficial when the United States was the one responsible than when the former U.S.S.R. engaged in the same actions.¹¹¹ People perceive the same objective behavior as either sinister or benign, merely as a consequence of the agent's affiliation.

Faulty Perceptions of Conciliation and Coercion

During World War II, the American journalist Edward R. Murrow broadcasted nightly from London, reporting on the psychological and physical consequences of the Nazi bombing of British cities.¹¹² Contrary to Nazi intent, the bombing did not move the British toward surrender. It had quite the opposite effect—British resolve to resist German domination strengthened rather than diminished. Shortly after the U.S. entered World War II, the Americans joined the British in launching costly bombing raids over Germany. In part, the intent was to decrease the German people's will to resist. The Office of Strategic Services later reported research comparing lightly and heavily bombed areas, and found only minimal differences in civilians' will to resist. Several other conflicts followed the same psychological pattern, such as Pearl Harbor, South Africa, and

¹⁰⁷ LeVine, R. A., & Campbell, D. T. (1972). *Ethnocentrism: Theories of conflict, ethnic attitudes, and group behavior*. New York: Wiley.

¹⁰⁹ Brewer, M. (1979). In-group bias in the minimal intergroup situation: A cognitive-motivational analysis. *Psychological Bulletin*, 86, 307–324; Tajfel, H. (1982). Social psychology of intergroup relations. *Annual Review of Psychology*, 33, 1–39; Tajfel, H., & Turner, J. (1986). The social identity theory of intergroup behavior. In S. Worchel & W. Austin (Eds.), *Psychology of intergroup relations* (pp. 7–24). Chicago: Nelson-Hall.

¹¹⁰ Hastorf, A., & Cantril, H. (1954). They saw a game: A case study. *Journal of Abnormal and Social Psychology*, 49, 129–134.

¹¹¹ Oskamp, S. (1965). Attitudes toward U.S. and Russian actions: A double standard. *Psychological Reports*, 16, 43–46.

¹¹² Rothbart, M., & Hallmark, W. (1988). In-group and out-group differences in the perceived efficacy of coercion and conciliation in resolving social conflict. *Journal of Personality and Social Psychology*, 55, 248–257.

North Vietnam. All of these instances point to important differences in countries' perceptions of what will be effective in motivating an enemy and what will be effective in motivating themselves or their allies. Coercion is viewed as more effective with our enemies than with ourselves, whereas conciliation is viewed as more effective with ourselves than with our enemies. The unfortunate consequence is that this perception encourages aggressive rather than constructive action.

Three key reasons explain why this behavior occurs.¹¹³ A preference for punitive strategies with one's enemies may reflect a desire to inflict injury or pain, as well as a desire to influence behavior in a particular direction. The relative preference for punishment is based on an incompatible desire to both injure and modify the behavior of the enemy. Alternatively, people may be inclined to use more coercive strategies with a counterparty because the appearance of toughness conveys information about their motives and intentions, which in the long run may bring about the desired result. Finally, the mere creation of mutually exclusive, exhaustive social categories (e.g., "them" and "us") leads to different assumptions about members of such groups: more favorable attributes are assigned to in-group than to out-group members.¹¹³ Social categorization processes may be particularly powerful in cross-cultural disputes because of stereotypes.

Naïve Realism

A heated debate among English teachers concerns which books should be on the required reading list for U.S. high school students. The Western Canon Debate features traditionalists, who prefer to have classics on the reading list, and revisionists, who believe the reading list should be more diverse—racially, ethnically, and gender-wise. In one study, traditionalists and revisionists were interviewed about their own and the other party's preferred books.¹¹⁵ Most strikingly, each party exaggerated the views of the other side in a way that made their differences bigger rather than smaller. Traditionalists viewed revisionists to be much more extreme than they really were; revisionists viewed traditionalists to be much more conservative. In fact, the groups agreed on 7 out of the 15 books on the reading list! Nevertheless, each group greatly exaggerated the difference between their own and the other's belief systems in a way that exacerbated the conflict. Further, people perceived the other side to be more uniform in their views, whereas they perceived their own views to be more varied and heterogeneous.¹¹⁶ Ideological conflict is often exacerbated unnecessarily as partisans construe the other person's values to be more extremist and unbending than they really are.

The **fundamental attribution error** occurs when people explain the causes of the behavior of others in terms of their underlying dispositions and discount the role of situational factors.¹¹⁷ Many environmental disputes involve a group that is believed to be interested in the economic development at the expense of the environment and an opposing group that represents the interests of the ecosystem. According to the fundamental attribution error, when each group is asked to name the cause of the dispute, each attributes the negative aspects of conflict to the

¹¹³ Rothbart, M., & Hallmark, W. (1988). In-group and out-group differences in the perceived efficacy of coercion and conciliation in resolving social conflict. *Journal of Personality and Social Psychology*, 55, 248–257.

¹¹⁴ Brewer, M. (1979). In-group bias in the minimal intergroup situation: A cognitive-motivational analysis. *Psychological Bulletin*, 86, 307–324; Tajfel, H. (1970). Experiments in intergroup discrimination. *Scientific American*, 223, 96–102.

¹¹⁵ Robinson, R. J., & Keltner, D. (1996). Much ado about nothing? Revisionists and traditionalists choose an introductory English syllabus. *Psychological Science*, 7(1), 18–24.

¹¹⁶ Linville, P. W., Fischer, G. W., & Salovey, P. (1989). Perceived distributions of the characteristics of in-group and outgroup members: Empirical evidence and a computer simulation. *Journal of Personality and Social Psychology*, 57, 165–188.

¹¹⁷ Ross, L. (1977). The intuitive psychologist and his shortcomings: Distortions in the attribution process. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 10* (pp. 173–220). Orlando, FL: Academic Press.

dispositions of the other party. Specifically, developers regard environmentalists to be fanatic lunatics; environmentalists regard developers to be sinister and greedy.

CULTURAL INTELLIGENCE

Cultural intelligence (CQ) is essential for effective negotiation because most managers cannot expect to negotiate only with people of their own country or culture throughout their career. Indeed, the CQ of negotiators measured a week prior to negotiation predicts the extent to which negotiators engage in integrative behaviors and maximize joint profit in intercultural negotiations, controlling for other types of intelligence.¹¹⁸ Moreover, the quality of integrative negotiation was best predicted by the lower-scoring, rather than the high-scoring negotiator, suggesting that both parties in conflict should have cultural intelligence. The **quality of communication experience** (QCE), measures the nature and quality of intra- and intercultural communications.¹¹⁹ Indeed, QCE is lower in intercultural negotiation than intracultural negotiation, and the higher the QCE, the better the negotiation outcomes.

CQ Model

According to the multifactor concept of cultural intelligence, four factors, including: mental (both metacognitive and cognitive), motivational, and behavioral intelligence are associated with cultural intelligence.¹²⁰ (See Exhibit 11-6.) Cognitive CQ refers to knowledge in general; metacognitive CQ refers to knowledge about processes. In this sense, metacognitive CQ reflects the processes that people use to acquire and understand cultural knowledge. Motivational CQ refers to the magnitude and direction of a person's energy. Behavioral CQ represents the capability to exhibit appropriate verbal and nonverbal actions when interacting with people from different cultures. The cultural intelligence scale measures CQ, and the results are generalizable across student and executive groups, across time intervals ranging from weeks to months, and countries.¹²¹

CQ AND PERFORMANCE Cultural CQ predicts a variety of important outcomes in global contexts, such as cultural adaptation, expatriate performance, global leadership, intercultural negotiation, and multicultural teamwork. Mental CQ predicts performance and adjustment over and above simple demographic information and general cognitive ability.¹²² For example, motivational CQ predicted cross-cultural adjustment of global professionals over and above pre-job assignment interventions.¹²³

¹¹⁸ Imai, L., & Gelfand, M. J. (2010). The culturally intelligent negotiator: The impact of cultural intelligence (CQ) on negotiation sequences and outcomes. *Organizational Behavior and Human Decision Processes*, 112(2), 83–98.

¹¹⁹ Liu, L. A., Chua, C. H., & Stahl, G. K. K. (2010). Quality of communication experience: Definition, measurement, and implications for intercultural negotiations. *Journal of Applied Psychology*, 95(3), 469–487.

¹²⁰ Earley, P. C., & Ang, S. (2003). *Cultural intelligence: Individual interactions across cultures*. Stanford, CA: Stanford University Press.

¹²¹ Ang, S., Van Dyne, L., Koh, C., Ng, K. Y., Templer, K. J., Tay, C., & Chandrasekar, N. A. (2007). Cultural intelligence: Its measurement and effects on cultural judgment and decision making, cultural adaptation and task performance. *Management and Organization Review*, 3(3), 335–371; Van Dyne, L., Ang, S., & Koh, C. (2008). Development and validation of the CQS. *Handbook of Cultural Intelligence*, 16–40.

¹²² Ang, S., Van Dyne, L., Koh, C., & Ng, K. Y. (2004, August). The measurement of cultural intelligence. Academy of Management Meetings Symposium on *Cultural Intelligence in the 21st Century*. Symposium conducted at the meeting of the Academy of Management, New Orleans, LA.

¹²³ Templer, K. J., Tay, C., & Chandrasekar, N. A. (2005). Motivational cultural intelligence, realistic job preview, realistic living conditions preview, and cross-cultural adjustment. *Group and Organization Management*, 31(1), 154–173.

EXHIBIT 11-6**Example Items from the 11-Dimension Expanded CQ Scale**

Dimension	Sub-dimensions	Examples
Metacognitive CQ	Planning Awareness Checking	• “I develop action plans before interacting with people from a different culture.” • “I am aware of how my culture influences my interactions with people from different cultures.” • “I adjust my understanding of a culture while I interact with people from that culture.”
Cognitive CQ	General cultural knowledge Context-specific knowledge	• “I can describe the different cultural value frameworks that explain behaviors around the world.” • “I can describe the ways that leadership styles differ across cultural settings.”
Motivational CQ	Intrinsic interest Extrinsic interest Self-efficacy to adjust	• “I truly enjoy interacting with people from different cultures.” • “I value the status I would gain from living or working in a different culture.” • “I am confident that I can persist in coping with living conditions in different cultures.”
Behavioral CQ	Verbal behavior Non-verbal behavior Speech acts	• “I change my use of pause and silence to suit different cultural situations.” • “I modify how close or far apart I stand when interacting with people from different cultures.” • “I modify the way I disagree with others to fit the cultural setting.”

Source: Used with permission from Van Dyne, L., Ang, S., Ng, K. Y., Rockstuhl, T., Tan, M. L., & Koh, C. (2012). Sub-Dimensions of the four factor model of cultural intelligence: Expanding the conceptualization and measurement of cultural Intelligence. *Social and Personality Psychology Compass*, 4, 295–313.

ADVICE FOR CROSS-CULTURAL NEGOTIATIONS

Global negotiations are characterized by differences that emerge at interpersonal behavioral levels and are manifestations of more deep-seated societal and institutional differences.¹²⁴ Negotiators should avoid arguing about the inherent legitimacy of a social system and instead

¹²⁴ Tinsley, C. H., Curhan, J. R., & Kwak, R. S. (1999). Adopting a dual lens approach for examining the dilemma of differences in international business negotiations. *International Negotiation*, 4, 5–22.

focus on understanding at the interpersonal level. Consider the following strategies to improve cross-cultural effectiveness.¹²⁵ (See Exhibit 11-7 for similar suggestions.)

Anticipate Differences in Strategy and Tactics

The negotiator who is able to anticipate differences in terms of goals, influence, and communication will have value-creating and value-claiming advantages in intercultural negotiations. There are differences in how negotiators reciprocate, complement, and transform the counterparty's approach. Americans reciprocate cooperation, but not distributive (competitive) behaviors; in contrast, Chinese negotiators reciprocate competitive behaviors, but not integrative behaviors.¹²⁶

Perspective Taking

Cultural perspective taking is the active consideration of the other party's culturally normative negotiation behaviors prior to negotiation. In one investigation, some negotiators were coached in cultural perspective taking; others were coached in alternative-focused perspective taking, in which negotiators considered different alternatives for agreement. Negotiators who engaged in

EXHIBIT 11-7

Advice for Successful Cross-Cultural Business Negotiation

Traits and Attitudes	General Behaviors	Negotiation-Specific Behaviors
• Conceptual complexity • Empathy • Sociability • Critical acceptance of stereotypes • Patience • Sense of humor	• Openness to different points of view • Interest in the host culture • Task orientation • Cultural flexibility • Willingness to communicate • Skills in collaborative conflict resolution	• Identify differences in interests, preferences, and priorities • Leverage differences • Ask questions • Understand norms for negotiation • Avoid arguing about inherent legitimacy of social system • Understand role of government and constituents

Source: Based on Copeland, L., & Griggs, L. (1985). *Going international*. New York: Random House; Martin, J. N. (1989). Intercultural communication competence. *International Journal of Intercultural Relations*, 13(3), 227–428; Triandis, *Culture and social behavior*; Gardiner, G. S. (1972). *Aggression*. Morristown, NJ: General Learning Corp.; Detweiler, R. (1980). The categorization of the actions of people from another culture: A conceptual analysis and behavioral outcome. *International Journal of Intercultural Relations*, 4, 275–293; Tinsley, C. H., Curhan, J. R., & Kwak, R. S. (1999). Adopting a dual lens approach for examining the dilemma of differences in international business negotiations. *International Negotiation*, 4(1), 5–22.

¹²⁵ Brett, “Negotiating Globally.”

¹²⁶ Liu, M. (2011). Cultural differences in goal-directed interaction patterns in negotiation. *Negotiation and Conflict Management Research*, 4(3), 178–199.

cultural perspective taking claimed more value than those who engaged in alternative-focused perspective taking; there were no discernible differences in value creation.¹²⁷

Perceptions of Power

When negotiating with members of hierarchical cultures, be prepared to present information about your company and products, even if you think such information should have no bearing on the outcome. In failing to make a presentation comparable to the one made by the negotiator from the hierarchical culture, negotiators from egalitarian cultures risk appearing weak. By the same token, negotiators from hierarchical cultures should be aware that power-based persuasion, although normative in deal-making negotiations in their own cultures, is not normative in egalitarian cultures. Furthermore, power-based persuasion is likely to be reciprocated in negotiation and may lead to impasse.¹²⁸ One American businessperson suffered due to a lack of understanding about cultural behavioral styles. After long, hard bargaining, a U.S. firm landed a large contract with a Japanese firm. At the signing ceremony however, the Japanese executive began reading the contract intently. His scrutiny seemed endless. The American panicked and offered to take \$100 off each item. What the U.S. executive did not know was that the Japanese executive was merely demonstrating authority, not backing out.¹²⁹

Attribution Errors

An **attribution error** is the tendency to ascribe someone's behavior or the occurrence of an event to the wrong cause. For example, people often attribute the behaviors of others to their underlying personality (e.g., a smile from another person is often attributed to a "good" disposition; similarly, a frown is presumed to be a manifestation of a grouchy personality).¹³⁰ However, the behavior of others is more often a reflection of particular features of the situation, rather than enduring personality traits.

Furthermore, cultural differences in attributional tendencies (i.e., collectivists view behavior as a function of the situation; individualists view behavior as a function of disposition) create even more of a gap between preferences. Specifically, when negotiators encounter a disagreeable person across the bargaining table, individualists attribute that person's behavior to an underlying disposition and desire more formal dispute resolution procedures; in contrast, collectivists are more likely to ascribe behavior to situational factors and prefer informal procedures.¹³¹

Dispositionalism is the tendency to ascribe the cause of a person's behavior to his or her character or underlying personality. **Situationalism** is the tendency to ascribe the cause of a person's behavior to factors and forces outside of a person's control. For example, suppose you are in the midst of a high-stakes negotiation, and you place an urgent call to your negotiation partner. Your partner does not return your call, yet you know your partner is in town. What is

¹²⁷ Lee, S., Adair, W. L., & Seo, S.-J. (2013). Cultural perspective taking in cross-cultural negotiation. *Group Decision and Negotiation*, 22(3), 389–405.

¹²⁸ Brett, J. M., & Okumura, T. (1998). Inter- and intracultural negotiation: U.S. and Japanese negotiators. *Academy of Management Journal*, 41(5), 495–510.

¹²⁹ Cultural differences can make or break a deal. (1986, February 10). *Chicago Sun-Times*, p. 60.

¹³⁰ Ross, B. H. (1987). This is like that: The use of earlier problems and the separation of similarity effects. *Journal of Experimental Psychology: Learning, Memory and Cognition*, 13(4), 629–639.

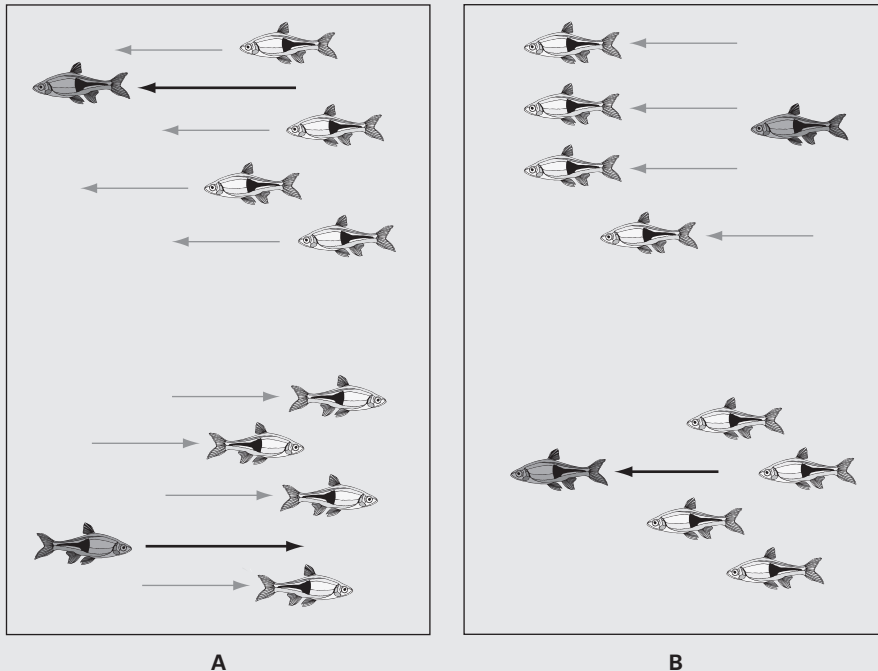
¹³¹ Morris, M. W., Leung, K., & Iyengar, S. S. (2004). Person perception in the heat of conflict: Negative trait attributions affect procedural preferences and account for situational and cultural differences. *Asian Journal of Social Psychology*, 7(2), 127–147.

causing your partner's behavior? It is possible your partner is irresponsible (dispositionalism); similarly, it is possible your partner never got your message (situationalism). Depending upon what you think is the true cause, your behavior toward your partner will be different—anger versus forgiveness, perhaps.¹³² People from individualistic cultures view causality differently than do members of collectivist cultures. Dispositionalism is more widespread in individualistic than in collectivist cultures. To see how profound these cultural differences are, look at Exhibit 11-8, panels A and B.

In Exhibit 11-8, panels A and B, the dark fish swims on a trajectory that deviates from that of others (indicated by the darkest arrows). When asked to describe what was going on in videotapes of swimming fish whose movements were similar to those illustrated in Exhibit 11-8, members of individualistic cultures (Americans) perceived more influence of internal factors (dispositionalism), whereas members of collectivist cultures (Chinese) perceived more external

EXHIBIT 11-8

Dispositionalism versus Situationalism



Diagrams showing the trajectories of fish. The dark fishes have the darkest arrows in these diagrams. In panel A, the group joins the individual (top), and the individual joins the group (bottom). In panel B, the group leaves the individual (top), and the individual leaves the group (bottom).

Source: Adapted from Morris, M. W., & Peng, K. (1994). Culture and cause: American and Chinese attributions for social and physical events. *Journal of Personality and Social Psychology*, 67(6), 949–971.

¹³² Rosette, A. S., Brett, J. M., Barsness, Z. I., & Lytle, A. L. (2011). When cultures clash electronically: The impact of email and social norms on negotiation behaviour and outcomes. *Journal of Cross-Cultural Psychology*, 20(10), 1–6.

influence (situationalism) on the dark fish's motions.¹³³ Specifically, Chinese people were more likely to view the fish as wanting to achieve harmony, whereas Americans were more likely to view the dark fish as striking out on its own. Similarly, an investigation of stories in American and Chinese newspapers reveals that English-language newspapers are more dispositional and Chinese-language newspapers are more situational when explaining the same crime stories.¹³⁴ Specifically, when newspaper articles about "rogue trader" scandals were analyzed, U.S. papers made more mention of the individual trader involved, whereas Japanese papers referred more to the organization.¹³⁵ Similarly, when a team member behaves in a maladjusted way, U.S. participants are more likely to focus on the member's traits, whereas the Hong Kong participants focus on situational factors. East Asians for example, are more sensitive to both external constraints and group influences (as compared to Westerners), but only when there is information about the situation to discount personality traits.¹³⁶ Moreover, East Asian people first assign responsibility for events to the collectivity or organizational unit and then extend responsibility to the manager representing that group, thus leaders are held responsible through proxy logic.¹³⁷ Dispositionalism also affects biases. People from individualistic cultures, such as the United States, are more likely to fall prey to the fixed-pie bias than are people from collectivistic cultures, such as Greece.¹³⁸

Respect

One of the most important preparatory steps a negotiator can take when commencing intercultural negotiation is to find out how to show respect in the other culture. Don't assume that the other culture will have the same customs as one's own culture. For example, when Aramex, a global logistics firm wanted to expand to Saudi Arabia, they researched the culture and discovered that women must work in separate offices from men and be monitored via camera. So, Aramex constructed special buildings where women worked separately from men and installed cameras in the hallways in the Jeddah call center. The cultural restrictions that made it nearly impossible to incorporate women into the Saudi workforce were overcome in this case with cloud computing technology that allowed women to stay in contact with managers and coworkers.¹³⁹

In a complementary fashion, intercultural negotiations may fail not because negotiators stay anchored to their own cultural assumptions and styles, but rather because they try to adjust to their counterpart's cultural assumptions about negotiating. This phenomenon is called **schematic overcompensation**.¹⁴⁰ In a study of 100 experienced Japanese and U.S. negotiators,

¹³³ Morris, M. W., & Peng, K. (1994). Culture and cause: American and Chinese attributions for social and physical events. *Journal of Personality and Social Psychology*, 67(6), 949–971.

¹³⁴ Morris & Peng, "Culture and cause."

¹³⁵ Menon, T., Morris, M. W., Chiu, C., & Hong, Y. (1999). Culture and construal of agency: Attribution to individual versus group dispositions. *Journal of Personality and Social Psychology*, 76(5), 701–717.

¹³⁶ Valenzuela, A., Srivastava, J., & Lee, S. (2005). The role of cultural orientation in bargaining under incomplete information: Differences in causal attributions. *Organizational Behavior and Human Decision Processes*, 96(1), 72–88.

¹³⁷ Zemba, Y., Young, M. J., & Morris, M. W. (2006). Blaming leaders for organizational accidents: Proxy logic in collective- versus individual-agency cultures. *Organizational Behavior and Human Decision Processes*, 101(1), 36–51.

¹³⁸ Gelfand, M. J., & Christakopoulou, S. (1999). Culture and negotiator cognition: Judgment accuracy and negotiation processes in individualistic and collectivistic cultures. *Organizational Behavior and Human Decision Processes*, 79(3), 248–269.

¹³⁹ Hamdan, S. (2012, September 5). Saudi Arabia signals openness to women seeking work. *The New York Times*. nytimes.com; Cronin, S. (2012, January 31). Jobs for women in the kingdom now a growing concern. *The National*. thenational.ae

¹⁴⁰ Adair, W. L., Taylor, M. S., & Tinsley, C. H. (2009). Starting out on the right foot: Negotiation schemas when cultures collide. *Negotiation and Conflict Management Research*, 2(2), 138–163.

there was a clash on six of nine elements, such that the parties had significantly different expectations about what it was like to negotiate with the other (see Exhibit 11-9).

Emotion

A widely held stereotype is that East Asians are emotionally inexpressive and European Americans are emotionally expressive. For this reason, anger might have a stronger signaling value when East Asians, rather than Americans, express it. In a series of investigations, angry East Asian negotiators elicited greater cooperation than did angry European American and Hispanic negotiators.¹⁴¹ Angry East Asian negotiators are perceived as tougher and more threatening.

Expressing anger elicits larger concessions from European American negotiators, but smaller concessions from Asian and Asian American negotiators.¹⁴² This is due to cultural norms about the appropriateness of anger expression in negotiation. When anger was regarded as appropriate, Asian negotiators made as large a concession as did the Euro-Americans. When anger was regarded as inappropriate, the Euro-Americans made much smaller concessions matching those of Asians.

Is there any truth to the stereotype about emotional expressiveness in cultures? In one investigation, Americans described their Japanese counterparts as being “poker-faced,” or displaying no facial expressions in a negotiation simulation. However in the laboratory, a camera focused on each person’s face during an intercultural negotiation recorded all facial expressions and revealed no differences in the number of facial expressions (smiles and frowns) between the Americans and Japanese. Americans are not able to “read” Japanese expressions, and they wrongly describe them as “expressionless.”¹⁴³ Moreover, collectivists and individualists differ

EXHIBIT 11-9

An Experiment in Cultural Perspective Taking

A realistic mock negotiation was arranged between U.S. managers and Brazilians. Most of the time, executives from different cultures are not prepared for one another, but the managers in this situation went overboard: each party carefully researched the other party’s cultural style and decided to adapt its own bargaining style to it. The strange result was a situation in which the Brazilians wanted to get down to business immediately and the Americans avoided negotiations while attempting to establish relationships before talking about any contract details. Said one American, “What really surprised us was that they wanted to get down to business right away. We knew better than to push them into a decision at the start, but they came in with their price offer right away.” Said the Brazilians, “They [the Americans] seemed to want to take more time at the start. Our side acted more like Americans.” Kim Smith, Business Development Manager for Hertz Corp., said, “I began to worry that if their side acted like Americans and we acted like Brazilians, we wouldn’t get anything done.”

Source: Based on Huggett, K. (2003, June). Brazil-USA: Learning to bridge cultures. *Brazil Business*. brazil.com

¹⁴¹ Adam, H., & Shirako, A. (2013). Not all anger is created equal: The impact of the expresser’s culture on the social effects of anger in negotiations. *Journal of Applied Psychology*, 98(5), 785–798.

¹⁴² Adam, H., Shirako, A., & Maddux, W. W. (2010). Cultural variance in the interpersonal effects of anger in negotiations. *Psychological Science*, 21(6), 882–889.

¹⁴³ Graham, J. L. (1993). The Japanese negotiation style: Characteristics of a distinct approach. *Negotiation Journal*, 9(2), 123–140.

in the ways they describe emotional experience, with Chinese using more somatic and social words than Americans. For example, when Chinese and Americans are both speaking English during emotional events, Chinese Americans used more somatic (e.g., dizzy) and more social (e.g., friend) words than did European Americans.¹⁴⁴

Perceptions of Time

Perceptions of time differ dramatically across cultures.¹⁴⁵ Consider, for example, the lengthy negotiations between the Chinese government and Philip Morris International (PMI). After more than three years of negotiations, the Chinese government selected three domestic cigarette brands of the hundreds sold to market abroad in partnership with PMI. According to PMI Chief Executive André Calantzopoulos, the negotiations were delayed partly because of cultural differences. “By Chinese standards, urgency is in terms of decades, versus U.S. companies, where urgency is next quarter.”¹⁴⁶ Even the idea of the length of the workday varies from culture to culture. In Mexico, American bankers found it frustrating when they tried to plan a meeting during working hours, only to have their Mexican colleagues want to meet in the evening when Americans are usually home. Similarly, U.S. managers who attend a business dinner in Brazil must be prepared to sit for hours and be open to talking about their personal life, not just business.¹⁴⁷

Cooperative and competitive behaviors in global negotiations wax and wane across four stages: relational positioning, identifying the problem, generating solutions, and reaching agreement.¹⁴⁸ Cultural differences occur at these stages, perhaps the most notable being that direct cultures use more rational arguments in stages 3 and 4. Differences in how time unfolds may lead Westerners to want to talk (i.e., discuss their feelings with the goal of repairing frayed relationships); however, the meaning of such talk may not be shared by people from culturally different backgrounds.¹⁴⁹

ACCULTURATION FRAMEWORK

Succeeding in international business requires that people gain international as well as business competence.¹⁵⁰ However, cultural differences may conflict with your own values and norms. For example, a report from the Corporate Women Directors International indicated that in Saudi Arabia, where Muslim law demands strict gender separation, just 0.1% of company directors are women. Female executives from the United States who do business in Saudi Arabia are expected to dress conservatively in long skirts with sleeves at elbow length and conduct business meetings in the presence of their American male counterparts at all times, but they are not typically allowed to appear

¹⁴⁴ Tsai, J. L., Simeonova, D. I., & Watanabe, J. T. (2004). Somatic and social: Chinese Americans talk about emotion. *Personality and Social Psychology Bulletin*, 30(9), 1226–1238.

¹⁴⁵ Alon, I., & Brett, J. M. (2007). Perceptions of time and their impact on negotiations in the Arabic-speaking Islamic world. *Negotiation Journal*, 23(1), 55–73.

¹⁴⁶ Zamiska, N., Ye, J., & O’Connell, V. (2008, January 30). Chinese cigarettes to go global. *The Wall Street Journal*, p. B4.

¹⁴⁷ Merritt, J. (2013, August 21). Before you go: A global guide to business etiquette. *Linkedin*. linkedin.com; Keating, J. (2013, January). Why time is a social construct. *Smithsonian*. smithsonianmag.com

¹⁴⁸ Adair, W. L., & Brett, J. M. (2005). The negotiation dance: Time, culture, and behavioral sequences in negotiations. *Organization Science*, 16(1), 33–51.

¹⁴⁹ Glinow, M. A., Shapiro, D. L., & Brett, J. M. (2004). Can we talk, and should we? Managing emotional conflict in multicultural teams. *Academy of Management Review*, 29(4), 578–592.

¹⁵⁰ Matsumoto, D. (1996). *Culture and psychology*. Pacific Grove, CA: Brooks-Cole.

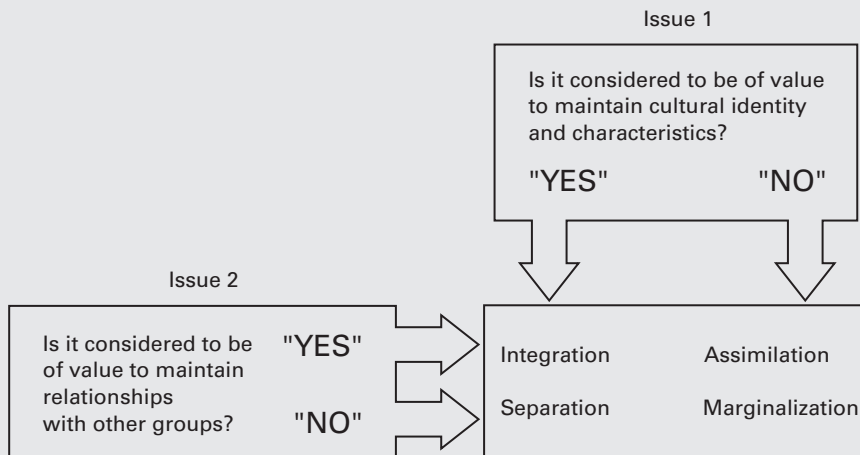
in public places with their colleagues. Indeed, an American woman who worked for a finance company in the Saudi capital of Riyadh was arrested for sitting with a male colleague in a Starbucks.¹⁵¹

Cultural awareness is one thing; deciding how much one wants to adapt is another. Consider four choices that people have when interacting with someone from a different culture (see Exhibit 11-10).¹⁵² The first question is whether the individual (or group) finds it valuable to maintain distinct cultural identity and characteristics. The second question is whether the individual (or group) desires to maintain relationships with other (cultural) groups.

- **Integration** is a type of acculturation whereby each group maintains its own culture and also maintains contact with the other culture.
- **Assimilation** occurs when a group or person does not maintain its culture but does maintain contact with the other culture.
- **Separation** occurs when a group or individual maintains its culture but does not maintain contact with the other culture.
- **Marginalization** occurs when neither maintenance of the group's own culture nor contact with the other culture is attempted. Marginalization is the most unfavorable condition.¹⁵³

EXHIBIT 11-10

Acculturation Framework



Source: Based on Berry, J. W. (1980). Acculturation as varieties of adaptation. In A. Padilla (Ed.), *Acculturation: Theory, models, and some new findings*. Boulder, CO: Westview.

¹⁵¹ Tatlow, D. K. (2010, May 27). Unlocking access to the boardrooms. *The New York Times*. nytimes.com; Business and social customs in Saudi Arabia (2011). The Saudi Network: *United States of Commerce*. buyusa.gov; Associated Press. (2008, February 7). Saudi cops grab U.S. woman in Starbucks. *CBS News*. cbsnews.com

¹⁵² Berry, J. W. (1980). Acculturation as varieties of adaptation. In A. Padilla (Ed.), *Acculturation: Theory, models, and some new findings*. Boulder, CO: Westview.

¹⁵³ Berry, J. W., Poortinga, Y. H., Segall, M. H., & Dasen, P. R. (1992). *Cross-cultural psychology: Research and applications*. New York: Cambridge University Press.

Sometimes, options for change are driven by skill sets—or lack thereof. Most Americans are monolingual, compared to other cultures. Furthermore, members of other cultures know that Americans are monolingual, and so they adapt accordingly. For example, in interactions between North Americans and Mexicans, Mexican bilingual managers immediately switched to English when interacting with North Americans; however, North American linguistic accommodation was a rare occurrence.¹⁵⁴

CHAPTER CAPSTONE

Negotiating across cultures is a necessity for success in the business world because globalization is a major objective of most companies. Unfortunately, cross-cultural negotiations frequently result in less value creation than do intracultural negotiations. Part of the problem is a lack of understanding about cultural differences. Hofstede's model of culture considers individualism–collectivism and power distance as key dimensions of cultural differences.¹⁵⁵ The tripartite model of culture focuses on face, dignity, and honor as distinct cultural prototypes. Negotiators should analyze cultural differences to identify differences in values that could expand the pie, recognize different conceptions of power, avoid attribution errors, find out how to show respect in other cultures, find out how time is perceived, and assess options for change, including integration, assimilation, separation, and marginalization.

¹⁵⁴ Lindsley, S. L. (1999). A layered model of problematic intercultural communication in U.S. owned maquiladoras in Mexico. *Communication Monographs*, 66(2), 145–167.

¹⁵⁵ Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage.

12

NEGOTIATING IN A VIRTUAL WORLD

Chatbots use natural-language understanding (NLU) to engage customers, employing models to determine what they want. Chatbots now have personalities, provide fast solutions, and are consistently on-brand. Back in 2011, Gartner, an IT service management company, predicted that up to 85% of customer service interactions, including negotiation of payments, fees, and claims, would take place without human intervention. The 2020 pandemic saw customer service demands go through the roof just when businesses were struggling to implement remote working for their call center staff. Chatbots may just be the solution in similar scenarios. Addressing common, high-volume issues is now within the capability of chatbots, while more complex issues may be delegated to customer service agents.¹

Most of us are not negotiating with chatbots—at least not yet, but this technology raises important questions about negotiating in a virtual world. Many businesspeople conduct high-stakes negotiations over the internet without ever meeting the counterparty. This chapter examines how people who are not physically co-located negotiate. We explore the impact of information technology on negotiation, with a particular focus on electronic negotiations (e-negotiations). The **place-time model** focuses on managers who negotiate in the same or in different physical location and at the same or different time. For each of these modes, we describe what to expect and ways to deal with the limitations of that communication mode. We follow this discussion with a section on how information technology affects negotiation behavior. We then describe strategies to help negotiators expand and divide the pie effectively.

PLACE-TIME MODEL OF SOCIAL INTERACTION

The **place-time model** describes four modes of interaction that vary in *richness*: same place + same time; different place + different time; same place + different time; different place + same time (Exhibit 12-1).² **Richness** is the potential information-carrying

¹ Selby, P. (2020, July 16). The time is now for chatbots in customer service. *Business 2 Community*. www.business2community.com.

² Englebart, D. (1989, November). *Bootstrapping organizations into the 21st century*. Paper presented at a seminar at the Software Engineering Institute, Pittsburgh, PA; Johansen, R. (1988). *Groupware: Computer support for business teams*. New York: Free Press.

EXHIBIT 12-1

Place-Time Model of Interaction

	SAME PLACE	DIFFERENT PLACE
SAME TIME	Face-to-Face	Telephone
		Videoconference
		Skype
		Avatars
		Instant messaging
DIFFERENT TIME	Facebook	Text message
	Single-text editing	E-mail
	Dropbox	Voice mail
	Shift work	

capacity of the communication medium.³ Face-to-face communication is relatively “rich,” whereas formal, written messages, such as memos and business correspondence, are relatively “lean” (see Exhibit 12-2).⁴ Face-to-face communication conveys the richest information because it allows for the simultaneous observation of multiple cues, including body language, facial expression, and tone of voice, thereby providing people with a greater awareness of context. In contrast, formal numerical documentation conveys the least rich information, providing few cues about the context. In addition, geographical propinquity and time constraints affect negotiations. Let’s consider each of the four types of communications in the place-time model in greater detail.

Face-to-Face Communication

Face-to-face negotiation is the typical preference of most negotiators. Face-to-face contact is crucial in the initiation of relationships and collaborations. Face-to-face negotiations are particularly important when people meet for the first time, when norms of interaction are established. Negotiators are more cooperative when interacting face-to-face than over the telephone.⁵ Face-to-face communication (as opposed to using the telephone) fosters the development of interpersonal synchrony and rapport and thus leads to more trusting, cooperative behavior.⁶ Face-to-face meetings are ideal for wrestling with complex negotiations. Several studies show

³ Drolet, A. L., & Morris, M. W. (2000). Rapport in conflict resolution: Accounting for how nonverbal exchange fosters cooperation on mutually beneficial settlements to mixed-motive conflicts. *Journal of Experimental Social Psychology*, 36, 26–50.

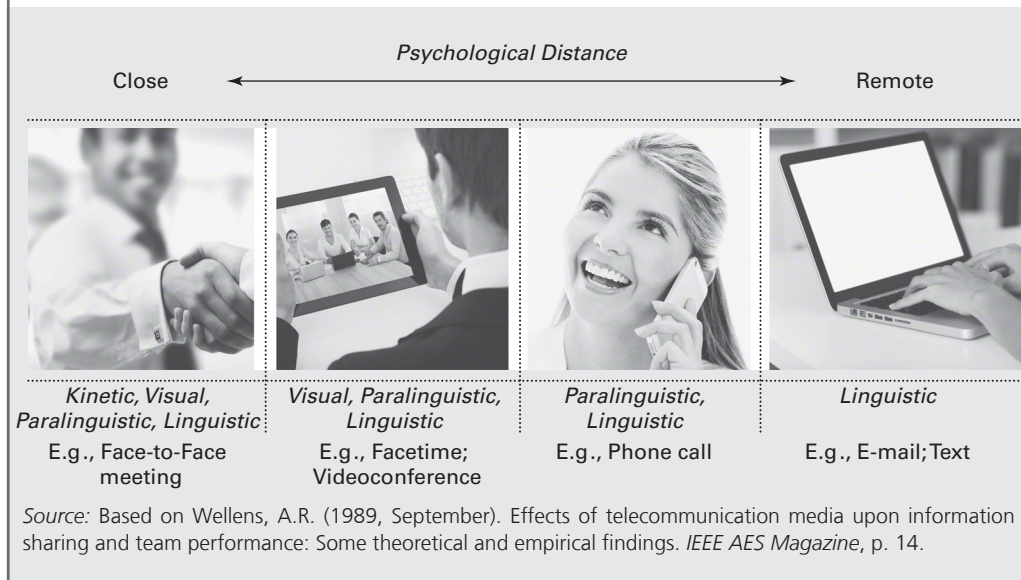
⁴ Daft, R. L., & Lengel, R. H. (1984). Information richness: A new approach to managerial behavior and organization design. *Research in Organization Behavior*, 6, 191–223; Daft, R. L., Lengel, R. H., & Trevino, L. K. (1987). Message equivocality, media selection, and manager performance: Implications for information systems. *MIS Quarterly*, 11(3), 355–366.

⁵ Drolet & Morris, “Rapport in conflict resolution.”

⁶ Drolet & Morris, “Rapport in conflict resolution.”

EXHIBIT 12-2

Psychological Distancing Model



that face-to-face negotiators reach more integrative (win-win) outcomes and more balanced distributions of surplus (even pie-slicing) than writing only (e-mail) or telephone negotiations.⁷

Are there any exceptions to the general advantage of face-to-face negotiation? When it comes to *relational satisfaction* (i.e., how negotiators feel about the negotiation), virtual negotiators may actually feel better about their interaction. For example, one study examined face-to-face versus text-based electronically-mediated negotiations and found that the impact of contentious behavior and positive relational messaging on negotiator satisfaction is stronger in text-based electronically-mediated than in face-to-face negotiations.⁸ Negotiators communicating in text-based electronically-mediated mode developed lower, more realistic aspirations, achieved similar individual profit, and used more explicit relationship-building communication than did the face-to-face negotiators, which collectively led to higher negotiator satisfaction than the face-to-face negotiators.

The incidence and frequency of face-to-face communication is determined by how closely people are located to one another: Employees who work in the same office or on the same floor communicate much more frequently than those located on different floors or in different buildings. Even a few paces can have a huge impact on communication likelihood and frequency. For example, communication frequency between Research and Development researchers drops off logarithmically after only 5–10 meters of distance between offices.⁹ Workers in adjacent offices

⁷ Valley, K. L., Moag, J., & Bazerman, M. H. (1998). A matter of trust: Effects of communication on the efficiency and distribution of outcomes. *Journal of Economic Behavior and Organizations*, 34, 211–238.

⁸ Geiger, I. (2014). Media effects on the formation of negotiator satisfaction: The example of face-to-face and text-based electronically mediated negotiations. *Group Decision and Negotiation*, 23(4), 735–763.

⁹ Allen, T. J. (1977). *Managing the flow of technology: Technology transfer and the dissemination of technological information within the R&D organization*. Cambridge, MA: MIT Press.

communicate twice as often as those in offices on the same floor, including via e-mail and telephone transmissions.¹⁰

Face-to-face communication is easier and therefore more likely to occur than are other forms of communication. Many negotiations occur from chance encounters, which almost never happen in any mode but face-to-face because of perceived effort. Negotiations of opportunity are very important for long-term business success.

People rely primarily on nonverbal signals to help them conduct social interactions. One estimate is that 93% of the meaning of messages is contained in the nonverbal part of communication, such as voice intonation.¹¹ Leaders, as well as negotiators, use nonverbal cues to convey messages in their communications. Facebook CEO Mark Zuckerberg testified in front of Congress in the spring of 2018. His remarks and answers regarding Facebook's company policy about data privacy and his apologies for the company's mistakes were watched as closely as his body language. Experts commented that while Zuckerberg was skillful at staying calm, he still showed signs of psychological discomfort with hard swallows of water, stiff body posture and frequent lip compression. Moving away from the expected body language of communicating using hand gestures for emphasis, Zuckerberg stayed stiff and made his points with voice emphasis instead, which made him seem less sure of himself.¹²

Nonverbal communication extends to choices of clothing and artifacts. When Zuckerberg appeared in a Dallas courtroom to defend his company, the famously casual CEO, who typically wears a uniform of t-shirts and hoodies, opted for a black suit and tie, signaling his serious regard for the case.¹³

Important behavioral, cognitive, and emotional processes are set into motion when people meet face-to-face. Face-to-face negotiation allows people to develop rapport—the feeling of being “in sync” or “on the same wavelength” with another person. Nonverbal (body orientation, gesture, eye contact, head nodding) and paraverbal (speech fluency, use of “uh-huhs,” etc.) behaviors are key to building rapport. When the person we are negotiating with sits at a greater distance, has an indirect body orientation, backward lean, and crossed arms, and avoids eye contact, we feel less rapport than when the same person sits with a forward lean, an open body posture, and maintains steady eye contact. However, there also appear to be gender differences, such as when females negotiate, their agreements are of higher quality when they have visual contact. The opposite is true for males, who reach better agreements in absence of visual contact.¹⁴

Same Time, Different Place

The same time, different place mode, in which people negotiate in real time but are not physically in the same place, is often the alternative to face-to-face negotiations. The most common means is via phone (telephone tag is different time, different place); videoconferencing;

¹⁰ Galegher, J., Kraut, R. E., & Egidio, C. (Eds.) (1990). *Intellectual teamwork: Social and technological foundations of cooperative work*. Hillsdale, NJ: Erlbaum.

¹¹ Meherabian, A. (1971). *Silent messages*. Belmont, CA: Wadsworth.

¹² Navarro, J. (2018, April 11). I'm a body language expert. Here is what I noticed in Mark Zuckerberg's testimony. *Fortune*. fortune.com

¹³ Hill, C. (2017, January 20). Why you should pay attention when Mark Zuckerberg wears a suit. *Market Watch*. marketwatch.com

¹⁴ Swaab, R. I., & Swaab, D. F. (2009). Sex differences in the effects of visual contact and eye contact in negotiations. *Journal of Experimental Social Psychology*, 45(1), 129–136.

and instant-messaging and cell phones have usurped face-to-face communication as the most common means of communication: on average, Americans check their phone once every 12 minutes, and 1 in 10 people check their phone every 4 minutes. Americans spend about 26 minutes a day texting. That compares to spending about six minutes a day on voice calls. In addition, 75% of millennials would rather text someone than call them.¹⁵ When negotiators are *not* face-to-face, they reach more integrative agreements when they believe that the other party is physically far away (i.e., several thousand feet away) rather than nearby.¹⁶ Apparently, feeling far away creates a more big-picture construal in the mind of the negotiator.

A total of 95% of U.S. adults own a cell phone, of which 77% own a smartphone. Americans can't go more than 4 hours without checking their phone. And, 60% of people experience stress when their phone is off or out of reach; 4 in 10 Americans would rather lose their voice for a day than lose their phones for 24 hours.¹⁷ What are the implications of the dramatic increase in cell communication as opposed to face-to-face meetings, particularly with respect to the conduct of negotiations? Face-to-face communication involves the richest form of communication with several types of information available: visual, auditory, and tactile. In phone conversations, people lack facial cues, such as a mutual gaze, or another person's nonverbal response to what is being said (looking away, rolling their eyes, or shaking or nodding their head).

One study of negotiation using instant messaging examined language style matching and the quality of negotiated agreements. Negotiators who matched their language styles (e.g., pronouns and articles) were more socially engaged, but this came at a cost to the negotiation. Namely, they were less focused on the task and failed to reach agreement.¹⁸

In addition to our own behavior changing when we are on the phone as compared to face-to-face, we are affected by the phone conversations of others around us. In fact, it is nearly impossible to be in an environment where we are not surrounded by others conducting cell phone calls. As it turns out, people are more distracted when they overhear a one-sided cell phone conversation than an in-person chat between two people.¹⁹ Next, we identify key challenges to same time, different place negotiations.

LOSS OF INFORMAL COMMUNICATION Probably the most limiting aspect of same time, different place negotiations is the inability to converse informally. **Collisions** refer to the impromptu and casual conversations that people have in hallways outside of formal meetings, by a watercooler, or walking back from lunch. Many companies such as Zappos, are intent on increasing the number of collisionable hours among employees, because more collisions lead to greater productivity.²⁰ And, at the beginning of key meetings, senior leaders at Edmunds willfully relinquish all their communication devices—iPhones, iPads, and computers—to meeting organizers who insert the technology into sealed envelopes. The message? People are gathered in real time to have a real conversation, not to talk to people who are not there.

¹⁵ SWNS. (2017, November 8). Americans check their phones 80 times a day: Study. *New York Post*. nypost.com; Shropshire, C. (2015, March 26). Americans prefer texting to talking, report says. *Chicago Tribune*. chicagotribune.com

¹⁶ Henderson, M. D. (2011). Mere physical distance and integrative agreements: When more space improves negotiation outcomes. *Journal of Experimental Social Psychology*, 47(1), 7–15.

¹⁷ SWNS, “Americans check their phones 80 times a day.”

¹⁸ Ireland, M. E., & Henderson, M. D. (2014). Language style matching, engagement, and impasse in negotiations. *Negotiation and Conflict Management Research*, 7(1), 1–16.

¹⁹ Galvan, V., Vessal, R., & Gollet, M. (2013). The effects of cell phone conversations on the attention and memory of bystanders. *PLoS ONE*, 8(3): e58579.

²⁰ Waber, B., Magnolfi, J., & Lindsay, G. (2014, October) Workplaces that move people. *Harvard Business Review*. hbr.org

One study found that negotiators who multitask—read messages on a mobile phone while negotiating face-to-face achieved lower payoffs and were perceived as less professional and less trustworthy by the counterparty.²¹

LOST OPPORTUNITY Negotiations do not occur just when people are in disagreement and haggling over scarce resources. In fact, many negotiations are negotiations of opportunity—akin to entrepreneurial joint ventures. Because they are not planned, negotiations of opportunity usually occur during informal, chance encounters.

SEPARATION OF FEEDBACK Another negative impact of physical separation is the absence of feedback. Greater distance tends to block the corrective feedback loops provided in face-to-face negotiations. Conflicts are expressed, recognized, and addressed more quickly if negotiators work in close proximity. A manager can spot a problem and “nip it in the bud” if he or she works near his or her employees. When people are physically separated, the issues are more likely to go unresolved; this tendency contributes to an escalating cycle of destructive negotiation behavior. For example, one manager contrasted how employees who worked in his home office negotiated with him, compared to employees 15 kilometers away.²² Engineers in the home office would drop by and catch him in the hall or at lunch: “I heard you were planning to change project X,” they would say, “Let me tell you why that would be stupid.” The manager would listen to their points, clarify some details, and all would part ways better informed. In contrast, employees at the remote site would greet his weekly visit with formally prepared objections, which took much longer to discuss and were rarely resolved as completely as the more informal hallway discussions. In short, negotiators interacting remotely do not get the coincidental chances to detect and correct problems on a casual basis.

Distance does not have to be a liability for negotiators. The formality of a scheduled phone meeting may compel parties to better prepare for the negotiation. Distance also creates a “buffer zone” between parties, meaning it might be a good thing if one party does not see the other rolling their eyes or shaking their head disapprovingly. Moreover, people are more likely to assume that the behavior of task group members is driven by common goals for physically distant groups, rather than near groups.²³

INSTANT MESSAGING AND ENDING CONCESSIONS Ending concessions refer to capitulations made by counterparties to reach agreement and effectively end negotiation.²⁴ One investigation found that negotiators who use instant messaging as compared to those using audio (similar to cellphone) prompt the counterparty to make ending concessions, resulting in greater gain for the negotiator if they consider three key factors.²⁵ First, when using instant messaging,

²¹ Krishnan, A., Kurtzberg, T. R., & Naquin, C. E. (2014). The curse of the smartphone: Electronic multitasking in negotiations. *Negotiation Journal*, 30(2), 191–208.

²² Armstrong, D. J., & Cole, P. (1995). Managing distances and differences in geographically distributed work groups. In S. E. Jackson & M. N. Ruderman (Eds.), *Diversity in work teams: Research paradigms for a changing workplace* (pp. 187–215). Washington, DC: American Psychological Association.

²³ Henderson, M. D. (2009). Psychological distance and group judgments: The effect of physical distance on beliefs about common goals. *Personality and Social Psychology Bulletin*, 35(10), 1330–1341.

²⁴ Johnson, N. A., & Cooper, R. B. (2015). Understanding the influence of instant messaging on ending concessions during negotiations. *Journal of Management Information Systems*, 31(4), 311–342.

²⁵ Johnson & Cooper, “Understanding the influence.”

counterparties interpret concessions from negotiators as attempts to manipulate; second, when negotiators use anger to disagree with the counterparty, the counterparty responds by making ending concessions; third, using emotions other than anger does not lead to ending concessions.

Different Time, Same Place

In the different time, same place mode, negotiators interact asynchronously but have access to the same physical document or space. An example might be shift workers who pick up the task left for them by the previous shift; another example would be two collaborators working on a shared electronic document at different times.

Different Place, Different Time

In the different place, different time model, negotiators communicate asynchronously in different places. The most ubiquitous type of different place, different time communication is e-mail. The average office worker spends 884 hours a year, or 30% of their working hours, reading and writing e-mails. The total number of words in those e-mails amounts to 41,400, which is equivalent to a 166-page novel.²⁶ For this reason, some people believe that they are being held captive by e-mail. Consequently, some businesspeople have gone to great lengths to unplug, ranging from self-imposed digital detox programs to threats of divorce from their spouses. And many companies impose e-mail boundaries, such as only between 7 AM and 5 PM on weekdays.

Negotiating in a different time and place can be beneficial. For example, women consistently do better when they negotiate virtually. In one simulation, people negotiated the purchase of a car either face-to-face, online, by phone, or by video. Women were more assertive when they weren't haggling face-to-face. Why? Virtual negotiations with car dealers eliminated status markers and gender biases and reduced pressure on the woman to make a purchase decision or to demonstrate socially "gender appropriate" behavior when negotiating. Virtual settings upset established hierarchies, conferring more favorable outcomes to those with less power.²⁷

We identify four key biases that affect the ability of people to negotiate via e-mail. (See also Friedman and Currall's model of the four key problems with e-mail: diminished feedback, minimized social cues, excessively long e-mails, and anger.)²⁸

TEMPORAL SYNCHRONY BIAS The **temporal synchrony bias** is the tendency for negotiators to behave as if they are communicating synchronously when in fact they are not. One of the aspects of negotiation that people like is the ability to make proposals and counteroffers, almost in a tennis-game like fashion. Raiffa refers to this interaction as the "negotiation dance."²⁹ However, e-negotiations disrupt the natural rhythm of face-to-face negotiation. There is less turn-taking in negotiations conducted via e-mail than in face-to-face negotiations.³⁰

²⁶ Dube, D. (2017, April 21). This is how much time you spend on work emails every day, according to a Canadian survey. *Global News*. globalnews.ca

²⁷ Copeland, L. (2013, August 6). Buying a car online has advantages for women. *The Boston Globe*. bostonglobe.com

²⁸ Friedman, R., & Currall, S. (2003). Conflict escalation: Dispute exacerbating elements of e-mail communication. *Human Relations*, 56(11), 1325–1347.

²⁹ Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Belknap.

³⁰ Morris, M. W., Nadler, J., Kurtzberg, T., & Thompson, L. (2002). Schmooze or lose: Social friction and lubrication in e-mail negotiations. *Group Dynamics: Theory, Research, and Practice*, 6(1), 89–100.

Moreover, the volume of turn-taking or “dancing” within negotiations predicts schmoozing behavior (e.g., small talk) and facilitates trust and rapport.³¹

Conversational turn-taking makes the process of negotiation seem smoother and more natural, but it also serves an important informational function, by allowing people to correct misunderstandings immediately. In face-to-face interactions, senders and receivers typically engage in a process of rapid correction of information.³² However in e-negotiations, negotiators are faced with the mysterious task of interpreting impoverished communication without the opportunity for clarification. Thus, e-negotiators are forced to make more assumptions than face-to-face negotiators. Indeed, e-negotiators ask fewer clarifying questions than do face-to-face negotiators.³³

EXIT BIAS The **exit bias** refers to the perception that negotiation is unstable and should be terminated. In contrast, the **continuation norm** refers to the belief that negotiations are worth continuing.³⁴ Lack of visual information and increasing spatial distance reduces anticipation of retaliation and may prompt negotiators to exit from the current negotiation. Both visual anonymity and remote distance inhibit the activation of the continuation norm and lead negotiators to terminate the current negotiation.

FLAMING BIAS The flaming bias is the tendency for negotiators to adopt an adversarial negotiation style when communicating via e-mail—whereas the same negotiator might use a positive emotional style in a face-to-face interaction. Indeed, people are more likely to engage in counter-normative social behavior when interacting via e-mail.³⁵ Rude, impulsive behavior, such as “flaming,” increases when people interact through e-mail, in part because people pay more attention to the *content* of the message and less attention to the *style* of the message. For example, bad news is conveyed to superiors with less delay through e-mail than in face-to-face encounters.³⁶ In a direct comparison of face-to-face negotiations versus e-negotiations, people negotiating via e-mail were more likely to negatively confront one other.³⁷ One investigation of flaming suggests that people are eight times more likely to flame in electronic communication (e-communication) than in face-to-face communication.³⁸ Similarly, evaluators giving performance appraisals offer more negative feedback to peers when using e-mail than when using

³¹ Morris, Nadler, Kurtzberg, & Thompson, “Schmooze or lose.”

³² Higgins, E. T. (1999). “Saying is believing” effects: When sharing reality about something biases knowledge and evaluations. In L. Thompson, J. M. Levine, & D. M. Messick (Eds.), *Shared cognition in organizations: The management of knowledge*. Mahwah, NJ: Erlbaum; Krauss, R. M., & Chiu, C. (1998). Language and social behavior. In D. T. Gilbert, S. T. Fiske, & G. Lindzey (Eds.), *The handbook of social psychology* (4th ed., pp. 41–88). New York: McGraw-Hill.

³³ Morris, M. W., Nadler, J., Kurtzberg, T., & Thompson, L. (2002). Schmooze or lose: Social friction and lubrication in e-mail negotiations. *Group Dynamics: Theory, Research, and Practice*, 6(1), 89–100.

³⁴ Hatta, T., & Ken-ichi, O. (2008). Effects of visual cue and spatial distance on exitability in electronic negotiation. *Computers in Human Behavior*, 24(4), 1542–1551.

³⁵ Kiesler, S., & Sproull, L. (1992). Group decision making and communication technology. *Organizational Behavior and Human Decision Processes*, 52, 96–123.

³⁶ Sproull, L., & Kiesler, S. (1991). *Connections: New ways of working in the networked organization*. Cambridge: The MIT Press.

³⁷ Morris, Nadler, Kurtzberg, & Thompson. “Schmooze or lose.”

³⁸ Dubrovsky, V. J., Kiesler, S., & Sethna, B. N. (1991). The equalization phenomenon: Status effects in computer mediated and face-to-face decision-making groups. *Human-Computer Interaction*, 6(2), 119–146.

traditional paper-form methods.³⁹ Conversely, people in face-to-face negotiations often follow a **politeness ritual**, which builds trust and rapport.

In a study of disputes on SquareTrade, an online mediation service that deals with disputes that arise on eBay, the expression of anger by disputants decreases the likelihood that they will resolve their dispute. Moreover, anger expressed by one party generates an angry response from the other party.⁴⁰ Examinations of the text data from these eBay disputes among buyers and sellers revealed a higher likelihood of settlement when people provided a causal account of the dispute, but a lower likelihood of settlement when they expressed negative emotions or made commands.⁴¹

When social context cues are missing or weak, people feel distant from others and somewhat anonymous. They are less concerned about making a good impression, and humor tends to fall apart or be misinterpreted. The expression of negative emotion is no longer minimized because the factors that keep people from expressing negative emotion are not in place when they communicate via information technology. Simply put, in the absence of social norms that prescribe the expression of positive emotion, people are more likely to express negative emotion. One MBA student lost a job when he sent his supervisor an e-mail message that was perceived as insensitive. The student used e-mail to renegotiate his job responsibilities and proceeded to outline what he saw as problems within the organization and the people who were running it. Shortly thereafter he was called into a meeting with the senior staff, and everyone was holding a copy of his e-mail.⁴²

SINISTER ATTRIBUTION BIAS People often misattribute the behavior of others to their underlying character traits while ignoring the influence of temporary, situational factors.⁴³ The **sinister attribution bias** refers to the tendency for e-communicators to ascribe diabolical intentions to the other party.⁴⁴ The “sinister attribution error” is the tendency for people to attribute malevolent motives to people they don’t know or who represent the out-group.⁴⁵ Attributing sinister motives to out-group members is especially prevalent in e-communication in which the absence of social cues leads to feelings of social isolation and distance. Indeed, e-negotiators are more likely to suspect the other party of lying or deceiving them, relative to negotiators interacting face-to-face.⁴⁶

³⁹ Kurtzberg, T. R., Naquin, C. E., & Belkin, L. Y. (2005). Electronic performance appraisals: The effects of e-mail communication on peer ratings in actual and simulated environments. *Organizational Behavior and Human Decision Processes*, 98(2), 216–226.

⁴⁰ Friedman, R., Anderson, C., Brett, J., Olekalns, M., Goates, N., & Lisco, C. (2004). The positive and negative effects of anger on dispute resolution: Evidence from electronically mediated disputes. *Journal of Applied Psychology*, 89(2), 369–376.

⁴¹ Brett, J. M., Olekalns, M., Friedman, R., Goates, N., Anderson, C., & Lisco, C. C. (2007). Sticks and stones: Language, face, and online dispute resolution. *The Academy of Management Journal*, 50(1), 85–99.

⁴² Kiser, K. (1999, October 1). The new deal. *Training*, 36(10), 116–126.

⁴³ Ross, L. (1977). The intuitive psychologist and his shortcomings: Distortions in the attribution process. In L. Berkowitz (Ed.), *Advances in experimental social psychology: Vol. 10* (173–220). Orlando, FL: Academic Press.

⁴⁴ Thompson, L., & Nadler, J. (2002). Negotiating via information technology: Theory and application. *Journal of Social Issues*, 58(1), 109–124.

⁴⁵ Kramer, R. M. (1995). Dubious battle: Heightened accountability, dysphoric cognition, and self-defeating bargaining behavior. In R. Kramer & D. Messick (Eds.), *Negotiation as a social process* (95–120). Thousand Oaks, CA: Sage.

⁴⁶ Fortune, A., & Brodt, S. (2000). Face to face or virtually, for the second time around: The influence of task, past experience, and media on trust and deception in negotiation. In *The Academy of Management Annual Conference, Toronto, Canada*.

A key question concerns how information technology affects negotiation performance. Exhibit 12-3 summarizes the main findings concerning how information technology—and in particular, e-negotiations—affects economic measures of performance (i.e., integrative agreements, distributive outcomes) and social measures of performance (e.g., trust, respect).⁴⁷

EXHIBIT 12-3

Information Technology's Effect on Negotiation Performance

	E-negotiations vs. Face-to-Face	Enhanced e-negotiations (via schmoozing, in-group status, etc.) vs. Non-enhanced e-negotiations
Impasse rates (finding the ZOPA)		Brief personal disclosure over e-mail reduces likelihood of impasse. Out-group negotiations result in more impasses than in-group negotiations.
Integrative behavior (e.g., multi-issue offers)	E-negotiators make more multi-issue offers.	Brief telephone call prior to e-negotiations improves joint outcomes.
Pie size (expanding the pie)	Mixed results, with some investigations finding that face-to-face results in better joint profits; other studies indicating no difference.	
Distributive behaviors (e.g., threats, etc.)		Negotiators concerned about group's reputation use more aggressive strategies, leading to lower outcomes than negotiators focused on own reputation.
Pie-slicing (distributive outcomes)	Computer-mediated negotiations result in more equal pie-slices than do face-to-face.	
Trust and rapport	Less rapport in e-negotiations.	Brief telephone call prior to e-negotiation increases cooperation and relationship quality. Negotiators who attempt to build rapport build more trust than those who try to dominate.

Source: Table partially based on Thompson, L., & Nadler, J. (2002). Negotiating via information technology: Theory and application. *Journal of Social Issues*, 58(1), 109–124.

⁴⁷ McGinn, & Croson, "What do communication media mean for negotiations?"

Negotiators who communicate face-to-face are more likely to reach deals and avoid impasses than are e-negotiators. Further, the likelihood of reaching a mutually profitable negotiation (and avoiding impasse) is a function of the richness of the communication. For example, when negotiators are allowed to communicate in writing or face-to-face, they are more likely to settle in the ZOPA as compared to negotiators who do not interact and just make offers.⁴⁸ Considerable debate surrounds the question of whether information technology hurts or hinders the ability of negotiators to create value. When face-to-face negotiations were compared with computer-mediated negotiations, computer-mediated outcomes were equally or more integrative than were face-to-face outcomes.⁴⁹ Computer-mediated negotiations resulted in outcomes that were fairer, as judged in terms of being more equal in value.⁵⁰

INFORMATION TECHNOLOGY AND EFFECTS ON SOCIAL BEHAVIOR

In addition to affecting negotiated outcomes, information technology has an extremely powerful effect on social behavior in general.⁵¹ To be successful, negotiators must understand how their own behavior is affected by technology.

Trust

The effects of communication medium on trust are complex. Some studies find that relative to face-to-face negotiations, people who negotiate online trust each other less before beginning the negotiation, and trust each other even less after the online interaction.⁵² The low levels of trust negotiators have for one another before the negotiation suggest that negotiators bring different expectations to electronic bargaining than to face-to-face negotiations. Online negotiators report less desire for future relationships with the other party, less confidence in their performance, and less overall satisfaction. Another investigation of buyer-seller transactions found that most buyers *accept* offers made by computers, but that acceptance rates drop significantly when offers are made by human sellers who communicate directly with buyers.⁵³ The reason? When buyers communicate directly with sellers, the communication forces the buyer's attention on the seller's trustworthiness. The mere act of negotiation raises the question of motives and increases buyers' cynicism.

Deception

Whereas it would seem that people might be less likely to misrepresent themselves in situations in which there is a permanent record of behavior—such as on the Internet—deception in computer-mediated group negotiation and decision making is much higher than expected.

⁴⁸ McGinn, K. L., Thompson, L., & Bazerman, M. H. (2003). Dyadic processes of disclosure and reciprocity in bargaining with communication. *Journal of Behavioral Decision Making*, 16, 17–34.

⁴⁹ Croson, R. (1999). Look at me when you say that: An electronic negotiation simulation. *Simulation and Gaming*, 30(1), 23–37.

⁵⁰ Croson, "Look at me when you say that."

⁵¹ Kiesler, S., & Sproull, L. (1992). Group decision making and communication technology. *Organizational Behavior and Human Decision Processes*, 52, 96–123.

⁵² Naquin, C., & Paulson, G. (2003). Online bargaining and interpersonal trust. *Journal of Applied Psychology*, 88(1), 113–120; Naquin, C., Kurtzberg, T., & Belkin, L. (2010). The finer points of lying online: E-mail versus pen and paper. *Journal of Applied Psychology*, 95(2), 387–394.

⁵³ Ert, E., Creary, S., & Bazerman, M. H. (2010). Cynicism in negotiation: When communication increases buyers' skepticism. *Judgment and Decision Making*, 9(3), 191–198.

For example, people are more willing to lie when communicating via e-mail rather than by pen and paper and feel more justified in doing so.⁵⁴ According to **moral disengagement theory**, people are more likely to misrepresent and deceive others when they are not face-to-face, regardless of whether they believe their lie might be discovered. Not surprisingly, people who are more skilled at decision making are more successful—at not being discovered.⁵⁵

Status and Power: The “Weak Get Strong” Effect

Walk into any classroom, lunch discussion, or business meeting, and it will be immediately obvious that one person in a small group does most of the talking, and a handful of people do more than 75% of the talking in a larger group. For example, in a typical four-person group, two people do more than 62% of the talking; in a six-person group, three people do over 70% of the talking; and in a group of eight, three people do 70% of the talking.⁵⁶ Even when performance depends on contributions, participation is not equal.

Who dominates most face-to-face discussions and negotiations? Almost without exception, status predicts domination. Higher-status people talk more, even if they are not experts on the subject. Not surprisingly, managers speak more than subordinates, and men speak more than women. In the absence of legitimate status, gender, age, and race affect speaking. Situational factors also affect perceived status. The person who sits at the head of the table talks more than those on the sides, even if the seating arrangement is arbitrary.⁵⁷ Those in business suits talk more than others. Dynamic cues can define status, such as nodding in approval, touching (high-status people touch those of lower status but not vice versa), hesitating, and frowning. Leaders, such as presidents, are masters at nonverbal communication cues. Consider for example the nonverbal body language in the first Democratic debate of the 2016 election cycle. Of the five candidates, Clinton and Sanders received high marks for communicating who they would be as candidates through nonverbal communications. Clinton’s gestures were viewed as conveying strength and toughness through expansive body gestures, erect posture, and well-prepared responses. Viewers believed she conveyed warmth with smiles, head nods, and laughter. Sanders emphasized resolve through animated hand gestures such as finger pointing and turning his palms down. Viewers found his energy compelling, dismissing concerns about his vitality as a potential leader at age 74.⁵⁸ And, during President Trump’s Inaugural Address, his most recognized hand gesture of pinching the air between his thumb and index finger was said to portray his desire for precision and control.

What happens when negotiators interact via technology, such as e-mail? The traditional status cues are missing, and dynamic, charismatic people have less impact. Consequently, power and status differences are minimized. People in traditionally weak positions in face-to-face negotiations become more powerful when communicating via information technology because status cues are harder to read.⁵⁹ In a direct test of this idea, some managers negotiated via e-mail

⁵⁴ McGinn, K. L., Thompson, L., & Bazerman, M. H. (2003). Dyadic processes of disclosure and reciprocity in bargaining with communication. *Journal of Behavioral Decision Making*, 16, 17–34.

⁵⁵ Zhou, L., Sung, Y.-W., & Zhang, D. (2013). Deception performance in online group negotiation and decision making: The effects of deception experience and deception skill. *Group Decision and Negotiation*, 22(1), 153–172.

⁵⁶ Shaw, M. E. (1981). *Group dynamics: The psychology of small group behavior* (3rd ed.). New York: McGraw-Hill.

⁵⁷ Strodbeck, F. L., & Hook, L. H. (1961). The social dimensions of a 12-man jury table. *Sociometry*, 24(4), 397–415.

⁵⁸ Goman, C. K. (2015, October 14). The body language winner of the democratic debate. *Forbes*. forbes.com; Goman, C. K., (2017, January 20). President Trump body language during the Inaugural address. *Forbes*. forbes.com

⁵⁹ Sproull, L., & Kiesler, S. (1991). *Connections: New ways of working in the networked organization*. Cambridge: The MIT Press.

and some negotiated via instant messaging.⁶⁰ Instant messaging is more like face-to-face interaction because negotiators need to respond quickly and in real time. Therefore, we hypothesized that instant messaging would be an advantage when negotiators had a strong bargaining position but would backfire when negotiators had a weak bargaining position because they would be “exposed” and could not easily adapt. Indeed, sellers who had strong arguments for their product fared particularly well in instant messaging because they could verbally dominate the buyers. However, sellers who had weaker arguments were not able to counterargue when using instant messaging and did much better negotiating via traditional e-mail. The message: If you have a strong bargaining position, face-to-face interaction is ideal; if you have a weak bargaining position, impoverished media provide an important buffer.

People who would normally not approach others in person are much more likely to initiate an e-mail exchange. Because traditional status cues such as position and title are not as obvious in e-mail, it is often impossible to tell whether you are communicating with a president or a clerk through e-mail. E-mail addresses identify the organization, but not necessarily job title, social importance, or level in the organization of the sender. Dynamic status cues, such as dress, mannerisms, age, and gender, are also missing in e-mail. In this sense, e-mail acts as an equalizer because it is difficult for high-status people to dominate the discussion. The absence of these cues leads people to respond more openly and less hesitatingly than in face-to-face interaction. People are less likely to conform to social norms and other people when interacting via e-communication.

Overall, the amount of participation will be less in electronic versus face-to-face communication, but the contributions of members will be more equal.⁶¹ For example, when groups of executives meet face-to-face, men are five times more likely than women to make the first decision proposal. When those same groups meet via computer, women make the first proposal as often as men do.⁶² Furthermore, the time to complete a task is longer using e-mail than in a face-to-face interaction, probably because people talk much faster than they write.

Social Networks

In traditional face-to-face organizations, social networks are determined by who talks to who; in electronically-centered organizations, social networks are determined by who communicates with who via technology. People on the periphery who communicate electronically become more integrated into their organization.⁶³ Computerized interaction increases the resources of low network people.

The nature of social networks that shape negotiation behaviors changes dramatically when information technology enters the picture as a form of communication. E-mail networks, or connections between people who communicate via e-mail, increase the information resources of low-network people. When people need assistance (e.g., information or resources), they often rely on their immediate social network. When such help is not available, they use weak

⁶⁰ Loewenstein, J., Morris, M. W., Chakravarti, A., Thompson, L., & Kopelman, S. (2005). At a loss for words: Dominating the conversation and the outcome in negotiation as a function of intricate arguments and communication media. *Organizational Behavior and Human Decision Processes*, 98(1), 28–38.

⁶¹ McGrath, J. E., & Hollingshead, A. B. (1994). *Groups interacting with technology*. Thousand Oaks, CA: Sage.

⁶² McGuire, T., Kiesler, S., & Siegel, J. (1987). Group and computer-mediated discussion effects in risk decision-making. *Journal of Personality and Social Psychology*, 52(5), 917–930.

⁶³ Eveland, J. D., & Bikson, T. K. (1988). Work group structures and computer support: A field experiment. *Transactions on Office Information Systems*, 6(4), 354–379.

ties—such as relationships with acquaintances or strangers—to seek help that is unavailable from friends or colleagues. However, in the absence of personal relationships or the expectation of direct reciprocity, help from weak ties might not be forthcoming or could be of low quality.

Some companies, particularly global companies and those in the fields of information technology and communications, rely on e-mail and employees within the company to form connections with each other on the basis of no physical contact. The incentives for taking the time to assist someone who is dealing with a problem and is located in a different part of the world are quite miniscule. Another possibility is to catalog or store information in some easily accessible database. In a technical company, this database would include published reports and scientific manuals. However, engineers and managers do not like to consult technical reports to obtain needed information; most of the information they use to solve their problems is obtained through face-to-face discussions. People in organizations usually prefer to exchange help through strong collegial ties, which develop through physical proximity, similarity, and familiarity. According to LinkedIn, 85% of jobs are filled via networking, and 70-80% of jobs ultimately filled are never posted. Additionally, 56% of millennials are introduced to a new job through a casual networking conversation.⁶⁴

Risk Taking

Consider the following choices:

Option 1: \$20,000 return over two years

Option 2: 50% chance of \$40,000 return; 50% chance of nothing

Obviously, Option 1 is the “safe” (riskless) choice; Option 2 is the risky choice. However, these two options are mathematically identical, meaning people should not favor one option over the other. When posed with these choices, most people are risk averse, meaning they select the option that has the sure payoff as opposed to holding out for the chance to win big (or, equally as likely, not win at all). Consider what happens when the following choice is proposed:

Option 1: Sure loss of \$20,000 over two years

Option 2: 50% chance of losing \$40,000; 50% of losing nothing

Most managers are risk seeking and choose Option 2. Why? According to the **framing effect**, people are risk averse for gains and risk seeking for losses.⁶⁵ This tendency can lead to preference reversals. By manipulating a reference point, a person will exhibit inconsistent choice.

Groups tend to make riskier decisions than do individuals, given the same choice. Thus, risk seeking behavior is greatly exaggerated in groups who meet face-to-face. Paradoxically, groups who make decisions via e-communication are risk seeking for both gains and losses.⁶⁶ Furthermore, executives are just as confident of their decisions whether they are made through e-communication or face-to-face communication. For example, in comparison to people negotiating face-to-face, by e-mail, or through a combination of both, people who use only e-mail reach more impasses.⁶⁷

⁶⁴ Stahl, A. (2018, March 29). 3 tips to improve your networking skills. *Forbes*. forbes.com; Decembreele, B. (2017, July 12). Millennials' professional networking behaviors. *LinkedIn*. linkedin.com

⁶⁵ Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291.

⁶⁶ McGuire, T., Kiesler, S., & Siegel, J. (1987). Group and computer-mediated discussion effects in risk decision-making. *Journal of Personality and Social Psychology*, 52(5), 917–930.

⁶⁷ Shell, G. R. (1999). *Bargaining for advantage: Negotiation strategies for reasonable people*. New York: Viking.

Relationships and Rapport

Building trust and rapport is critical for negotiation success. The greater the face-to-face contact between negotiators and the greater the rapport, the more integrative the outcomes are likely to be. Rapport is more difficult to establish with impoverished mediums of communication. In one investigation, some negotiators were instructed to stand face-to-face or side-by-side (unable to see each other) in a simulated strike negotiation. Face-to-face negotiators were more likely to coordinate on a settlement early in the strike, resulting in higher joint gains.⁶⁸ Further, rapport was higher between face-to-face negotiators than between side-by-side negotiators. In a different investigation, comparisons were made between face-to-face, videoconference, and audio-only negotiation interactions.⁶⁹ Face-to-face negotiators felt a greater amount of rapport than did negotiators in the videoconference and audio-only conditions. Further, independent observers judged face-to-face negotiators to be more “in sync” with each other. Face-to-face negotiators trusted each other more and were more successful at coordinating their decisions.

A meta-analysis examined how visual channels, vocal channels and synchronicity influenced negotiation outcomes. The **Communication Orientation** model proposes that the impact of communication channels is influenced by negotiators’ cooperative orientation.⁷⁰ According to the model (see Exhibit 12-4), richer communication channels increase high-quality outcomes for negotiators with a neutral orientation, but do not affect outcomes for negotiators with a cooperative orientation, but hurt the outcomes for negotiators with noncooperative orientations.

EXHIBIT 12-4

Communication Orientation Model

RELATIONSHIP	TECHNOLOGY		
	Face-to-Face	Phone	Email
Noncooperative	Poor	Better	Best
Neutral	Best	Better	Poor
Cooperative	Doesn’t matter		

Source: Based on Swaab, R. I., Galinsky, A. D., Medvec, V., & Diermeier, D. (2012). The communication orientation model: Explaining the diverse effects of sight, sound, and synchronicity on negotiation and group decision making. *Personality and Social Psychology Review*, 16(1), 25–53.

⁶⁸ Drolet, A. L., & Morris, M. W. (2000). Rapport in conflict resolution: Accounting for how nonverbal exchange fosters cooperation on mutually beneficial settlements to mixed-motive conflicts. *Journal of Experimental Social Psychology*, 36, 26–50.

⁶⁹ Drolet & Morris, “Rapport in conflict resolution.”

⁷⁰ Swabb, R. I., Galinsky, A. D., Medvec, V., & Diermeier, D. A. (2012). The communication orientation model: Explaining the diverse effects of sight, sound, and synchronicity on negotiation and group decision making outcomes. *Personality and Social Psychology Review*, 16(1), 25–53.

Mentalizing

Mentalizing is the inference of other people's mental states (e.g., "I wonder why he said that?"; "What is she thinking?"). When people interact with computer technology, there is less activation of the brain regions associated with mentalizing. This suggests that people might think and behave differently depending upon whether they believe they are interacting with a human or computer.⁷¹ For example, in one investigation, people negotiated with virtual humans that were either perceived to be agents (i.e., controlled by computers) or avatars (i.e., controlled by humans⁷²). People cooperated more with virtual humans (avatars) that showed cooperative facial displays (e.g., joy after mutual cooperation) than competitive displays; however, the effect was even stronger with avatars than with agents. People showed less anger, formed more positive impressions, and conceded more to angry avatars than angry agents.⁷³

When we use information technology, we "talk" to other people, but we do so alone.⁷⁴ As a result, our messages are likely to display less social awareness. The advantage is that social posturing and sycophancy decline. The disadvantage is that politeness and concern for others also decline. Two characteristics of computer-based communication—the plain text and perceived ephemerality of messages—make it relatively easy for a person to forget or ignore his or her audience and consequently send messages that ignore social boundaries, disclose the self, and are too blunt.⁷⁵ As an example, do you believe the following exchange occurred in a meeting room or via the Internet?

- NEGOTIATOR A: If I do not get your answer by tomorrow, then I assume that you agree with my proposal.
- NEGOTIATOR B: From my perspective, I do not see any rationale or any incentive to transfer this revolutionary technology to your division.
- NEGOTIATOR A: I do not have to remind you that pushing the issue up the corporate ladder can prejudice both our careers.
- NEGOTIATOR B: Your offer is ridiculous.
- NEGOTIATOR A: It is my final offer.

Most people correctly note that this exchange occurred on the Internet. The phenomenon of flaming suggests that through electronic mail, actions, and decisions (not just messages) might become more extreme and impulsive.⁷⁶

Intergenerational Negotiation

During an interview at Avery Dennison's research and development unit, a Millennial job candidate took a call on his smartphone about 15 minutes into the meeting. The call, which lasted for about a minute and didn't appear to be an emergency, ruined his chances for negotiating

⁷¹ de Melo, C. M., Gratch, J., & Carnevale, P. J. (2014). Humans vs. computers: Impact of emotion expressions on people's decision making. *IEEE Transactions on Affective Computing*, 6(2), 127–136.

⁷² de Melo, Gratch, & Carnevale, "Humans vs. Computers."

⁷³ de Melo, Gratch, & Carnevale, "Humans vs. Computers."

⁷⁴ Sproull, L., & Kiesler, S. (1991). *Connections: New ways of working in the networked organization*. Cambridge: The MIT Press.

⁷⁵ Sproull & Kiesler, "Connections: New ways of working."

⁷⁶ Sproull & Kiesler, "Connections: New ways of working."

a job offer. The Baby Boomer generation interviewer said of the interviewee, “If he thought taking a call during a formal interview is appropriate, what other behavior does he think is okay?”⁷⁷

One of the most common negotiations occurs between people of different generations. Add in information technology (or the lack thereof) and negotiations between a 50- and 20-year-old can often go sour. Why? People of different generations ascribe to different norms of behavior, often unknowingly violating norms held by members of differing generations. Norms of behavior dictate proper dress, punctuality, greeting behavior, and even preferred modes of communication. Not surprisingly, companies are treating intergenerational communication like a foreign language, complete with training courses and preparation. For example, Scott Katz, Director of Talent Development at Turner Broadcasting, sits down with new hires and explains the expected team norms of behavior and dress, as well as specifying his likes, dislikes, and preferences for people joining his team. By being explicit about expectations, there is no guessing game or after-the-fact corrections.⁷⁸ However, managers who take the time to show a Millennial employee the ropes should be prepared for what might seem to be awkward questions. In a *Forbes* survey, managers provided examples of unexpected questions they received from Millennial-aged employees, such as “Do you drug test *often*?”, “Do I have to come to work every day?”, and “Can my parent call you about this benefits package?”⁷⁹

As a general principle, younger generations have grown up communicating with everyone—parents, siblings, teachers, authority figures—using information technology. For this reason, they prefer using information technology over face-to-face interaction. For example, to attract time-conscious millennial customers to Hyatt’s boutique Andaz hotels, the physical layout was completely redesigned: there is no “front desk,” rather, guests are greeted carside by iPad-equipped hotel staff who complete the check-in process, bypassing the typical time “wasted” with the face-to-face interaction at the traditional front desk.⁸⁰ In a similar fashion, Mindtree’s Bangalore office saw the need to revamp their architecture in an effort to ease communication tensions between different generations of employees. Mindtree’s Chief People Officer, Ravi Shankar, detailed the features of the new office space to include more face-to-face desk and office arrangements, thereby forcing employee visibility, less dependence on virtual communications for Millennials, and promoting opportunities to personally interact for all generations of employees.⁸¹

Consider five generations: Matures (also known as Traditionals), Boomers, Gen X, Gen Y, and Gen Z (see Exhibit 12-5). Most generations are known for key events—or flashbulb moments—that shaped their understanding of the world, how they deal with people, and their value systems. For example, Matures (born sometime before 1946) experienced World War I and World War II as defining moments. From an early age in life, Matures needed to make personal sacrifices and set self-interest aside. Consequently, their business and negotiation values reflect the importance of personal sacrifice, compromise, and persistence. In negotiation, they trust a person’s spoken word.

⁷⁷ Davidson, P. (2013, April 29). Managers to Millennials: Job interview no time to text. *USA Today*. usatoday.com

⁷⁸ Meister, J. (2013, June). The Boomer-Millennial workplace clash: Is it real? *Forbes*. forbes.com

⁷⁹ Meister, “The Boomer-Millennial workplace clash.”

⁸⁰ How to attract the Millennial hotel guest. (2013, December). *TripAdvisor*. tripadvisor.com

⁸¹ Narayanan, C. (2013, November). The way we will work. *Businessworld*. businessworld.in/news

EXHIBIT 12-5**Intergenerational Negotiation Norms and Beliefs**

	Matures (–1946)	Boomers (1946–1964)	Gen X (1965–1985)	Gen Y (1980–1997)	Gen Z (1998–)
Known as	Traditionalists	Me Generation	Latchkey Generation	First digitals; Echo boom	Millennials; iGeneration
Values	Personal sacrifice; persistence	Personal achievement; mastery	Immediate	Speed	Multitasking; working anywhere at anytime
Communication preferences	Face-to-face	Face-to-face Phone*	Face-to-face; e-negotiation	Texting	Texting
Trust	Spoken word	Handshake	Short-term	Social networks	Vast, but not deep
Negotiation beliefs	Personal sacrifice; compromise; persistence	Win–win; everything is negotiable	Transactional; immediate short term	Must be well- informed	Avoid direct confrontation

Source: Based on Thompson, L. (2013). *The truth about negotiations*. (2nd ed). Upper Saddle River, NJ: FT Press/Pearson Education.

Boomers, born between 1946 and 1964 (also known as the “Me Generation”), have traditionally focused on personal achievements and mastery of their professions and lives. Their flashbulb moments were of Neil Armstrong and Buzz Aldrin walking on the moon. Boomers deeply believe in win–win and consider a handshake to be the encapsulated demonstration of their intention and commitment. In their worldview, every goal is possible with enough work and commitment, and everything is negotiable.

Generation X, approximately born after 1965, observed their Boomer parents self-actualize by pursuing demanding educational and career goals. Meanwhile, Gen Xers got used to third parties providing them with their daily needs as children—day care, babysitters, and fast food. Raised during the early days of MTV, this generation saw the fall of the Berlin Wall and the onslaught of mass media. Their negotiation values are highly transactional and often involve looking at what is immediate—as opposed to the long term.

Generation Y (born between 1980 and 1997), also known as the “first digitals” or the “echo boom,” experienced the Persian Gulf War and the mass expansion of the Internet. They watched the first dot-com boom and bust, and saw young entrepreneurs bypass big corporate backers to become self-made millionaires overnight with their virally-spread products and ideas. Yet, they did not grow up with iPhones in hand and their days spent on the Internet. The hard work of the Boomers and their grandparents of the World War generation (Matures) was a great influence on this generation, but they quickly learned that diligent, long hours of labor or various college degrees didn’t seem to get them as far as networking or using the worldwide reach of the Internet to broadcast an idea. Generation Y negotiators value speed, use the Internet and apps to arrive to the negotiating table well-informed, and are very adaptable to constant change.

Generation Z, those born after 1997, also known as the Millennials, grew up watching the fall of the World Trade Center, the crash of the world financial markets, and the power of the flash-mob to create joy, fear, and change. They are not just comfortable using information technology; they often prefer it over face-to-face interaction; and because their personal time and work time often blur, they are a generation that prides itself on multitasking. Very conscious of the myopic focus of the boomers, and armed with tools for working anywhere at any time, this generation puts more value on leading a balanced life and having flexibility with their work and life demands. In negotiation contexts, they express their views with the compounded power of public posts, rather than directly addressing a single person. Many of them cannot address an envelope, but can easily jailbreak a smartphone. Their relationships with others are vast, but not deep; they spend more time communicating virtually than face-to-face. Their personal and work networks are key to their on-the-fly learning and problem solving skills. Often, you can learn more about a Gen Zers by viewing their online profiles and posted images than through a face-to-face interview.

ENHANCING TECHNOLOGY-MEDIATED NEGOTIATIONS

Often, negotiators do not have the luxury of face-to-face meetings for the duration of their negotiations. Under such circumstances, what strategies can be employed to enhance successful integrative and distributive negotiation? Consider the following tactics:

Initial Face-to-Face Experience

The effectiveness of virtual and face-to-face teams was compared as they worked on a brainstorming exercise and a negotiation exercise.⁸² Virtual teams worked better on the brainstorming exercise, but face-to-face teams did better on the negotiation exercise. Moreover, even though the face-to-face teams communicated better initially (during the early stages of a project), as virtual teams gained experience, they communicated as openly and shared information as effectively as face-to-face teams.⁸³ According to Lillich:

A manager who wants to put a working group together for a long, complex project should choose a team whose members are in the same location, or initially invest the resources to give the team members an opportunity to get to know each other. Then, as teams become more experienced and familiar with each other and the technology, they can exchange ideas more effectively using “lean” Internet media that lack the nonverbal communication, social cues, and nuances that exist in face-to-face interactions.⁸⁴

Oftentimes, people develop rapport on the basis of a short face-to-face meeting, which can reduce uncertainty and build trust. Face-to-face contact humanizes people and creates expectations for negotiators to use in their subsequent long-distance work together. For example, when the National Space Agency wanted to connect with potential contractors, they held a forum to speak face-to-face with companies such as Boeing, ATK Aerospace, and Northrop Grumman.

⁸² Alge, B. J., Wiethoff, C., & Klein, H. J. (2003). When does the medium matter? Knowledge-building experiences and opportunities in decision-making teams. *Organizational Behavior and Human Decision Processes*, 91, 26–37.

⁸³ Alge, Wiethoff, & Klein, “When does the medium matter?”

⁸⁴ Lillich, M. (2003, April 23). Researcher details management challenge: Getting real results from virtual teams. *Ascribe Higher Education News Service*. highbeam.com

Having an initial face-to-face meeting set the stage for future negotiations. “A lot of partnerships and deals are made at these sessions,” said the Director of Development.⁸⁵

One-Day Videoconference/Teleconference

If an initial, face-to-face meeting is out of the question, an alternative may be to get everyone online so that at least people can attach a name to a face. Depending upon the size of the team and locations of different members, this alternative may be more feasible than a face-to-face meeting. For example in one investigation, negotiators who had never met one another were instructed to have a short phone call prior to commencing e-mail-only negotiations.⁸⁶ The sole purpose of the phone call was to get to know the other person. Negotiators were expressly forbidden to discuss any aspect of the negotiation. The simple act of chatting and exchanging personal information built rapport and overcame some of the communication difficulties associated with the impoverished medium of e-mail. Another group did not have an initial phone call with the counterparty. Negotiators who engaged in the initial phone conversation found that their attitudes toward their opponents changed; negotiators who had chatted with their opponent felt less competitive and more cooperative before the negotiation began, compared with negotiators who had not chatted with their opponent. In the end, negotiators who had made personal contact with their opponent felt more confident that future interactions with the same person would go smoothly. Thus, trust was developed through the rapport-building phone call prior to the negotiation. Not surprisingly, negotiators who had an initial phone call were less likely to impasse and achieved higher joint gains compared to those who did not have the initial phone call. The simple act of making an effort to establish a personal relationship through telephone contact before engaging in e-mail negotiations can have dramatic positive consequences.

Schmoozing

Schmoozing is our name for non-task-related contact between people, which has a psychological effect of having established a relationship with someone.⁸⁷ The effectiveness of electronic schmoozing has been put to the test, and the results are dramatic: Schmoozing increases liking and rapport and results in more profitable business deals than when people simply “get down to business.”⁸⁸ Negotiators who schmoozed (on the phone) developed more realistic goals, resulting in a larger range of possible outcomes, and were less likely to impasse compared to non-schmoozers. The key mediating factor was rapport. Moreover, the negotiators who schmoozed on the phone prior to getting down to the business of e-negotiation expressed greater optimism about a future working relationship with the other party, compared to negotiators who did not schmooze.⁸⁹

⁸⁵ Dugan, K. (2013, August 26). NASA, contactors seeking potential business partners with mobile forum September 4th. *All Alabama*. al.com

⁸⁶ Morris, M. W., Nadler, J., Kurtzberg, T., & Thompson, L. (2002). Schmooze or lose: Social friction and lubrication in e-mail negotiations. *Group Dynamics: Theory, Research, and Practice*, 6(1), 89–100.

⁸⁷ Moore, D. A., Kurtzberg, T., Thompson, L., & Morris, M. W. (1999). Long and short routes to success in electronically mediated negotiations: Group affiliations and good vibrations. *Organizational Behavior and Human Decision Processes*, 77(1), 22–43; Morris, Nadler, Kurtzberg, & Thompson, “Schmooze or lose.”

⁸⁸ Moore, Kurtzberg, Thompson, & Morris, “Long and short routes to success.”

⁸⁹ Morris, Nadler, Kurtzberg, & Thompson, “Schmooze or lose.”

Another route to building trust and rapport is to build a shared social identity. For example, e-negotiations between managers at the same university (company) versus negotiations between competitor universities (other companies) reveal that membership in the same university (company) reduces the likelihood of impasse in e-negotiations.⁹⁰ In contrast, negotiators who do not share social ties with their counterpart consistently underperform on the key measures of negotiator performance.

Perhaps the most attractive aspects of schmoozing are its relatively low cost and its efficiency. Merely exchanging a few short e-mails describing yourself can lead to better business relations. However, people do not naturally schmooze on e-mail. Instead, team members working remotely have a tendency to get down to business. As a start toward schmoozing, tell the other person something about yourself that does not necessarily relate to the business at hand (e.g., “I really enjoy sea kayaking.”); also, provide a context for your own work space (e.g., “It is very late in the day, and there are 20 people at my door, so I do not have time to write a long message.”). Furthermore, ask questions that show you are interested in the other party as a person; this approach is an excellent way to search for points of similarity. Finally, provide the impetus for the next e-mail or exchange (e.g., “I will look forward to hearing your reactions on the preliminary report, and I will also send you the files you requested.”).

Proactive Medium Management

Medium management refers to taking thoughtful responsibility for the communication medium and its limitations. Proactive medium management refers to anticipating limitations of virtual technology; reactive medium management refers to responding to media glitches after they have occurred. An investigation of buyer–seller e-mail negotiations revealed that value-creating behaviors and communication increased joint gain; but reactive medium management decreased joint gain.⁹¹ Negotiators’ subjective feelings regarding the overall value of the negotiation were negatively impacted by reactive medium management. Other investigations reveal that negotiators who are provided with decision and communication support during e-negotiations, communicate more; however, negotiators without decision support actually reach more favorable joint outcomes than those with decision support.⁹²

Humor

The use of humor is particularly important in e-negotiations. The earlier negotiators use humor, the better. Beginning an e-mail negotiation with humor results in increased trust and satisfaction, as well as higher joint and individual gains for the party who initiates the humorous exchange.⁹³ Moreover, when the negotiations are purely distributive, negotiators who use humor in their first offers are more likely to have first offers in the bargaining zone and final settlements more equally distributed.

⁹⁰ Moore, Kurtzberg, Thompson, & Morris, “Long and short routes to success.”

⁹¹ Parlamis, J. D., & Geiger, I. (2014). Mind the medium: A qualitative analysis of email negotiation. *Group Decision and Negotiation*, 24(2), 359–381.

⁹² Schoop, M., van Amelsvoort, M., Gettinger, J., Koerner, M., Koeszegi, S. T., & van der Wijst, P. (2014). The interplay of communication and decisions in electronic negotiations: Communicative decisions or decisive communication? *Group Decision and Negotiation*, 23(2), 167–192.

⁹³ Kurtzberg, T. R., Naquin, C. E., & Belkin, L. Y. (2009). Humor as a relationship-building tool in online negotiations. *International Journal of Conflict Management*, 20(4), 377–397.

CHAPTER CAPSTONE

We used the place–time model of social interaction to examine how the medium of communication affects negotiation. We examined how the use of information technology affects social behavior. In particular, we focused on how non–face-to-face interaction results in more actual airtime than does the same group meeting face-to-face. Part of the reason is that cues about someone’s status and authority are not as evident when not face-to-face. We discussed social networks and how information technology effectively expands the potential reach and influence of managers. People are more likely to display risk-seeking behavior (i.e., choosing gambles over sure things) when interacting via information technology, as opposed to face-to-face. Probably the biggest threat to effective negotiation in non–face-to-face settings is the loss of rapport and the tendency for people to be less conscious of social norms, such as politeness rituals. We discussed several methods for enhancing technology-mediated negotiations, including an initial face-to-face experience (so that negotiators can establish social norms), a one-day videoconference, and schmoozing. Intergenerational negotiations are challenging because negotiators adhere to different norms of communication and behavior.

NEGOTIATING A JOB OFFER

I tell my students three important things to remember when they are negotiating a job offer: (1) There is a big difference between a job *interview* and negotiating a job *offer*. Never negotiate the terms of a job offer during an interview. We know of many situations where people have not received offers because they started talking about compensation during the job interview. (2) Moreover, there is a big difference between negotiating a *verbal* job offer and a *written* job offer. Don't start negotiating the terms of a job offer before it is in writing. We know of many situations where verbal offers were made to a candidate but never materialized into written offers, even though the offerer said, "It's just a formality . . ." (3) Finally, there is a big difference between *receiving* a written job offer and *accepting* a job offer. Don't sign immediately on the dotted line until you've had a chance to privately read the contract terms. We know of many situations where an excited job candidate is offered a job and is handed a contract and pen to sign immediately. This high-pressure technique does not allow the candidate to reflect on the offer and ask questions, much less negotiate the terms.

Negotiating a job offer should be thought of in three distinct stages: (1) receiving the written offer; (2) evaluating the offer (against other alternatives); and (3) accepting or rejecting that offer.

When negotiating a job, you need all the essential skills covered in Part I (Chapters 1, 2, 3, and 4). In addition, you should understand your own bargaining style (see Chapter 5). You should be well-versed in building trust and relationships (Chapter 7) and know the dynamics of power (Chapter 8) and how to craft creative solutions (Chapter 9). This appendix is designed to provide specific strategies for this all-important negotiation that will recur throughout your life. We organized this appendix into three phases: preparation, in vivo process, and post-offer.

PREPARATION

Salary negotiations are extremely important because they affect your livelihood and welfare for years to come. Think of it this way: assuming an average annual pay increase of 5%, an employee whose starting annual salary is \$55,000, rather than \$50,000, would earn an additional \$600,000+ over the course of a 40-year career.¹ The average starting salary for the

¹ Marks, M., & Harold, C. (2009). Who asks and who receives in salary negotiation. *Journal of Organizational Behavior*, 32(3), 371–394.

class of 2017 was \$49,785.² The people who choose to negotiate their starting salaries increase it by an average of \$5,000.³

Focus on Your Interests

This step sounds easy enough, but for a 28-year-old, it means an ability to project forward in time and to be concerned with things such as retirement and benefits, which can amount to 30–40% of total compensation. Weigh your pros and cons by making a list of deal breakers, optional items, and disposable ones (see also: Exhibits A1-1 and A1-2).

Think about each issue or concern that is important to you in the negotiation. Develop a positions-and-interests chart and attempt to be as analytical as possible, even about issues that seem qualitative, such as the value of location, being near friends and family, etc. Be ready to talk about your interests and needs, but spend equal time listening to the needs of the employer.

After you determine which issues are important from your perspective, revisit your list and attempt to create an even more detailed list, breaking down each of the issues into smaller and smaller

EXHIBIT A1-1

Checklist of Needs and Wants

Necessary Living Expenses

- Housing (including utilities)
- Auto and commuting
- Computer/cable/internet/phone
- Childcare
- Insurance (auto, home, life, professional)
- Personal (food, medical, clothing, household)
- Student loan debt
- Taxes (income, property, etc.)

Additional Living Expenses

- Recreation and entertainment (vacations, events, activities, books, etc.)
- Services (professional and household)
- Continuing education
- Children's expenses (lessons, schooling)
- Gifts, charity

Source: Cates, K. (2013). Tips for negotiating a job offer. Kellogg School of Management, Northwestern University, Evanston, IL. Used by permission of Karen Cates.

EXHIBIT A1-2

Compensation and Benefits

Compensation

- Salary
- Bonus
- Other variable pay
- Stock/equity interest

Retirement

- Pension/401K
- Guaranteed pay plans (supplemental unemployment)
- Savings plans

Paid Leave

- Vacation, sick, and personal days
- Training time
- Holidays and special travel considerations

Protection

- Insurance (life, disability, health, other)
- Care plans (child, elder)
- Wellness programs

Source: Cates, K. (2013). Tips for negotiating a job offer. Kellogg School of Management, Northwestern University, Evanston, IL. Used by permission of Karen Cates.

²Tuttle, B. (2017, May 12). New college grads could be looking at the highest starting salaries ever. *Money*. time.com/money

³Marks & Harold, "Who asks and who receives in salary negotiation."

subsets. Breaking up the issues into smaller subsets does two things. First, it allows the negotiator (you) to be much more specific about what is important (e.g., the paid aspect of a vacation or the number of days allowed off). Second, it provides greater opportunity for creative agreements.

Remember, it's not always about taking the highest-paying job. For example, when Shannon Miles (CEO of BELAY, a virtual assistant company) was returning to work in a sales position after maternity leave, she felt her current work schedule was not working for her new family. So she negotiated with her boss to work remotely and part time, for less pay. She coined this option “the third option” which concentrated more on remote working so she could care for and enjoy her new baby.⁴

Research the Company and the Industry

Research the company and the industry. Several websites offer salary surveys, job listings with specified pay levels, and even customized compensation analyses. If it is a government or state job, salary information is usually publicly available. When in doubt, contact people who hold similar jobs and ask them “what they think the market is,” but don't ask them what their salaries are, advises salary negotiation expert Victoria Pynchon of She Negotiates consultancy.⁵ Pynchon specializes in helping high-powered women who work in male-dominated fields where it is critical to know what men make to avoid unknowingly accepting a lowball offer. Doing your homework ensures you don't ask for something that has already been institutionalized. The taboo of discussing salaries is fading quickly. Millennials in particular, are turning the tables on salary secrecy. Because they are accustomed to posting nearly every aspect of their lives on social media, they have no hesitation about revealing what they make. However, before disclosing your salary, follow a few rules of thumb: don't bring it up to brag; don't betray a colleague's salary information; and prepare to be disappointed when you discover that your peers make more than you do.⁶

Determine Your BATNA and Your Reservation Point

Remember that you always have a BATNA. Even if you don't have more than one job offer, you still have a course of action. For example, you may choose to “extend” your job search indefinitely, travel abroad, do freelance or volunteer work, take a research assistantship at a university, or take a nonprofessional job while continuing your career search. All of these options are possible BATNAs; they should be unpacked, individually assessed and the best one focused upon and evaluated carefully. Only then can negotiators devise a thoughtful reservation price.

Our BATNAs are never as attractive as we would like them to be. The rare times when we have two or more fabulous job offers in hand, two bids on our house, and lucrative investment opportunities, we can afford to push for a lot more in negotiations. Obviously, you are in a much better position to successfully negotiate an attractive compensation package if your BATNA is strong. As we stated in Chapter 2, your BATNA is dynamic and it is important to not be passive about it.

It is important to think about how to improve your BATNA. Most negotiators do not spend adequate time attempting to improve their current situation. As a result, they approach negotiations feeling more desperate than they should.

Research the Employer's BATNA

Developing your BATNA is only half the work that needs to be done before the negotiation. The next step is to determine the other party's BATNA, which requires tapping into multiple

⁴ Wilding, M. (2018, May 2). This CEO is pioneering a new approach to work flexibility and supporting mental health. *Forbes*. forbes.com

⁵ Suddath, C. (2012, November 26). The art of haggling. *Businessweek*, 4306, p. 98.

⁶ Weber, L., & Emma, R. (2013, April 16). Workers share their salary secrets. *Wall Street Journal*. wsjournal.com

sources of information. In many cases, employers have several people applying for the same job, particularly entry-level jobs. Even if they don't have other suitable job candidates, their BATNA may be to hire an outside contractor, consultant, or delay hiring.

Probably no other information is perceived to be more valuable in preparing for a job negotiation than what similar employers are offering or what current employees are receiving. It is important to keep in mind that such comparables or benchmarks can affect the perceived attractiveness of the job offer in question, but the negotiator may be unaware of this. For example, people are more likely to accept a lower-paying job that pays other employees the same amount than a higher-paying job that pays other employees even more. People do not want to be "underpaid" and would even give up more absolute money if this meant they are treated like others.⁷ Concerns for social comparisons (comps) are more important when people evaluate a single option than when they evaluate two options. Moreover, discrepancies in pay (i.e., social comparison concerns) may take priority over absolute salary amounts in situations in which choosing a job that is favorable via social comparison but unfavorable in terms of actual salary can be "justified," as in the case when an inferior (i.e., dominated) alternative is present.⁸ An analysis of how MBA students react to job offers revealed that signing bonuses did not affect acceptance rates; rather, job candidates strongly consider how responsive companies are to their questions and whether recruiters are cordial (rather than derogatory).⁹

Determine Your Target Point and Plan Your Opening Offer

Remember that your target point is usually your opening offer (or your response to the counterparty's opening offer). Stated bluntly: your target point is as good an offer as you could hope to get. The key is to make an aggressive enough offer so that you will not regret it in the event that it is accepted by the other party, but not so aggressive as to insult the counterparty, with whom you will (hopefully) have a long-term relationship.

Prepare Several Scenarios

You have made your best assessment of the employer's BATNA. The negotiation is fast approaching. Now what? Most likely, the negotiations will *not* go as planned. Rather than being caught off guard, prepare your response to several different scenarios including the following:

- The employer agrees immediately to your counteroffer.
- The employer makes a low-ball offer (in your eyes) and flatly states, "This is our final offer."
- The employer makes one small concession.
- The employer asks you to make a "reasonable" offer.

⁷ Bazerman, M. H., Loewenstein, G., & White, S. (1992). Reversals of preference in allocating decisions: Judging an alternative versus choosing among alternatives. *Administrative Science Quarterly*, 37(2), 220–240; Bazerman, M. H., Schroth, H. A., Shah, P. P., Diekmann, K. A., & Tenbrunsel, A. E. (1994). The inconsistent role of comparison others and procedural justice to hypothetical job descriptions: Implications for job acceptance decisions. *Organizational Behavior and Human Decision Processes*, 60(3), 326–352; Blount, S., & Bazerman, M. H. (1996). The inconsistent evaluation of comparative payoffs in labor supply and bargaining. *Journal of Economic Behavior and Organizations*, 891, 1–14.

⁸ Tenbrunsel, A., & Diekmann, K. (2002). Job-decision inconsistencies involving social comparison information: The role of dominating alternatives. *Journal of Applied Psychology*, 87(6), 1149–1158.

⁹ Porter, C., Conlon, D., & Barber, A. (2004). The dynamics of salary negotiations: Effects on applicants' justice perceptions and recruitment decisions. *International Journal of Conflict Management*, 15(3), 273–303.

Consider Getting a “Coach”

Job coaches can help people advance their careers and achieve their compensation goals. They are people who help managers plan their future. A recent study done by Capital One found that one in five female millennials have not identified a career path. Additionally, 66% of female millennials do not feel like they have as much control in shaping their future career, and even more astounding is that 80% of female millennials took a job that didn’t even match their career goals or values. This is where a career coach can help navigate and identify your real needs and wants in a job. “Coaching is worth it, not only to gain confidence in your application and how you present your experiences in interviews, but also to be able to talk with someone who knows the larger job market. And, you’ll come away with much more than a sharpened resume and cleaned up LinkedIn profile.”¹⁰ CEOs have always taken coaching seriously, at least when it comes to negotiating their compensation packages. For example, lawyer Joseph Bachelder has negotiated contracts for top corporate executives for more than 35 years, pioneering the idea of CEO contract negotiation.

Rehearse and Practice

It is important to plan for negotiation. According to global online compensation company PayScale, negotiating for a raise requires a three-part action plan of proving worth, building PR and practice. Practice asking for a raise by pretending that a friend or a loved one is the boss. It might even be helpful to state your case to a mirror!¹¹ *New York Times* bestselling author Ramit Sethi says of practicing before a negotiation, “Don’t shoot your first basket in the NBA. After all, if you don’t practice, you’ll be going into negotiations cold with a hiring manager whose job it is to negotiate all day.” If you feel awkward about negotiating, Sethi suggests “[Going] to your local farmer’s market and haggle for small items, or try negotiating on Craigslist. Every little bit helps.”¹²

IN VIVO: DURING THE NEGOTIATION

You have done your preparation. Now it is time for the actual negotiation. First, turn your cell-phone off and put it away. If it rings, you have done yourself in. And if it is sitting in clear view, this will lead to a less trusting and collaborative experience for all parties involved.¹³ Second, don’t ramble on. Plan short, concise answers to common questions beforehand.

Think about the Best Way to Position and Present Your Opening Offer

Assuming you are prepared and the organization is as well, you are in a symmetric situation and according to the *Anchoring Information Model*, you should make the first offer. However, don’t feel compelled to deliver your opening offer in the first seconds of the interaction. Late opening offers are more beneficial for the offer-maker than are early opening offers.

¹⁰ Lusinski, N. (2018, April). 15 signs you need a career coach, according to experts. *Bustle*. bustle.com; How one coaching session helped me land a senior-level position I love. (2018, April). *The Muse*. themuse.com

¹¹ Rosner, B., & Campbell, S. (2011). Recession proof your career. *Pay Scale*. payscale.com

¹² Sethi, R. (2018, April 25). Salary negotiation: How to negotiate better than 99% of people. I will teach you to be rich. iwillteachyoutoberich.com/blog/salary-negotiation/#1

¹³ Przybylski, A., & Weinstein, N. (2013). Can you connect with me now? How the presence of mobile communication technology influences face to face conversation quality. *Journal of Social and Personal relationships*, 30(3), 237–246.

Avoid ranges, unless they are “bolstering ranges.”¹⁴ Avoid round numbers. Negotiators who require a more precise salary such as \$63,500, might receive a counteroffer of \$62,000, while an applicant who requests \$65,000 is more likely to receive a counteroffer of just \$60,000.¹⁵ Remember to supplement your offer with a compelling rationale. Use objective standards. Focus and select those standards that are favorable to you and be prepared to indicate why standards unfavorable to you are inappropriate.

Assume Their Offer Is Negotiable

Do not ask, “Can I negotiate the offer you have made?” Always assume the offer is negotiable and articulate your needs and interests. Consider the following conversation starters: “I have some questions about the insurance coverage that I would like to talk about,” or “I have some concerns about the moving allowance, and I need to talk to you about it.”¹⁶ A survey conducted by salary.com found that 84% of employers expect job applicants to negotiate their salary during the interviewing stage. For example, when Sara McCord finally received an offer after searching for a full time job in her field, she said yes right away. Then, after working at the company for a while, she had a conversation with a peer who stated that she was so happy to be working at a company that paid her well. When she told Sara her salary, Sara knew she has made a mistake by not negotiating her salary because her coworker—who was hired just before her—was making \$10,000 more than her for the same job.¹⁷

However, many job applicants do not push employers at the negotiating table, particularly women. In one investigation, 57% of male MBAs took the liberty of negotiating their salary for their first job, compared to only 7% of (equally qualified) females; the men ended up making \$4,000 more per year on average.¹⁸ The failure to negotiate a first offer from an employer can cost workers a lot of money. Negotiate on behalf of your spouse and children, or *future* spouse and children. If you don’t negotiate your first job offer and someone else gets your position for 7% higher, that lost 7% translates into hundreds of thousands of dollars in the future.¹⁹ The effect is even more dramatic for an MBA student negotiating a \$90,000 job offer. What’s more, if you do not negotiate what you want in that brief window between the receipt of a job offer and your acceptance of it, you may never get it. Your power is greatest when you are responding to “their offer” because it is the one time the employer may want you more than you want them.²⁰ (For a list of things to ask for in your negotiation, see Exhibit A1-3.)

¹⁴ Ames, D. R. & Mason, M. F. (2015). Tandem anchoring: Informational and politeness effects of range offers in social exchange. *Journal of Personality and Social Psychology*, 108(2) 254–274; Mason, M. F., Lee, A. J., Wiley, E. A., & Ames, D. R. (2013). Precise offers are potent anchors: Conciliatory counteroffers and attributions of knowledge in negotiations. *Journal of Experimental Social Psychology*, 49(4), 759–763.

¹⁵ Mason, Lee, Wiley, & Ames, “Precise offers are potent anchors.”

¹⁶ Cates, K. (2013). Tips for negotiating a job offer. Kellogg School of Management, Northwestern University, Evanston, IL; Grasz, J. (2010, November 10). Nearly one-third of employers willing to negotiate salary increases for current employees for 2011. *Career Builder*. careerbuilder.com

¹⁷ McCord, S. (2018, April). What you should learn from my \$10,000 career mistake. *The Muse*. themuse.com; Salary negotiation: Separating fact from fiction. (2018, April). *Salary.com*. salary.com

¹⁸ Suddath, “The art of haggling.”

¹⁹ Williams, G. (2013, July 2). Are women lousy salary negotiators? *U.S. News & World Report*. money.usnews.com

²⁰ Clark, K. (1999, November 1). Gimme, gimme, gimme: Job seekers don’t realize they can ask for more—lots more. *U.S. News & World Report*, pp. 88–92.

EXHIBIT A1-3**Things to Ask for When Negotiating an Offer**

Some things to considering asking for when negotiating an offer (other than a higher salary, which is always worth asking for):

- Extra vacation days
- Flexible scheduling
- Telecommuting
- Delaying your start date to have time off between jobs
- Personal days and parental leaves
- Gas reimbursement
- Public transportation reimbursement
- Increased family benefits
- Supplemental insurance coverage
- Increased job training
- Gym memberships
- Food delivery
- Concierge services
- Dry cleaning services
- Education grants
- Tuition reimbursement
- Childcare; eldercare assistance
- Adoption assistance
- An earlier salary review
- Better or different equipment or software
- An expense allowance
- Share options in company stock
- Professional development courses

Source: Graves, J.A. (2013, July 9). 6 crucial benefits to negotiate besides salary. *U.S. News & World Report*. money.usnews.com; Brandon, E. (2006, June 14). Negotiating for job perks; ask and you might receive. *U.S. News & World Report*. usnews.com; Liveten, S. (2006, October 6). The power of the perk. *Forbes*. forbes.com

Put the Focus on How You Can Solve Their Problems versus Making Demands

Companies don't hire out of charity; they want to know why you are the right person for the job. Salary negotiations are really about candidates helping recruiters to solve their problems. So, focus the conversation on how you can help the company succeed in their goals. The discussion should not be so much about what you *want*, but about what you can *provide*. Pynchon coaches her clients to say something like, "I walk on water, and I can walk on water at your company too."²¹ Aiming too high may eliminate you from consideration, so think carefully about your target point.

²¹ Suddath, "The art of haggling."

Don't Reveal Your BATNA or Your Reservation Point

Negotiators have a million ways of asking people about their BATNAs. Asking a potential job recruit about his or her current salary and wage package is one of them. Remember that this information is your business, not the recruiter's. If you are currently employed, redirect the discussion by indicating what it is going to take to move you (e.g., a more exciting job and a wage package commensurate with the job). If you are not employed, explain what it will take to hire you. Ward off direct attacks about your previous salary by explaining that your acceptance of a position depends on the nature of the job offer and wage package. We coached one candidate who was bombarded with blunt questions about his reservation point to say, "I can see why you might want to know that information, but you can probably see why it is not in my best interest to reveal that. I would like to discuss the terms . . ."

You should be prepared to take the initiative in the conversation. Practice by role-playing. If the employer attempts to get you to talk about why you are leaving a former job, avoid falling into the trap of trashing a former employer—even if you did have a miserable experience. It is a small world, and a relationship you do not immediately see may be involved. Even more important, the employer will probably get the wrong impression about you (e.g., regard you as a troublemaker or overly critical).

If you have not yet been offered the job, but sense that the employer wants to find out what you desire in a job offer, avoid talking about salary or specific terms until you have an offer. You are in a much weaker position to negotiate before you have a job offer than after you are offered a position. If you have been told that "things will work out," or "A job offer is coming," express appreciation and inquire when you will receive formal notice. After that, schedule a meeting to talk about the terms. While you are negotiating, you should assume that everything is negotiable.

If you are told that some aspect of the job is "not negotiable," ask questions, such as whether everyone (new hires and veterans) receives the same treatment.

Imagine Negotiating on Behalf of Someone Else (Not Just Yourself)

Many people are reluctant to negotiate their job offer because they feel greedy or have a hard time being assertive. However, these same people are quite effective when negotiating for a company or for someone else. One solution is to approach a job negotiation as if you were negotiating on behalf of an important company: your own family. If we think about the direct effect our salary will have on our ability to provide for our children, our spouse, and our parents, we can be much more effective. Even the unmarried student without children is well advised to think about the family he or she may have in the not-so-distant future, and negotiate on behalf of those people.

POST-OFFER: YOU HAVE THE OFFER, NOW WHAT?

Think before Posting Anything on Social Media

First and foremost, don't post anything negative about your experience on social media. Documented cases of employers discovering candidates' postings following interviews that ultimately led to job offers being retracted have occurred. A recent study by the Society For Human Resource Management found that 84% of employers use social media to recruit new employees, and 43% of employers screen job candidates through social networks and search engines. Additionally 36% of companies have disqualified job candidates after doing an online search or viewing

an applicant's social media.²² A reporter hired fresh out of journalism school landed a job with Delaware's largest newspaper, until the company discovered a post on his personal Tumblr blog trumpeting the hire with quotes from the offer letter and use of the company logo. Upon discovery, the newspaper called to rescind the offer due to what they said was an illegal use of the company logo, as well as disclosing private information contained in the letter.²³ Plano, Texas attorney Jason Van Dyke was ready to begin a new job as an assistant district attorney in Victoria County, but then received a notice that the District Attorney's office had rescinded its job offer. Mr. Van Dyke speculates the reversal could be related to media coverage of a Twitter exchange he had regarding a case that he had been involved with three years prior.²⁴

Do Not Immediately Agree to the Offer

Do not start negotiating until you have a firm job offer and a salary figure from the employer. Do not prolong negotiations however, this approach only frustrates the employer. Instead, give the employer positive reinforcement. Job negotiation coach Karen Cates suggests saying something like "This looks great. I need to go over everything one last time before we make this official. I will call you at [a specific time]."²⁵

Get the Offer in Writing

If the employer says it is not standard to make written offers, be sure to consult with others who would know this (e.g., the company's human resources division). At the very least, inform them you will write down your understanding of the terms and put it in a letter or memo to them. Keep notes for yourself regarding the points agreed to during each meeting.

Be Enthusiastic and Gracious

Someone has just made you an offer. Thank them and show your appreciation but do not accept immediately. Say, instead, "Let me go home and think about it." Make an appointment to return the following day and state your negotiating position in person.

Assess the Interviewer's Power to Negotiate with You

Before you begin negotiating or contemplating a counteroffer, determine who in the company has the ability to negotiate. Generally, those persons higher up in the organization are the ones who negotiate and the ones who care most about hiring good people. You should be well versed about the advantages and disadvantages of negotiating with an intermediary, such as a human resources manager (see Chapter 10 on multiple parties). If you sense that things are not going well in the negotiation, try to bring someone else into the loop. However, make this move in a gracious way, so as not to antagonize the person with whom you are dealing.

Do Not Negotiate if You Are Not or Could Not Be Interested

Suppose that you are the lucky person sitting on four job offers, all from consulting firms (A, B, C, and D). You have done enough research, cost-benefit analysis, and soul searching to determine that in your mind, Firms A and B are superior in all ways to Firms C and D. The question

²² Thottam, I. (2018, April 26). These social media mistakes can actually disqualify you from a job. *Monster*. monster.com

²³ Stillman, J. (2012, April 17). Would you fire someone for blogging about your job offer? *Inc.* inc.com

²⁴ Reddick, R., (2017, April 27). Bad judgment on social media may lead to job offer withdrawals. *Androvett Legal Media and Marketing*. androvett.com

²⁵ Cates, "Tips for negotiating a job offer."

is: should you remove yourself from consideration at Firms C and D, or continue to show interest to potentially improve your power position when negotiating with Firms A and B? Bottom line: don't falsely show interest if you have no intention of accepting an offer. Instead, politely inform Firms C and D that you will not be accepting their offers at this time. You still have a wonderful BATNA, and it saves everyone a lot of time.

Exploding Offers

Exploding offers are offers that have a “time bomb” element to them (e.g., “The offer is only good for 24 hours.”). The question is, how do you respond to them? In our experience, companies usually do not rescind exploding offers once they have made them (unless as a matter of courtesy, it is for family, medical, or emergency reasons). Generally, we advise that job candidates who receive an exploding offer above their BATNA to seriously consider the offer. It certainly cannot hurt to inform other companies that you have an exploding offer and move up the time of the interview if at all possible.

Do Not Try to Create a Bidding War

Bidding wars occur regularly on Wall Street, in professional athletics, and in the business world. We do not advise however, that job candidates attempt to create bidding wars between their job offers. Rather, we advise job candidates to signal to potential employers that they have attractive BATNAs, that they do not want to start a bidding war, and that they tell their first-choice company what it would take to get them to work at the company. A Hong Kong-based recruiter notes that while working with bankers, some would lie about their salaries to create bidding wars among potential employers. In one instance, a Singapore candidate told a potential employer he made 50K more than he actually did, with the belief that they would offer him more money. It backfired, and the company said they were no longer interested in the candidate. The managing director of the recruitment firm states, “It really destroyed his credibility and he didn't get the job.”²⁶

Know When to Stop Pushing

It is important to know when to stop negotiating. Many employers only tolerate three or possibly four rounds of negotiations.²⁷ Negotiators should stop when they see one or more of the following signals²⁸:

- the other party is not responsive
- reciprocal concessions are becoming miniscule
- after some back-and-forth, the employer says, “Enough!”

Use a Rational Strategy for Choosing among Job Offers

If you find yourself in the lucky position of having multiple offers, you are then faced with a choice. First, you should recognize this enviable position as an approach–approach conflict. How should you weigh the choices? The simplest way is to use Multi-Attribute Utility Theory (MAUT) by constructing a spreadsheet listing the choices along a row (e.g., Company A, Company B),

²⁶ Morlock, S. (2017, October 11). Bankers in Asia start lying about salaries as tough job market bites. *E Financial Careers*. efinancialcareers.com

²⁷ Suddath, “The art of haggling.”

²⁸ Cates, “Tips for negotiating a job offer.”

and the relevant attributes along a column underneath (e.g., salary, signing bonus, travel, vacation, commissions). Then, fill in the cells with the details of the offer and how they “stack up” compared to the others (on a scale of 1–5 or 1–10 in your mind). Next, you can simply add the columns to find a “winner.” A more sophisticated version of this strategy is to multiply each cell value by its importance before adding columns (with importance defined on a scale of 1–5). For example, salary may be highly important (maybe a 5), whereas moving expenses are less important (maybe a 1 or 2). This distinction gives a more fine-grained assessment.

State Exactly What Needs to Be Done for You to Agree

Once you have determined which job offer is the most attractive to you, a powerful negotiating strategy is to let that employer know exactly what it will take for you to agree. This technique is effective because the employer can put aside any fears about the negotiation dragging on indefinitely. When you make your demands though, provide logic and a clear rationale. Requesting something viewed as outrageous may lose you the job. One man applied for an entry-level job in a company that paid an admittedly low salary for the industry. The salary was made clear to the job applicant in advance. The candidate went through several rounds of interviews and ultimately demanded double over what the employer was willing to pay. He was intransigent about his demands. Ultimately, he was not offered the position.²⁹

²⁹ DeZube, D. (2010, November 19). Salary negotiation: Always ask for more, or take the offer? *The New York Times*. nytimes.com

THIRD-PARTY INTERVENTION

Sometimes despite the best of intentions, the bargaining process breaks down, and negotiators are unable to reach an agreement on their own. When the bargaining process breaks down at the international level, war can result. Between December 1918 and September 2015, 476 international crises have occurred.¹ When impasse occurs at the individual level, negotiators may pursue legal action. Sometimes negotiators try third-party intervention in an effort to avoid court action. Third-party intervention can be an excellent means of reaching settlement when the costs of disagreement are high. For example, a 12-year investigation of mediation in the Sport Dispute Resolution Center of Canada (SDRCC) among multiple parties with intensely competitive personalities negotiating a volatile mix of high-stakes issues revealed that mediation produced a 46% success rate overall and 94% success rate for voluntary mediation.²

A key challenge of third-party intervention is disputants' awareness of third-party dispute resolution. In the United States, courts are overburdened with litigants seeking justice and in many of these cases, alternative dispute resolution procedures, such as mediation and arbitration could provide disputants with a timely and satisfying outcome. However, many disputants are not aware of the existence of third-party dispute resolution. For example, in one study, litigants from three state courts were asked whether their court offered mediation or arbitration, but less than one-third of litigants were aware of these options.³

THIRD-PARTY DISPUTE RESOLUTION

There are several types of third-party dispute resolution, the most common being mediation and arbitration.

Mediation

Mediation is a procedure whereby a third party assists disputants in achieving a voluntary settlement (i.e., the mediator cannot impose a settlement on the disputants). The mediator can offer suggestions and help coach disputants, but ultimately, the decision to reach settlement or impasse is in the hands of the disputants. Mediation offers the possibility

¹ International Crisis Behavior Project. (2018, May 8). *ICB*. sites.duke.edu/icbdata/

² Godin, P. D. (2017). Sport mediation: Mediating high-performance sports disputes. *Negotiation Journal*, 33(1), 25–51.

³ Shestowsky, D. (2017). When ignorance is not bliss: An empirical study of litigants' awareness of court-sponsored alternative dispute resolution programs. *Harvard Negotiation Law Review*, 22, 189–239.

of discovering underlying issues and promoting integrative agreements.⁴ Mediation produces a high settlement rate (typically 60–80%), though settlement is not guaranteed.⁵ Mediation serves an important face-saving function: Each party can make concessions without appearing weak.⁶ Disputants often see mediation procedures as fair.⁷

MULTIPARTY MEDIATION Multiparty mediation occurs when two or more third-parties cooperate or compete in helping disputants negotiate a conflict settlement.⁸ *Cooperating* multiple third parties increase the likelihood of reaching agreement (avoiding impasse) by banding together to exert pressure on the disputants and provide outside resources to implement settlement. Conversely, *competing* multiple third parties can undercut each other by prolonging conflict and allowing disputants to resist making concessions.

E-MEDIATION E-mediation is a form of smart, online dispute resolution via an advanced computational intelligence framework. The key advantages are the ability to retrieve relevant court decisions to improve awareness by parties of their liability.⁹

Arbitration

Arbitration is considered to be a legal dispute resolution procedure whereby a third party holds a hearing, at which time disputants state their position on the issues, call witnesses, and offer supporting evidence for their respective positions.¹⁰ After the hearing, the arbitrator issues a binding settlement. Thus, the biggest difference between mediation and arbitration is that arbitration imposes a settlement. In this sense, the greatest advantage of arbitration is that it always produces a settlement. Moreover, the mere threat of arbitration often motivates parties to settle voluntarily.¹¹ Like mediation, arbitration allows disputants to “save face” with their constituents because they can always blame the arbitrator if the imposed settlement is unsatisfactory.¹²

⁴ McEwen, C. A., & Maiman, R. J. (1984). Mediation in small claims court: Achieving compliance through consent. *Law and Society Review*, 18, 11–49.

⁵ Hoh, R. (1984). The effectiveness of mediation in public-sector arbitration systems: The Iowa experience. *Arbitration Journal*, 39(2), 30–40; Kocha, T. A. (1979). Dynamics of dispute resolution in the public sector. In B. Aaron, J. R. Grodin, & J. L. Stern (Eds.), *Public-sector bargaining* (pp. 150–190). Washington, DC: BNA Books; Kressel, K., & Pruitt, D. G. (1989). Conclusion: A research perspective on the mediation of social conflict. In K. Kressel & D. G. Pruitt (Eds.), *Mediation research* (pp. 394–435). San Francisco: Jossey-Bass.

⁶ Ross, W. H., & Conlon, D. E. (2000). Hybrid forms of third-party dispute resolution: Theoretical implications of combining mediation and arbitration. *Academy of Management Review*, 25(2), 416–427.

⁷ Karambayya, R., & Brett, J. M. (1989). Managers handling disputes: Third-party roles and perceptions of fairness. *Academy of Management Journal*, 32, 687–704; Pierce, R. S., Pruitt, D. G., & Czaja, S. J. (1993). Complainant respondent differences in procedural choice. *International Journal of Conflict Management*, 4, 199–222; Ross, W. H., Conlon, D. E., & Lind, E. A. (1990). The mediator as leader: Effects of behavioral style and deadline certainty on negotiator behavior. *Group and Organization Studies*, 15, 105–124.

⁸ Crocker, C. A., Hampson, F. O., & Aall, P. (2015). The shifting sands of peacemaking: Challenges of multiparty mediation. *International Negotiation*, 20(3), 363–388.

⁹ Fersini, E., Messina, E., Manenti, L., Bagnara, G., El Jelali, S., & Arosio, G. (2014). Emediation: Towards smart online dispute resolution. Paper presented at the *KMIS 2014—Proceedings of the International Conference on Knowledge Management and Information Sharing*, 228–236.

¹⁰ Ross & Conlon, “Hybrid forms of third-party dispute resolution.”

¹¹ Farber, H. S., & Katz, H. (1979). Why is there disagreement in bargaining? *American Economic Review*, 77(2), 347–352.

¹² Marmo, M. (1995). The role of fact finding and interest arbitration in “selling” a settlement. *Journal of Collective Negotiations in the Public Sector*, 14, 77–97; Rose, J. B., & Manuel, C. (1996). Attitudes toward collective bargaining and compulsory arbitration. *Journal of Collective Negotiations in the Public Sector*, 25(4), 287–310.

Several investigations have compared the effectiveness of mediation with legal dispute resolution procedures (e.g., arbitration and adjudication). One investigation found that legal dispute resolution increases the propensity of both challengers and defenders to make concessions, whereas mediation only helps minor challenger concessions.¹³

The two major types of arbitration are traditional arbitration and final-offer arbitration.

TRADITIONAL ARBITRATION In **traditional arbitration**, each party submits a proposed settlement to the arbitrator, who is at liberty to impose settlement terms to which both disputants must agree. Oftentimes, the final settlement may be a midpoint between the settlement terms submitted by each party. For example, on Cybersettle.com, an online out-of-court settlement service, the algorithm immediately imposes a final settlement outcome that is midway between the last two offers submitted by either party. Thus, each party has an incentive to shape the arbitrator's final judgment by submitting an offer that is self-serving. An obvious disadvantage of traditional arbitration is that parties may reason that the third party will impose a settlement midway between the two final proposals submitted. This expectation leads the parties to submit extreme final proposals. The tendency for disputants to exaggerate their demands and reduce their level of concession making is known as the **chilling effect**.¹⁴

FINAL-OFFER ARBITRATION Final-offer arbitration was developed in response to the chilling effect problem of traditional arbitration.¹⁵ In **final-offer arbitration**, the disputants submit final proposals to the arbitrator, who then chooses one of the two final settlements to impose. Thus, the incentive of the parties involved is to submit a settlement that will be viewed as most fair in the eyes of the arbitrator. The **final-offer arbitration challenge** entails negotiators opening with a demonstrably fair offer and then, if the counterparty is unreliable—extending a challenge to take the competing offers to an arbitrator who must choose one or the other, rather than a compromise between them.¹⁶

Mediation–Arbitration

Recognizing the strengths (and weaknesses) of mediation and arbitration, some scholars and practitioners have advocated the adoption of hybrid procedures: mediation-arbitration and arbitration-mediation.¹⁷ **Mediation–arbitration** (hereafter med–arb) consists of two phases: (a) mediation followed by (b) arbitration, if mediation fails to secure an agreement by a predetermined deadline. The same third party serves as both mediator and arbitrator.¹⁸ Thus, arbitration is only engaged if mediation fails.

¹³ Beardsley, K., & Lo, N. (2014). Third-party conflict management and the willingness to make concessions. *Journal of Conflict Resolution*, 58(2), 363–392.

¹⁴ Notz, W. W., & Starke, F. A. (1987). Arbitration and distributive justice: Equity or equality? *Journal of Applied Psychology*, 72(3), 359–365.

¹⁵ Farber, H. S. (1981). Splitting the difference in interest arbitration. *Industrial and Labor Relations Review*, 35, 70–77.

¹⁶ Bazerman, M. H., & Kahneman, D. (2016). How to make the other side play fair. *Harvard Business Review*, 94(9), 76–103.

¹⁷ Ross & Conlon, “Hybrid forms of third-party dispute resolution.”

¹⁸ Kagel, J. (1976). Comment. In H. Anderson (Ed.), *New techniques in labor dispute resolution* (pp. 185–190). Washington, DC: BNA Books.

Some negotiators make mediation-arbitration contingencies in the event of disagreement, thereby promising in advance to avoid legal action. For example, in 2013 a federal judge overseeing a case brought by thousands of former National Football League (NFL) players accusing the league of hiding the dangers of concussions ordered both sides to mediation to encourage both parties to come to agreement without further litigation. From these mediated talks, the NFL reached a tentative \$765 million settlement over concussion-related brain injuries among its 18,000 retired players, agreeing to compensate victims, pay for medical exams, legal costs, and underwrite research.¹⁹ By 2018, the league received over 1,753 claims from more than 20,000 retired players. Of those claims, 233 were settled with a payout of more than \$228 million dollars.²⁰

Arbitration–Mediation

Arbitration–mediation (hereafter arb–med) consists of three phases.²¹ In phase one, the third party holds an **arbitration hearing**. At the end of this phase, the third party makes a decision, which is placed in a sealed envelope and is not revealed to the parties. The second phase consists of **mediation**. The sealed envelope containing the third party’s decision is displayed prominently during the mediation phase. Only if mediation fails to produce a voluntary agreement by a specified deadline do the parties enter the third phase, called the **ruling phase**. Here, the third party removes the ruling from the envelope and reveals the binding ruling to the disputants.²² To ensure that the envelope contains the original ruling and not a later decision (e.g., a ruling created after the mediation phase), the third party can ask a disputant from each side to sign the envelope across the seal at the beginning of mediation. The greatest benefit of arb–med is that it encourages disputants to settle their differences themselves.²³

In a direct test of the effectiveness of med–arb and arb–med, disputants in the arb–med procedure settled in the mediation phase of their procedure more frequently and achieved settlements of higher joint benefit than did disputants in the med–arb procedure.²⁴

CHOICES IN THIRD-PARTY INTERVENTION

Each of the four key types of third-party interventions are formal, however more informal types of interventions are also possible. We now consider some key choice points of third-party intervention.

¹⁹ Belson, K. (2013, July 8). Judge orders NFL concussion case to mediation. *The New York Times*. nytimes.com; The Associated Press. (2013, August 29). NFL, players reach concussion deal. *ESPN*. espn.com

²⁰ Belson, K. (2018, April 13). NFL says fraud plagues the concussion settlement. *The New York Times*. nytimes.com

²¹ Ross & Conlon, “Hybrid forms of third-party dispute resolution.”

²² Cobbledick, G. (1992). *Arb-med: An alternative approach to expediting settlement*. Unpublished manuscript, Harvard Program on Negotiation, Harvard University, Boston; Sander, F. E. A. (1993). The courthouse and alternative dispute resolution. In L. Hall (Ed.), *Negotiation: Strategies for mutual gain* (pp. 43–60). Newbury Park, CA: Sage.

²³ Ross & Conlon, “Hybrid forms of third-party dispute resolution.”

²⁴ Conlon, D. E., Moon, H., & Ng, K. Y. (2002). Putting the cart before the horse: The benefits of arbitrating before mediating. *Journal of Applied Psychology*, 87(5), 978–984.

Outcome versus Process Control

A key aspect in any type of third-party intervention involves the control held by the third party. The ability to control the outcome is the key distinction between mediation and arbitration. **Outcome control** refers to the ability of the third party to impose a final, binding settlement on the parties. In contrast, **process control** refers to the ability of the third party to control the discussions, questions, and process of communication.

The mediator has process control but not outcome control (i.e., the power to impose a settlement). In arbitration, third parties have process and outcome control. Arbitration may be passive or inquisitive, and the arbitrator can have full discretion to impose any kind of settlement or can have constraints, such as the requirement to choose one side's final offer.

Participants in mediation generally prefer: (a) control over outcome, such that a neutral third party would help disputants reach a mutually satisfactory resolution; (b) control over process such that disputants would relay information on their own behalf without the help of a representative; and (c) either substantive rules that disputants would have agreed to before the resolution process or the rules typically used in court.²⁵

Formal versus Informal

The roles of many, perhaps most third parties are defined on the basis of some formal understanding among the disputants or on the basis of legal precedents or licensing and certification procedures. Third-party roles are effective to the extent that they are acknowledged by the disputants as implying a legitimate right to be in the business of resolving conflicts. Formal roles include: professional mediator, arbitrator, or ombudsperson. However, a variety of informal third-party roles exist, such as a friend who intervenes in a marriage dispute.

Invited versus Uninvited

Most commonly, a third party intervenes at the request of one or both of the principals. For example, divorcing couples may seek the services of a divorce mediator. Such invited roles are effective for two reasons: (1) the invitation to intervene suggests that at least one of the parties is motivated to address the dispute in question; and (2) the invitation makes the third party appropriate, acceptable, and desirable, thereby increasing influence and legitimacy. In contrast, an example of an uninvited role is a customer in an airport witnessing a conflict between a flight agent and a passenger.

Identifiable versus Anonymous

In some situations, third parties who offer benefits to disputants are not readily identifiable. An in-depth investigation revealed that whereas an identifiable third-party benefactor engenders greater reciprocal reactions than an anonymous third party, disputants are more likely to reciprocate actions via both direct and upstream actions.²⁶

Interpersonal versus Intergroup

Third parties typically intervene in disputes between individuals. In more complex situations, third-party intervention can occur in disputes between groups or nations.

²⁵ Shestowsky, D. (2004). Procedural differences in alternative dispute resolution. *Psychology, Public Policy and the Law*, 10(3), 211–249.

²⁶ Halali, E., Kogut, T., & Ritov, I. (2017). Reciprocating (more) specifically to you: The role of benefactor's identifiability on direct and upstream reciprocity. *Journal of Behavioral Decision Making*, 30(2), 473–483.

Content versus Process Orientation

Some third-party roles focus primarily on the content of a dispute, such as the issues or resources under consideration. Others focus more on the process of decision making and on the way in which decisions are taking place. Arbitrators (and to a lesser extent, mediators) are typically content oriented. In contrast, marriage counselors are more process focused (i.e., they try to get each party to listen to one another, etc.). One type of mediation, *transformative mediation* gives less attention problem-solving, and instead, uses a humanistic approach to open a dialogue process.²⁷

Facilitation, Formulation, or Manipulation

Mediators use any of three styles: facilitation, formulation, and manipulation.²⁸ **Facilitation**, also known as communication, is characterized by mediators who serve as a channel of communication among disputing parties. Mediators who are facilitators occasionally reveal information they have gathered independently and thereby clarify misconceptions. For example, Brian Rist facilitated the City of Cape Coral and the Lee County Electric Cooperative (LCEC) in finalizing a negotiation to provide service to the residents of Cape Coral. Cape Coral wanted flexibility in the contract to implement new technology. Rist reviewed franchise agreements the LCEC had with other municipalities, outlined key terms for the contract, and kept negotiations between the two parties focused.²⁹ In contrast, **formulation** involves a substantive contribution to negotiations by conceiving and proposing new solutions. Consider how a mediator helped shape the settlement terms in the Brevard Florida firefighters negotiation. The mediator helped the union members secure a contingent wage increase to match cost-of-living pay increases that non-union county workers received. If non-union county workers received a 2.5 percent cost-of-living increase and the firefighters had a 2.0 percent increase, the firefighters would get an additional 0.6 percent increase that year.³⁰ Finally, **manipulation** occurs when the mediator uses his or her position and leverage to influence the bargaining process, such as by offering incentives or even threats.

THIRD PARTY EFFECTIVENESS

Hostile Mediators

Contrary to the common view of mediators to defuse contentious disputants by treating them with kindness, evidence suggests that hostile mediators might be particularly effective. Indeed hostile mediators spur disputants to be more willing to reach agreement and reach better agreements than nice mediators.³¹ Why? By essentially becoming a common enemy to the disputants, hostile mediators provoke disputants to feel more connected to each other and therefore, more willing to reach mutual agreement. Mediators who direct their hostility toward both negotiators (*bilateral hostility*) are more effective in helping disputants reach mutual settlement than *unilateral hostility*.

²⁷ Lewis, T., & Umbreit, M. (2015). A humanistic approach to mediation and dialogue: An evolving transformative practice. *Conflict Resolution Quarterly*, 33(1), 3–17.

²⁸ Beardsley, K. C., Quinn, D. M., Biswas, B., & Wilkenfeld, J. (2006). Mediation style and crisis outcomes. *The Journal of Conflict Resolution*, 50(1), 58–86.

²⁹ Rist, B. (2017, December 15). Explaining council for progress role in LCEC–Cape Coral talks. *News-Press*. news-press.com

³⁰ Berman, D. (2018, May 3). Brevard firefighters finally have new contract, with pay raises starting at 2.6% a year. *Florida Today*. floridatoday.com

³¹ Zhang, T., Gino, F., & Norton, M. I. (2016). The surprising effectiveness of hostile mediators. *Management Science*, 63(6), 1972–1992.

Mediation and Gender

A comparison of male versus female mediators revealed that females were more transformative, but no less instrumental than male mediators, in their view of the goals of mediation.³² Female mediators were more facilitative, whereas male mediators were more directive. Perceptions of mediator effectiveness however, reveal a gender bias. Male mediators are perceived more favorably than their female counterparts.³³

Mediation and Culture

Mediation is used by negotiators in many countries and cultures. For example in China, the law encourages parties to settle their disputes by talking and suspends pending lawsuits to give disputants a chance to first resolve them. Mediated settled agreements are enforceable as contracts in courts of law.³⁴

One study examined whether cultural similarity among disputants would facilitate the success of third-party intervention. And indeed, 50 years of data from the International Conflict Management Dataset (1945–1995) revealed that mediation is most likely to be successful when disputing triads (disputes among three parties) are ethnically or religiously similar; culture is not a reliable predictor of mediation success for disputes among dyads (parties of two).³⁵

Mediation and Mimicry

We made the point that negotiators who mimic (not mock) one another create more rapport, paving the way toward mutual agreement. One study examined how mediators who imitate disputants can affect the likelihood of settlement. When the mediator imitated disputants during the first 5 minutes of an interview, this was not ultimately helpful for settlement. However, imitation that occurred over a longer time and repeated during the negotiations led disputants to be more likely to agree.³⁶

CHALLENGES FACING THIRD PARTIES

A number of challenges face the third party.³⁷

Meeting Disputants' Expectations

The expectations of mediators go beyond helping parties reach settlement. The success of a mediation program should include the following five dimensions as assessed by disputants: mediator's usefulness, procedural justice, satisfaction with the agreement, confidence in the

³² Nelson, N. (2010). Transformative women, problem-solving men? Not quite: Gender and mediators' perceptions of mediation. *Negotiation Journal*, 26(3), 287–308.

³³ Stuhlmacher, A. F., & Morrisett, M. G. (2008). Men and women as mediators: Disputant perceptions. *International Journal of Conflict Management*, 19(3), 249–261.

³⁴ Mealey-Lohmann, L. (2010, May 28). Using mediation to resolve disputes: Differences between China and the United States. *China Insight*. chinainsight.com

³⁵ Bond, K., & Ghosh, F. (2015). Cultural similarity and mediation offers in interstate conflicts, 1945–1995. *International Negotiation*, 20(2), 269–290.

³⁶ Fischer-Lokou, J., Guéguen, N., Lamy, L., Martin, A., & Bullock, A. (2014). Imitation in mediation: Effects of the duration of mimicry on reaching agreement. *Social Behavior and Personality*, 42(2), 189–195.

³⁷ Bazerman, M. H., & Neale, M. A. (1992). *Negotiating rationally*. New York: Free Press.

agreement, and reconciliation between parties.³⁸ The trust between mediators and parties is a key element in the mediation process. The five key factors that determine whether disputants trust mediators include: degree of mastery over the process, explanation of the process, warmth and consideration, chemistry with the parties, and lack of bias toward either party.³⁹

Reaching Settlement (if a Positive Bargaining Zone Exists)

Effective third-party intervention not only assesses whether a positive bargaining zone exists, but it also helps parties reach agreement if it does exist. If settlement is not likely, it is to both parties' advantage to realize this quickly and exercise their BATNAs. For example, an increasing number of divorcing couples settle their financial disputes through face-to-face cooperation rather than courtroom confrontations.⁴⁰ The benefit of mediation as opposed to the courtroom, is that the parties can talk and as a result, often reach settlement more quickly. One man estimated that he saved more than \$10,000 in attorney fees by settling financial issues with his wife during a pair of 2-hour mediation sessions. Moreover, rather than focusing on their "legal rights," they focused on their "future needs" (i.e., an interests rather than a rights focus; see Chapter 6). However, if the divorcing couple is too emotional, it may not work.

Promoting a Pareto-Efficient Outcome

It is not enough for third parties to help negotiators reach agreement. Ideally, they should strive for pareto optimal win-win agreements. Obviously, this type of agreement will not happen if the third party is not properly trained in integrative bargaining strategies or places a higher premium on reaching agreement over reaching a win-win agreement. Third parties should not let the desperation of the negotiators narrow their own view of the possibilities for integrative agreement.

One aspect of high-quality outcomes is creativity (see Chapter 9). One study examined the extent to which mediation produced creative agreements in civil court cases. A creativity scale was devised that measured the extent to which mediated agreements contained new elements (in addition to the issues mentioned in the original demands).⁴¹ The key finding was that lengthier mediations were more creative; and disputes in the private sector were more creative than those in business.⁴²

Promoting Outcomes Perceived as Fair (in the Eyes of Disputants)

When people feel that the outcome is fair, they are more likely to agree to it, less likely to renege on it, and more likely to come to the table in the future. Mediators' interventions are most likely to be win-win when the relationship among the negotiators is positive and genuine; conversely, mediators are more likely to propose fixed-pie solutions when the negotiators' relationship is

³⁸ Poitras, J., & Le Tareau, A. (2008). Dispute resolution patterns and organizational dispute states. *International Journal of Conflict Management*, 19(1), 72–87.

³⁹ Poitras, J. (2009). What makes parties trust mediators? *Negotiation Journal*, 25(3), 307–325.

⁴⁰ Silverman, S. (2003, June 22). Divorce mediation gains popularity. *The Pantagraph*, p. A1.

⁴¹ Adrian, L., & Mykland, S. (2014). Creativity in court-connected mediation: Myth or Reality? *Negotiation Journal*, 30(4), 421–439.

⁴² Adrian & Mykland, "Creativity in court-connected mediation."

negative and not genuine.⁴³ When disputants in conflict have asymmetrical conflict perceptions, they are more likely to view the mediator as biased and are less satisfied.⁴⁴ Moreover, the disputant who felt greater conflict is more likely to recommend mediation to their coworkers.

The distribution of resources (pie slicing) is an unavoidable and inevitable aspect of mediation. What principles should third parties consider when allocating resources amongst disputants?

Consistency

One of the hallmarks of a justifiable allocation of resources is consistency or invariance across settings, time, and contacts. For example, most of us would be outraged if managers up for performance review did better if the meeting was scheduled in the morning rather than the afternoon. Fairness procedures are often inconsistent because of heuristic decision-making.

Simplicity

Resource allocation procedures should be clearly understood by the individuals who employ them and those who are affected by them. Group members should be able to explain the procedure used to allocate resources. This allows the procedure to be implemented with full understanding and the outcomes of the procedure to be evaluated against a clear criterion.

Justifiability

Distribution procedures should be justifiable in the eyes of parties involved in the dispute.

Generalizability

Resource allocation procedures should be applicable to a wide variety of situations. Procedures and norms develop when intragroup conflict is expected, enduring, or recurrent, and effective policy therefore specifies outcome distribution across situations.

Satisfaction

To increase the likelihood that disputants will honor third-party solutions, the allocation procedure should be satisfying to all. For example, when Apple and HTC settled their patent litigation, HTC was required to pay \$6–8 to Apple for every Android-equipped handset sold. Both parties were happy to have reached an agreement, and HTC CEO was quoted as saying, “We can focus on innovation instead of litigation.”⁴⁵

Improving the Relationship between Parties

Ideally, effective third-party intervention should increase the level of trust between parties.

Empowering Parties in the Negotiation Process

A skilled mediator not only helps parties reach integrative settlements, but also improves the ability of parties to reach settlements on their own. Ideally, the ability of negotiators to effectively resolve conflict and reach effective outcomes should be enhanced via the influence of a third party.

⁴³ Thompson, L., & Kim, P. H. (2000). How the quality of third parties' settlement solutions are affected by the relationship between negotiators. *Journal of Experimental Psychology: Applied*, 6(1), 1–16.

⁴⁴ Jehn, K. A., Rupert, J., Nauta, A., & Van Den Bossche, S. (2010). Crooked conflicts: The effects of conflict asymmetry in mediation. *Negotiation and Conflict Management Research*, 3(4), 338–357.

⁴⁵ Claburn, T. (2012, November 12). HTC settles Apple lawsuit. *Information Week*. informationweek.com; Savitz, E. (2012, November 12). Apple, HTC settle patent suits; sign 10-year licensing deal. *Forbes*. forbes.com

Debiasing Negotiators

Biased perceptions run rampant among negotiators. When conflict escalates and parties are emotional, biased perceptions escalate further. Third parties should attempt whenever possible, to debias negotiations. Experienced third parties can help debias disputants. For example, a study of 56 experienced managers reveal that conflict debiasing via external parties increases the likelihood of integrative agreements, perceptions of fairness, and agreement rates.⁴⁶

The most common biases include the following:

EXAGGERATION OF CONFLICT BIAS This bias occurs when parties exaggerate differences between themselves and the opposing party (in negotiation) and even in third parties (in mediation).⁴⁷ For example, when students from rival universities watch the same videotape of a U.S. football game, they perceive their own team as committing fewer infractions than those attributed to their team by the opposing side.⁴⁸ When recipients view a proposer's behavior to be "negative," they regard the proposer to have more negative intentions than an observer watching the same proposer.⁴⁹

Examination of partisans of both sides of contemporary social conflict (e.g., liberal versus conservative groups, pro-life versus pro-choice groups) reveals that partisans overestimate the extremity and consistency of the view of the other side.⁵⁰ Consider the deep-rooted conflict between the Nez Perce Tribe and local nontribal governments that operate within the boundaries of the Nez Perce Reservation.⁵¹ Overall, disputants in the conflict were more defensive than offensive. **Offensive behavior** is any attempted actions that benefit one's own side relative to the other side, and **defensive behavior** is antipathy toward actions that harm one's own side to the other side's benefit.⁵² Disputants consistently exaggerated the offensiveness of the other side but underestimated the defensiveness of the other side.

HOSTILE MEDIA BIAS Sometimes parties on both sides of a conflict will view an even-handed media report to be partial to the other side. For example, in one investigation, negotiators role-played an organizational mediation. Both sides to the conflict perceived the mediator to be partial to the opponent. Even when a mediator is partial to a particular side, that party often fails to realize this partiality and assumes the mediator is biased against it.⁵³

⁴⁶ Caputo, A. (2016). Overcoming judgmental biases in negotiations: A scenario-based survey analysis on third party direct intervention. *Journal of Business Research*, 69(10), 4304–4312.

⁴⁷ Morris, M. W. (1995). *Through a glass darkly: Cognitive and motivational processes that obscure social perception in conflicts*. Paper presented at the Academy of Management Meetings, Vancouver, BC.

⁴⁸ Hastorf, A., & Cantril, H. (1954). They saw a game: A case study. *Journal of Abnormal and Social Psychology*, 49, 129–134.

⁴⁹ Dickson, E. S. (2009). Do participants and observers assess intentions differently during bargaining and conflict? *American Journal of Political Science*, 53(4), 910–930.

⁵⁰ Robinson, R. J., Keltner, D., Ward, A., & Ross, L. (1994). Actual versus assumed differences in construal: "Naïve realism" in intergroup perception and conflict. *Journal of Personality and Social Psychology*, 68(3), 404–417.

⁵¹ Allred, K. G., Hong, K., & Kalt, J. P. (2002). *Partisan misperceptions and conflict escalation: Survey evidence from a tribal/local government conflict*. Paper presented at the International Association of Conflict Management, Park City, UT.

⁵² Allred, Hong, & Kalt, "Partisan misperceptions and conflict escalation."

⁵³ Vallone, R. P., Ross, L., & Lepper, M. R. (1985). The hostile media phenomenon: biased perception and perceptions of media bias in coverage of the Beirut massacre. *Journal of personality and social psychology*, 49(3), 577.

OVERCONFIDENCE BIAS In general, disputants overestimate the extent to which their beliefs are shared by a third party. For example, when negotiators are asked to estimate the likelihood of prevailing in final-offer arbitration, they are overconfident that the third party will favor their proposal.⁵⁴ Parties on both sides of the dispute estimate a greater than 50% chance of prevailing. Obviously, they cannot both be right.

The hostile media bias and the overconfidence bias may appear contradictory. How can people feel the mediator is simultaneously taking the view of the other party and also agreeing with their own position? The apparent inconsistency stems from the nature of the judgment made by negotiators. In a direct test of this question, negotiators' perceptions of mediator behavior were examined in a realistic organizational simulation.⁵⁵ Each negotiator simultaneously displayed an egocentric (overconfidence) bias, evaluating his or her behavior as more successful than that of the counterparty. However, when asked about the amount and content of the mediator's attention to disputants, they saw themselves as coming up short. Each party believed that the mediator spent more time talking and listening to the counterparty, allowed more faulty arguments from the counterparty, and showed less resistance to the counterparty's persuasion attempts. Also, both parties perceived the mediator as less receptive to their concerns and less active in exploring their interests than those of the counterparty.

Maintaining Neutrality

Nothing guarantees that third parties are neutral.⁵⁶ In fact, third parties evince many of the biases that plague principals, such as framing effects.⁵⁷ Some scholars argue that mediators cannot be neutral, and that mediated outcomes are rarely rooted in only fact-based information.⁵⁸ Even a neutral mediator may be mistakenly viewed as partial to one's adversary.⁵⁹ Also, third parties may have a bias to broker an agreement at any cost, which may be disadvantageous to the principals if no positive bargaining zone exists. Finally, the threat of third-party intervention may inhibit settlement if principals believe an arbitrator is inclined to impose a compromise settlement. For this reason, final-offer arbitration may be more effective than traditional arbitration.⁶⁰

In an empirical analysis of 124 peace agreements between 1989 and 2004, neutral mediators who were engaged primarily because of their interest to end war, had incentives to reach agreement at the expense of quality. In contrast, "biased mediators" seeking to protect their groups, worked to ensure that their party's interests were met.⁶¹ Thus, a biased mediation

⁵⁴ Bazerman & Neale, *Negotiating rationally*; Neale, M. A., & Bazerman, M. H. (1983). The role of perspective taking ability in negotiating under different forms of arbitration. *Industrial and Labor Relations Review*, 36, 378–388.

⁵⁵ Morris, M. W., & Su, S. K. (1999). *The hostile mediator phenomenon: Egocentric standards of fairness lead disputants to see mediators as favoring the opponent*. Unpublished manuscript, Stanford University.

⁵⁶ Gibson, K., Thompson, L., & Bazerman, M. H. (1994). Biases and rationality in the mediation process. In L. Heath, F. Bryant, & J. Edwards (Eds.), *Application of heuristics and biases to social issues: Vol. 3*. New York: Plenum.

⁵⁷ Carnevale, P. J. (1995). Property, culture, and negotiation. In R. M. Kramer & D. M. Messick (Eds.), *Negotiation as a social process: New trends in theory and research* (pp. 309–323). Thousand Oaks, CA: Sage.

⁵⁸ Rothman, J. (2014). The reflexive mediator. *Negotiation Journal*, 30(4), 441–453.

⁵⁹ Morris & Su, "The hostile mediator phenomenon."

⁶⁰ Farber, "Splitting the difference in interest arbitration.," Chelius, J. R., & Dworkin, J. B. (1980). The economic analysis of final-offer arbitration as a conflict resolution device. *Journal of Conflict Resolution*, 24(2), 293–310; Raiffa, H. (1982). *The art and science of negotiation*. Cambridge, MA: Belknap.

⁶¹ Svensson, I. (2009). Who brings which peace? Neutral versus biased mediation and institutional peace arrangements in civil wars. *Journal of Conflict Resolution*, 53(3), 446–469.

process is actually more likely than a neutral mediation process to lead to elaborated institutional agreements that benefit democracy and durable peace.

Managers are often called on to resolve disputes in organizations.⁶² In contrast to traditional arbitrators and mediators, managers may have a direct stake in the outcome and an ongoing relationship with the disputants. In addition, managers are more likely to have technical expertise and background knowledge about the dispute. Although several intervention techniques are available to managers, they often choose techniques that maximize their own control over the outcome.⁶³

ENHANCING THE EFFECTIVENESS OF THIRD-PARTY INTERVENTION

What steps can negotiators take to maximize the effectiveness of third-party intervention?

Accept Your Share of Responsibility

Mediators often struggle to get involved parties to accept their share of responsibility for conflict. When parties acknowledge their share of responsibility, settlement rates and reconciliation increase.⁶⁴

Test Your Own Position

A good scientist will set up an experiment that includes “blinds.” For example, in testing the effectiveness of a particular drug, one group of patients might be given the drug and the other group a placebo or sugar pill. The experimenters are not aware of the treatment given to each group. The same should be true for your own negotiation position. For example, if you find yourself in a dispute with a merchant or neighbor, describe the situation to the third party in such a way so as not to indicate what role you are playing in the dispute. Then ask the third party for an honest opinion.

Role-Play a Third Party in Your Own Dispute

Describe your negotiation situation to some colleagues who might be willing to play the roles involved. Then take on the role of a third party in the situation. Try to come up with a solution that both parties find agreeable.

Training in Win-Win Negotiation

Perhaps no other skill is as important as the ability to focus on expanding the size of the bargaining zone by discovering interests and then fashioning value-added trade-offs.

⁶² Tornow, W. W., & Pinto, P. R. (1976). The development of a managerial job taxonomy: A system for describing, classifying, and evaluating executive positions. *Journal of Applied Psychology*, 61(4), 410–418.

⁶³ Karambayya & Brett, “Managers handling disputes.”; Sheppard, B. H. (1984). Third-party intervention: A procedural framework. In B. M. Staw & L. L. Cummings (Eds.), *Research in organizational behavior: Vol. 6*. Greenwich, CT: JAI Press.

⁶⁴ Poitras, J. (2010). Mediation: Depolarizing responsibilities to facilitate reconciliation. *International Journal of Conflict Management*, 21(1), 4–19.

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