CHAPTER 1

The Nature of Negotiation

Objectives

1. Understand the definition of *negotiation,* the key elements of a negotiation process, and the distinct types of negotiation.
2. Explore how people use negotiation to manage different situations of interdependence—that is, that they depend on each other for achieving their goals.
3. Consider how negotiation fits within the broader perspective of processes for managingc onflict.
4. Gain an overview of the organization of this book and the content of its chapters.

"That's it! I've had it! This car is dead!" screamed Chang Yang, pounding on the steering wheel and kicking the door shut on his 10-year-old Toysun sedan. The car had refused to start again, and Chang was going to be late for class (again)! Chang wasn't doing well in that management class, and he couldn't afford to miss any more classes. Recognizing that it was finally time to do something about the car, which had been having numerous mechanical problems for the last three months, Chang decided he would trade the Toysun in for another used car, one that would hopefully get him through graduation. After classes that day, he got a ride to the nearby shopping area, where there were several repair garages and used car lots. He knew almost nothing about cars, and didn't think he needed to—all he needed was reliable transportation to get him through the next 18 months.

A major international airline company is close to bankruptcy. The fear of terrorism, a number of new "budget-fare" airlines, and rising costs for fuel have all put the airline under massive economic pressure. The company seeks $800 million in wage and benefit cuts from the pilots' union, the third round of cuts in two years, in order to head off the bankruptcy. Rebuffed by the chief union negotiator for the pilots, the company seeks to go directly to the officers of the Air Line Pilots Association—the international union—to discuss the cuts. If the pilots do not agree to concessions, it is unlikely that other unions—flight attendants, mechanics, and so on—will agree, and bankruptcy will be inevitable.

Janet and Jocelyn are roommates. They share a one-bedroom apartment in a big city where they are both working. Janet, an accountant, has a solid job with a good company, but she has decided that it is time to go back to school to get her MBA. She has enrolled in Big City University's evening MBA program and is now taking classes. Jocelyn works for an advertising company and is on the fast track. Her job not only requires a lot of travel, but also requires a lot of time socializing with clients. The problem is that when Janet is not in evening class, she needs the apartment to read and study and has to have quiet to get her work done. However, when Jocelyn is at the apartment, she talks a lot on the phone, brings friends home for dinner, and is either getting ready to go out for the evening or coming back in very late (and noisily!). Janet has had enough of this disruption and is about to confront Jocelyn.

A country's government is in a financial crisis, created by a good old-fashioned "smackdown" between the newly re-elected president and the legislature. The president insists that taxes must be raised to pay for ongoing government services, particularly the taxes of the richest 1 to 2 percent of the taxpayers. In contrast, a majority of the elected legislature, whose political party favors the wealthy, insists that the president cut government spending instead! Moreover, a group of the legislators have taken a public "pledge" to not agree to *any* tax increases and fear losing their jobs in the next election if they give in on their pledge. If the crisis is not resolved in a few days, a financial doomsday is predicted.

Ashley Johnson is one of the most qualified recruits this year from a top-25 ranked business school. She is delighted to have secured a second interview with a major consumer goods company, which has invited her to its headquarters city and put her up in a four-star hotel that is world-renowned for its quality facilities and service. After getting in late the night before due to flight delays, she wakes at 6:45 a.m. to get ready for a 7:30 a.m. breakfast meeting with the senior company recruiter. She steps in the shower, grabs the water control knob to turn it, and the knob falls off in her hand! There is no water in the shower at all; apparently, repairmen started a repair job on the shower, turned all the water off somewhere, and left the job unfinished. Ashley panics at the thought of how she is going to deal with this crisis and look good for her breakfast meeting in 45 minutes.

Do these incidents look and sound familiar? These are all examples of negotiation—negotiations that are about to happen, are in the process of happening, or have happened in the past and created consequences for the present. And they all serve as examples of the problems, issues, and dynamics that we will address throughout this book.

People negotiate all the time. Friends negotiate to decide where to have dinner. Children negotiate to decide which television program to watch. Businesses negotiate to purchase materials and sell their products. Lawyers negotiate to settle legal claims before they go to court. The police negotiate with terrorists to free hostages. Nations negotiate to open their borders to free trade. Negotiation is not a process reserved only for the skilled diplomat, top salesperson, or ardent advocate for an organized lobby; it is something that everyone does, almost daily. Although the stakes are not usually as dramatic as peace accords or large corporate mergers, everyone negotiates; sometimes people negotiate for major things like a new job, other times for relatively minor things like who will take out the garbage.

Negotiations occur for several reasons: (1) to agree on how to share or divide a limited resource, such as land, or money, or time; (2) to create something new that neither party could do on his or her own; or (3) to resolve a problem or dispute between the parties. Sometimes people fail to negotiate because they do not recognize that they are in a negotiation situation. By choosing options other than negotiation, they may fail to achieve their goals, get what they need, or manage their problems as smoothly as they might like to. People may also recognize the need for negotiation but do poorly because they misunderstand the process and do not have good negotiating skills. After reading this book, we hope you will be thoroughly prepared to recognize negotiation situations; understand how negotiation works; know how to plan, implement, and complete successful negotiations; and, most importantly, be able to maximize your results.

A Few Words about Our Style and Approach

Before we begin to dissect the complex social process known as negotiation, we need to say several things about how we will approach this subject. First we will briefly define negotiation. Negotiation is "a form of decision making in which two or more parties talk with one another in an effort to resolve their opposing interests."[1] Moreover, we will be careful about how we use terminology in this book. For most people, *bargaining* and *negotiation* mean the same thing; however, we will be quite distinctive in the way we use the two words. We will use the term *bargaining* to describe the competitive, win–lose situations such as haggling over the price of that item that happens at a yard sale, flea market, or used car lot; we will use the term *negotiation* to refer to win–win situations such as those that occur when parties are trying to find a mutually acceptable solution to a complex conflict.

Second, many people assume that the "heart of negotiation" is the give-and-take process used to reach an agreement. While that give-and-take process is extremely important, negotiation is a very complex social process; many of the most important factors that shape a negotiation result do not occur during the negotiation; they occur *before* the parties start to negotiate, or shape the context *around* the negotiation. In the first few chapters of the book, we will examine why people negotiate, the nature of negotiation as a tool for managing conflict, and the primary give-and-take processes by which people try to reach agreement. In the remaining chapters, we examine the many ways that differences in the substantive issues, the people involved, the processes they follow, and the context in which negotiation occurs enrich the complexity of the dynamics of negotiation. We will return to a more complete overview of the book at the end of this chapter.

Third, our insights into negotiation are drawn from three sources. The first is our personal experience as negotiators ourselves and the rich number of negotiations that occur every day in our own lives and in the lives of people around the world. The second source is the media—television, radio, newspaper, magazine, and Internet—that report on actual negotiations every day. We will use quotes and examples from the media to highlight key points, insights, and applications throughout the book. Finally, the third source is the wealth of social science research that has been conducted on numerous aspects of negotiation. This research has been conducted for almost 60 years in the fields of economics, psychology, political science, communication, labor relations, law, sociology, and anthropology. Each discipline approaches negotiation differently. Like the parable of the blind men who are attempting to describe the elephant by touching and feeling different parts of the animal, each social science discipline has its own theory and methods for studying outputs of negotiation, and each tends to emphasize some parts and ignore others. Thus, the same negotiation events and outcome may be examined simultaneously from several different perspectives.[2] When standing alone, each perspective is clear but limited; combined, we begin to understand the rich and complex dynamics of this amazing animal.

We draw from all these research traditions in our approach to negotiation. When we need to acknowledge the authors of a major theory or set of research findings, we will use the standard social science research process of citing their work in the text by the author's name and the date of publication of their work; complete references for that work can be found in the bibliography at the end of the book. When we have multiple sources to cite, or anecdotal side comments to make, that information will appear in an endnote at the end of each chapter.

We began this chapter with several examples of negotiations—future, present, and past. To further develop the reader's understanding of the foundations of negotiation, we will develop a story about a husband and wife—Joe and Sue Carter—and a not-so-atypical day in their lives. In this day, they face the challenges of many major and minor negotiations. We will then use that story to highlight three important themes:

1. The definition of negotiation and the basic characteristics of negotiation situations.

2. An understanding of *interdependence,* the relationship between people and groups that most often leads them to need to negotiate.

3. The definition and exploration of the dynamics of conflict and conflict management processes, which will serve as a backdrop for different ways that people approach and manage negotiations.

Joe and Sue Carter

The day started early, as usual. Over breakfast, Sue Carter raised the question of where she and her husband, Joe, would go for their summer vacation. She wanted to sign up for a tour of Southeast Asia being sponsored by her college's alumni association. However, two weeks on a guided tour with a lot of other people he barely knew was not what Joe had in mind. He needed to get away from people, crowds, and schedules, and he wanted to charter a sailboat and cruise the New England coast. The Carters had not argued (yet), but it was clear they had a real problem here. Some of their friends handled problems like this by taking separate vacations. With both of them working full-time, though, Joe and Sue did agree that they would take their vacation together.

Moreover, they were still not sure whether their teenage children—Tracy and Ted—would go with them. Tracy really wanted to go to a gymnastics camp, and Ted wanted to stay home and do yard work in the neighborhood so he could get in shape for the football team and buy a motor scooter with his earnings. Joe and Sue couldn't afford summer camp and a major vacation, let alone deal with the problem of who would keep an eye on the children while they were away. And Sue was already "on the record" as being opposed to the motor scooter, for obvious safety reasons.

As Joe drove to work, he thought about the vacation problem. What bothered Joe most was that there did not seem to be a good way to manage the conflict productively. With some family conflicts, they could compromise but, given what each wanted this time, a simple compromise didn't seem obvious. At other times they would flip a coin or take turns—that might work for choosing a restaurant (Joe and Ted like steak houses, Sue and Tracy prefer Chinese), but it seemed unwise in this case because of how much money was involved and how important vacation time was to them. In addition, flipping a coin might make someone feel like a loser, an argument could start, and in the end nobody would really feel satisfied.

Walking through the parking lot, Joe met his company's purchasing manager, Ed Laine. Joe was the head of the engineering design group for MicroWatt, a manufacturer of small electric motors. Ed reminded Joe that they had to settle a problem created by the engineers in Joe's department: the engineers were contacting vendors directly rather than going through MicroWatt's purchasing department. Joe knew that purchasing wanted all contacts with a vendor to go through them, but he also knew that his engineers badly needed technical information for design purposes and that waiting for the information to come through the purchasing department slowed things considerably. Ed Laine was aware of Joe's views about this problem, and Joe thought the two of them could probably find some way to resolve it if they really sat down to work on it. Joe and Ed were also both aware that upper management expected middle managers to settle differences among themselves; if this problem "went upstairs" to senior management, it would make both of them look bad.

Shortly after reaching his desk, Joe received a telephone call from an automobile salesman with whom he had been talking about a new car. The salesman asked whether Sue wanted to test-drive it. Joe wasn't quite sure that Sue would go along with his choice; Joe had picked out a sporty luxury import, and he expected Sue to say it was too expensive and not very fuel efficient. Joe was pleased with the latest offer the salesman had made on the price but thought he might still get a few more concessions out of him, so he introduced Sue's likely reluctance about the purchase, hoping that the resistance would put pressure on the salesman to lower the price and make the deal "unbeatable."

As soon as Joe hung up the phone, it rang again. It was Sue, calling to vent her frustration to Joe over some of the procedures at the local bank where she worked as a senior loan officer. Sue was frustrated working for an old "family-run" bank that was not very automated, heavily bureaucratic, and slow to respond to customer needs. Competitor banks were approving certain types of loans within three hours while Sue's bank still took a week. Sue had just lost landing two big new loans because of the bank's slowness and bureaucratic procedures—and the loss of the salary bonus that landing a big loan would bring. But whenever she tried to discuss the situation with the bank's senior management, she was met with resistance and a lecture on the importance of the bank's "traditional values."

Most of Joe's afternoon was taken up by the annual MicroWatt budget planning meeting. Joe hated these meetings. The people from the finance department came in and arbitrarily cut everyone's figures by 30 percent, and then all the managers had to argue endlessly to try to get some of their new-project money reinstated. Joe had learned to work with a lot of people, some of whom he did not like very much, but these people from finance were the most arrogant and arbitrary number crunchers imaginable. He could not understand why the top brass did not see how much harm these people were doing to the engineering group's research and development efforts. Joe considered himself a reasonable guy, but the way these people acted made him feel like he had to draw the line and fight it out for as long as it took.

In the evening, Sue and Joe attended a meeting of their town's Conservation Commission, which, among other things, was charged with protecting the town's streams, wetlands, and nature preserves. Sue is a member of the Conservation Commission, and Sue and Joe both strongly believe in sound environmental protection and management. This evening's case involved a request by a real estate development firm to drain a swampy area and move a small creek into an underground pipe in order to build a new regional shopping mall. All projections showed that the new shopping mall would attract jobs and revenue to the area and considerably increase the town's tax treasury. The new mall would keep more business in the community and discourage people from driving 15 miles to the current mall, but opponents—a coalition of local conservationists and businessmen—were concerned that the new mall would significantly hurt the downtown business district and do major harm to the natural wetland and its wildlife. The debate raged for three hours, and finally, the commission agreed to continue the hearings the following week.

As Joe and Sue drove home from the council meeting, they discussed the things they had been involved in that day. Each privately reflected that life is kind of strange—sometimes things go very smoothly and other times things seem much too complicated. As they went to sleep later, they each thought about how they might have approached certain situations differently during the day and were thankful they had a relationship where they could discuss things openly with each other. But they still didn't know what they were going to do about that vacation . . . or that motor scooter.

Characteristics of a Negotiation Situation

The Joe and Sue Carter story highlights the variety of situations that can be handled by negotiation. Any of us might encounter one or more of these situations over the course of a few days or weeks. As we defined earlier, *negotiation* is a process by which two or more parties attempt to resolve their opposing interests. Thus, as we will point out later on this chapter, negotiation is one of several mechanisms by which people can resolve conflicts. Negotiation situations have fundamentally the same characteristics, whether they are peace negotiations between countries at war, business negotiations between buyer and seller or labor and management, or an angry guest trying to figure out how to get a hot shower before a critical interview. Those who have written extensively about negotiation argue that there are several characteristics common to all negotiation situations:[3]

1. There are two or more parties—that is, two or more individuals, groups, or organizations. Although people can "negotiate" with themselves—as when someone debates in their head whether to spend a Saturday afternoon studying, playing tennis, or going to the football game—we consider negotiation as a process *between* individuals, within groups, and between groups.[4] In the Carter story, Joe negotiates with his wife, the purchasing manager, and the auto salesman, and Sue negotiates with her husband, the senior management at the bank, and the Conservation Commission, among others. Both still face an upcoming negotiation with the children about the vacation . . . and that motor scooter.

2. There is a conflict of needs and desires between two or more parties—that is, what one wants is not necessarily what the other one wants—and the parties must search for a way to resolve the conflict. Joe and Sue face negotiations over vacations, management of their children, budgets, automobiles, company procedures, and community practices for issuing building permits and preserving natural resources, among others.

When You Shouldn't Negotiate BOX 1.1

There are times when you should avoid negotiating. In these situations, stand your ground and you'll come out ahead.

When you'd lose the farm:

If you're in a situation where you could lose everything, choose other options rather than negotiate.

When you're sold out:

When you're running at capacity, don't deal. Raise your prices instead.

When the demands are unethical:

Don't negotiate if your counterpart asks for something you cannot support because it's illegal, unethical, or morally inappropriate—for example, either paying or accepting a bribe. When your character or your reputation is compromised, you lose in the long run.

When you don't care:

If you have no stake in the outcome, don't negotiate. You have everything to lose and nothing to gain.

When you don't have time:

When you're pressed for time, you may choose not to negotiate. If the time pressure works against you, you'll make mistakes, you give in too quickly, and you may fail to consider the implications of your concessions. When under the gun, you'll settle for less than you could otherwise get.

When they act in bad faith:

Stop the negotiation when your counterpart shows signs of acting in bad faith. If you can't trust their negotiating, you can't trust their agreement. In this case, negotiation is of little or no value. Stick to your guns and cover your position, or discredit them.

When waiting would improve your position:

Perhaps you'll have a new technology available soon. Maybe your financial situation will improve. Another opportunity may present itself. If the odds are good that you'll gain ground with a delay, wait.

When you're not prepared:

If you don't prepare, you'll think of all your best questions, responses, and concessions on the way home. Gathering your reconnaissance and rehearsing the negotiation will pay off handsomely. If you're not ready, just say "no."

Source: J. Conrad Levinson, Mark S. A. Smith, Orvel Ray Wilson, *Guerrilla Negotiating: Unconventional Weapons and Tactics to Get What You Want* (New York: John Wiley & Sons, Inc., 1999), pp. 22–23.

3. The parties negotiate by *choice!* That is, they negotiate because they think they can get a better deal by negotiating than by simply accepting what the other side will voluntarily give them or let them have. Negotiation is largely a voluntary process. We negotiate because we think we can improve our outcome or result, compared with not negotiating or simply accepting what the other side offers. It is a strategy pursued by choice; seldom are we required to negotiate. There are times to negotiate and times not to negotiate (see Box 1.1 for examples of when we should not negotiate).
Our experience is that most individuals in Western culture *do not negotiate enough*—that is, we assume a price or situation is nonnegotiable and don't even bother to ask or to make a counteroffer!

BOX 1.2 Sign in a New York Deli

"For those of you who need to haggle over the price of your sandwich, we will gladly raise the price so we can give you a discount!"

4. When we negotiate, we expect a "give-and-take" process that is fundamental to our understanding of the word "negotiation." We expect that both sides will modify or move away from their opening statements, requests, or demands. Although both parties may at first argue strenuously for what they want—each pushing the other side to move first—ultimately both sides will modify their opening position in order to reach an agreement. This movement may be toward the "middle" of their positions, called a compromise. However, truly creative negotiations may not require compromise; instead the parties may invent a solution that meets the objectives of *all* parties. Of course, if the parties do NOT consider it a negotiation, then they don't necessarily expect to modify their position and engage in this give-and-take (see Box 1.2).

5. The parties prefer to negotiate and search for agreement rather than to fight openly, have one side dominate and the other capitulate, permanently break off contact, or take their dispute to a higher authority to resolve it. Negotiation occurs when the parties prefer to invent their own solution for resolving the conflict, when there is no fixed or established set of rules or procedures for how to resolve the conflict, or when they choose to bypass those rules. Organizations and systems invent policies and procedures for addressing and managing those procedures. Equipment rental services have a policy for what they should charge if a rental is kept too long. Normally, people just pay the fine. They might be able to negotiate a fee reduction, however, if they have a good excuse for why the equipment is being returned late. Similarly, attorneys negotiate or plea-bargain for their clients who would rather be assured of a negotiated settlement than take their chances with a judge and jury in the courtroom. Similarly, the courts may prefer to negotiate as well to clear the case off the docket, save money and assure some payment of a fine rather than risk having the defendant set free on some legal technicality. In the Carter story, Joe pursues negotiation, rather than letting his wife decide where to spend the vacation; pressures the salesman to reduce the price of the car, rather than paying the quoted price; and argues with the finance group about the impact of the budget cuts, rather than simply accepting them without question. Sue uses negotiation to try to change the bank's loan review procedures, rather than accepting the status quo, and she works to change the shopping mall site plan to make both conservationists and businesses happy, rather than letting others decide it or watch it go to court. But what about that motor scooter . . . ?

6. Successful negotiation involves the management of *tangibles* (e.g., the price or the terms of agreement) and *also* the resolution of *intangibles*. Intangible factors are the underlying psychological motivations that may directly or indirectly influence the parties during a negotiation. Some examples of intangibles are (a) the need to "win," beat the other party, or avoid losing to the other party; (b) the need to look "good," "competent," or "tough" to the people you represent; (c) the need to defend

When the Urge to Win Overwhelms Rational Decision Making

BOX 1.3

There are times when the urge to win overwhelms logic. Authors Malhotra, Ku, and Murnighan offer the example of a takeover battle between Johnson & Johnson (J&J) and Boston Scientific to buy Guidant, a medical device maker. Even though Guidant was in the middle of recalling 23,000 pacemakers and telling another 27,000 patients who had pacemakers already implanted to "consult their doctors," the bidding war between the two buyers lead to a final price of $27.2 billion, $1.8 billion more than J&J's initial bid. After the recall, Guidant shares went from $23 to $17 a share. *Fortune* magazine later called the acquisition "arguably the second worst ever," only surpassed by AOL's infamous purchase of Time Warner.

What fuels these competitive dynamics that lead to bad decisions? The authors identify several key factors:

- *Rivalry.* When parties are intensely competitive with one another, they are willing to suspend rational decision making.
- *Time pressure.* An artificial deadline, or time pressures such as those in an auction, can push people into quick (and often erroneous) decision making.
- *The spotlight.* If audiences are watching and evaluating the actor, he is more likely to stick to his guns and escalate his investment just to look strong and tough to the audience.
- *The presence of attorneys.* The authors indicate that attorneys, who are more oriented toward "winning" and "losing" in legal battles, may pressure their clients toward winning when options for settlement may clearly be present. This perspective may be complicated by the way the attorneys are paid for their services.

The authors offer several important suggestions to reduce or eliminate the negative impact of these competitive pressures, in order to make more sound and reasoned decisions.

Source: Deepak K. Malhotra, Gillian Ku, and J. Keith Murnighan, "When Winning is Everything," *Harvard Business Review 86,* no. 5, May 2008, pp. 78–86.

an important principle or precedent in a negotiation; and (d) the need to appear "fair," or "honorable" or to protect one's reputation; or (e) the need to maintain a good relationship with the other party after the negotiation is over, primarily by maintaining trust and reducing uncertainty.[5] Intangibles are often rooted in personal values and emotions. Intangible factors can have an enormous influence on negotiation processes and outcomes; it is almost impossible to ignore intangibles because they affect our judgment about what is fair, or right, or appropriate in the resolution of the tangibles. For example, Joe may not want to make Ed Laine angry about the purchasing problem because he needs Ed's support in the upcoming budget negotiations, but Joe also doesn't want to look weak to his department's engineers, who expect him to support them. Thus, for Joe, the important intangibles are preserving his relationship with Ed Laine and looking strong and "tough" to his engineers.

Intangibles become a major problem in negotiation when negotiators fail to understand how they are affecting decision making or when they dominate negotiations on the tangibles. For example, see Box 1.3 about the problems that the urge to win can create for negotiators.

Interdependence

One of the key characteristics of a negotiation situation is that the parties need each other in order to achieve their preferred objectives or outcomes. That is, either they *must* coordinate with each other to achieve their own objectives, or they *choose* to work together because the possible outcome is better than they can achieve by working on their own. When the parties depend on each other to achieve their own preferred outcome, they are *interdependent*.

Most relationships between parties may be characterized in one of three ways: independent, dependent, or interdependent. *Independent* parties are able to meet their own needs without the help and assistance of others; they can be relatively detached, indifferent, and uninvolved with others. *Dependent* parties must rely on others for what they need; because they need the help, benevolence, or cooperation of the other, the dependent party must accept and accommodate to that provider's whims and idiosyncrasies. For example, if an employee is totally dependent on an employer for a job and salary, the employee will have to either do the job as instructed and accept the pay offered, or go without that job. *Interdependent* parties, however, are characterized by interlocking goals—the parties need each other in order to accomplish their objectives, and hence have the potential to influence each other. For instance, in a project management team, no single person could complete a complex project alone; the time limit is usually too short, and no individual has all the skills or knowledge to complete it. For the group to accomplish its goals, each person needs to rely on the other project team members to contribute their time, knowledge, and resources and to synchronize their efforts. Note that having interdependent goals does not mean that everyone wants or needs exactly the same thing. Different project team members may need different things, but they must work together for each to accomplish their goals. This mix of convergent and conflicting goals characterizes many interdependent relationships. (See Box 1.4 for a perspective on interdependence and the importance of intangibles from a famous agent who represents professional athletes in their negotiated contracts.)

Types of Interdependence Affect Outcomes

The interdependence of people's goals, and the *structure* of the situation in which they are going to negotiate, strongly shapes negotiation processes and outcomes. When the goals of two or more people are interconnected so that only one can achieve the goal—such as running a race in which there will be only one winner—this is a competitive situation, also known as a *zero-sum* or *distributive* situation, in which "individuals are so linked together that there is a negative correlation between their goal attainments."[6] Zero-sum or distributive situations are also present when parties are attempting to divide a limited or scarce resource, such as a pot of money, a fixed block of time, and the like. To the degree that one person achieves his or her goal, the other's goal attainment is blocked. In contrast, when parties' goals are linked so that one person's goal achievement helps others to achieve their goals, it is a *mutual-gains* situation, also known as a *non-zero-sum* or *integrative* situation, where there is a positive correlation between the goal attainments of both parties. If one person is a great music composer and the other is a great writer of lyrics, they can create a wonderful Broadway musical hit together. The music and words may be good separately, "I have been representing athletes for almost a quarter century, longer than some of them have been alive. During the course of that time, I have developed deep relationships—friendships and partnerships—with many of the executives with whom I do business. We have done dozens of deals with one another over the years. There has been contention and struggle. There have been misunderstandings at times. But in the end, not unlike a marriage, we have stayed together, moved forward, and grown. That kind of shared relationship over time results in a foundation of trust and respect that is immeasurably valuable.

But that kind of trust must be earned. I understood this when I did my first deal 23 years ago. A basic premise of my entire career has been the knowledge that I will be working with the same people again and again. That means that I am always thinking about the deal I am making right now but also about a given player's future deals. It means I see the other party as a potential partner, not as a foe to be vanquished.

If it were not for the team owners, I would not have a profession. If they did not feel that they could operate at a profit, we would not have an industry. I may believe that a player deserves every penny he is paid, but that is only half the equation. The other half depends upon whether the owner believes he can profit by making that payment.

These are not showdowns. In the end they are collaborations. We each have an interest in the success and health of the other. I need and want professional sports to survive and thrive. The various leagues need a steady supply of quality players who are quality people. Each side has something to offer the other. Each side depends on the other.

In any industry in which repeat business is done with the same parties, there is always a balance between pushing the limit on any particular negotiation and making sure the other party—and your relationship with him—survives intact. This is not to suggest that you subordinate your interests to his. But sometimes it is in your best long-term interest to leave something on the table, especially if the other party has made an error that works to your advantage.

No one likes being taken advantage of. We are all human beings. We all have the potential to make a mistake. No matter how much each side stresses preparation, there is no way to consider every factor in a negotiation. There may be times during the process where one party realizes he has made an error in calculation or in interpretation and may ask that that point be revised. There may be times where terms have been agreed to but the other party then sees a mistake and asks you to let him off the hook. You don't have to do it. You could stick him on that point. But you need to ask yourself, Is it worth it? Is what I have to gain here worth what I will lose in terms of this person's willingness to work with me in the future? In most cases, the long-term relationship is much more valuable than the short-term gain. Sometimes the other party may make a mistake and not know it. There are times when the GM or owner I am dealing with makes a major error in his calculations or commits a major oversight, and I can easily take advantage of that and just nail him.

But I don't. He shows me his jugular, and instead of slashing it, I pull back. I might even point out his error. Because if I do crush him, he will eventually realize it. And although I might make a killing on that particular deal, I will also have killed our relationship and, very likely, any possibility of future agreements. Or it might be that the person's mistake costs him his job, in which case someone else might take his place—who is much rougher to deal with and is intent on paying me back for taking his predecessor to the cleaners."

Source: Leigh Steinberg, *Winning with Integrity* (New York: Random House, 1998), pp. 217–18.

but fantastic together. To the degree that one person achieves his or her goal, the other's goals are not necessarily blocked, and may in fact be significantly enhanced. The strategy and tactics that accompany each type of situation are discussed further in the upcoming section, Value Claiming and Value Creation, and in Chapters 2 and 3.

Alternatives Shape Interdependence

We noted at the beginning of this section that parties choose to work together because the possible outcome is better than what may occur if they do not work together. Evaluating interdependence therefore also depends heavily on the desirability of *alternatives* to working together. Roger Fisher, William Ury, and Bruce Patton, in their popular book *Getting to Yes: Negotiating Agreement without Giving In,* stress that "whether you should or should not agree on something in a negotiation depends entirely upon the attractiveness to you of the best available alternative."[7] They call this alternative a BATNA (an acronym for best alternative to a negotiated agreement) and suggest that negotiators need to understand their own BATNA and the other party's BATNA. The value of a person's BATNA is always relative to the possible settlements available in the current negotiation. A BATNA may offer independence, dependence, or interdependence with someone else. A student who is a month away from college graduation and has only one job offer at a salary far lower than he hoped has the choice of accepting that job offer or unemployment; there is little chance that he is going to influence the company to pay him much more than their starting offer.[8] A student who has two offers has a choice between two future interdependent relationships; not only does she have a choice, but she can probably use each job offer to attempt to improve the agreement by playing the employers off against each other (asking employer A to improve its offer over B, etc.). Remember that every possible interdependency has an alternative; negotiators can always say "no" and walk away, although the alternative might not be a very good one. We will further discuss the role and use of BATNAs in Chapters 2, 4, and 8.

Mutual Adjustment

When parties are interdependent, they have to find a way to resolve their differences. Both parties can influence the other's outcomes and decisions, and their own outcomes and decisions can be influenced by the other.[9] This mutual adjustment continues throughout the negotiation as both parties act to influence the other.[10] It is important to recognize that negotiation is a process that transforms over time, and mutual adjustment is one of the key causes of the changes that occur during a negotiation.[11]

Let us return to Sue Carter's job in the small community bank. Rather than continuing to have her loans be approved late, which means she loses the loan and doesn't qualify for bonus pay, Sue is thinking about leaving the small bank and taking a job with Intergalactic Bank in the next city. Her prospective manager, Max, thinks Sue is a desirable candidate for the position and is ready to offer her the job. Max and Sue are now attempting to establish Sue's salary. The job advertisement announced the salary as "competitive." After talking with her husband Joe and looking at statistics on bank loan officers' pay in the state, and considering her past experience as a loan officer, Sue identified a salary below which she will not work ($70,000) and hopes she might get considerably more. But because Intergalactic

Bank has lots of job applicants and is a very desirable employer in the area, Sue has decided not to state her minimally acceptable salary; she suspects that the bank will pay no more than necessary and that her minimum would be accepted quickly. Moreover, she knows that it would be difficult to raise the level if it should turn out that $70,000 was considerably below what Max would pay. Sue has thought of stating her ideal salary ($80,000), but she suspects that Max will view her as either too aggressive or rude for requesting that much. Max might refuse to hire her, or even if they agreed on salary, Max would have formed an impression of Sue as a person with an inflated sense of her own worth and capabilities.

Let's take a closer look at what is happening here. Sue is making her decision about an opening salary request based in part on what bank loan officers are paid in the area, but also very much on how she anticipates Max will react to her negotiating tactics. Sue recognizes that her actions will affect Max. Sue also recognizes that the way Max acts toward her in the future will be influenced by the way her actions affect him now. As a result, Sue is assessing the indirect impact of her behavior on herself. Further, she also knows that Max is probably alert to this and will look upon any statement by Sue as reflecting a preliminary position on salary rather than a final one. To counter this expected view, Sue will try to find some way to state a proposed salary that is higher than her minimum, but lower than her "dream" salary offer. Sue is choosing among opening requests with a thought not only to how they will affect Max but also to how they will lead Max to act toward Sue. Further, if she really thought about it, Sue might imagine that Max believes she will act in this way and makes her decision on the basis of this belief.

The reader may wonder if people really pay attention to all these layers of nuance and complexity or plot in such detail about their negotiation with others. The answer is "NO"! First, because they don't think beyond step 1—deciding what they really want—and second, if they did, they would likely be frozen into inactivity while they tried to puzzle through all the possibilities. However, engaging in this level of thinking can help anticipate the possible ways negotiations might move as the parties move, in some form of mutual adjustment, toward agreement. The effective negotiator needs to understand how people will adjust and readjust, and how the negotiations might twist and turn, based on one's own moves, the others' responses, my own countermoves, etc.

It might seem that the best strategy for successful mutual adjustment to the other is grounded in the assumption that the more information one has about the other person, the better. There is the possibility, however, that too much knowledge only confuses.[12] For example, suppose Sue knows the average salary ranges for clerical, supervisory, and managerial positions for banks in her state and region. Does all this information help Sue determine her actions, or does it only confuse things? In fact, even with all of this additional information, Sue may still not have reached a decision about what salary she should be paid, other than a minimum figure below which she will not go. This state of affairs is typical to many negotiations. Both parties have defined their outer limits for an acceptable settlement (how high or low they are willing to go), but within that range, neither has determined what the preferred number should be. Or they have thought only about a desired salary, but not a minimally acceptable one. The parties need to exchange information, attempt to influence each other, and problem solve. They must work toward a solution that takes into account each person's requirements and, hopefully, optimize the outcomes for both.[13]

Mutual Adjustment and Concession Making

Negotiations often begin with statements of opening positions. Each party states its most preferred settlement proposal, hoping that the other side will simply accept it, but not really believing that a simple "yes" will be forthcoming from the other side (remember our key definitional element of negotiation as the expectation of give-and-take). If the proposal isn't readily accepted by the other, negotiators begin to defend their own initial proposals and critique the others' proposals. Each party's rejoinder usually suggests alterations to the other party's proposal and perhaps also contains changes to his or her own position. When one party agrees to make a change in his or her position, a concession has been made.[14] Concessions restrict the range of options within which a solution or agreement will be reached; when a party makes a concession, the *bargaining range* (the range of possible agreements between the two party's minimally acceptable settlements) is further constrained. For instance, Sue would like to get a starting salary of $80,000, but she scales her request down to $75,000, thereby eliminating all possible salary options above $75,000. Before making any concessions to a salary below $75,000, Sue probably will want to see some willingness on the part of the bank to improve its salary offer.

Two Dilemmas in Mutual Adjustment

Deciding how to use concessions as signals to the other side and attempting to read the signals in the other's concessions are not easy tasks, especially when there is little trust between negotiators. Two of the dilemmas that all negotiators face, identified by Harold Kelley,[15] help explain why this is the case. The first dilemma, the *dilemma of honesty,* concerns how much of the truth to tell the other party. (The ethical considerations of these dilemmas are discussed in Chapter 5.) On the one hand, telling the other party everything about your situation may give that person the opportunity to take advantage of you. On the other hand, not telling the other person anything about your needs and desires may lead to a stalemate. Just how much of the truth should you tell the other party? If Sue told Max that she would work for as little as $70,000 but would like to start at $80,000, it is quite possible that Max would hire her for $70,000 and allocate the extra money that he might have paid her elsewhere in the budget.[16] If, however, Sue did not tell Max any information about her salary aspirations, then Max would have a difficult time knowing Sue's aspirations and what she would consider an attractive offer. He might make an offer based on the salary of the last person he hired, or claim "bank policy" for hiring at her experience level, and wait for her reaction to determine what to say next.

Kelley's second dilemma is the *dilemma of trust:* How much should negotiators believe what the other party tells them? If you believe everything the other party says, then he or she could take advantage of you. If you believe nothing that the other party says, then you will have a great deal of difficulty in reaching an agreement. How much you should trust the other party depends on many factors, including the reputation of the other party, how he or she treated you in the past, and a clear understanding of the pressures on the other in the present circumstances. If Max told Sue that $65,000 was the maximum he was allowed to pay her for the job without seeking approval "from the Intergalactic corporate office," should Sue believe him or not? As you can see, sharing and clarifying information is not as easy as it first appears.

The Importance of Aligning Perceptions BOX 1.5

Having information about your negotiation partner's perceptions is an important element of negotiation success. When your expectations of a negotiated outcome are based on faulty information, it is likely that the other party will not take you seriously. Take, for example, the following story told to one of the authors:

> At the end of a job interview, the recruiter asked the enthusiastic MBA student, "And what starting salary were you looking for?"
>
> The MBA candidate replied, "I would like to start in the neighborhood of $150,000 per year, depending on your benefits package."
>
> The recruiter said, "Well, what would you say to a package of five weeks' vacation, 14 paid holidays, full medical and dental coverage, company matching retirement fund up to 50 percent of your salary, and a new company car leased for your use every two years . . . say, a red Porsche?"
>
> The MBA sat up straight and said, "Wow! Are you kidding?"
>
> "Of course," said the recruiter. "But you started it."

The search for an optimal solution through the processes of giving information and making concessions is greatly aided by trust and a belief that you're being treated honestly and fairly. Two efforts in negoti ation help to create such trust and beliefs—one is based on perceptions of outcomes and the other on perceptions of the process. Outcome perceptions can be shaped by managing how the receiver views the proposed result. If Max convinces Sue that a lower salary for the job is relatively unimportant given the high potential for promotion associated with the position and the very generous bonus policy, then Sue may feel more comfortable accepting a lower salary. Perceptions of the trustworthiness and credibility of the process can be enhanced by conveying images that signal fairness and reciprocity in proposals and concessions (see Box 1.5). When one party makes several proposals that are rejected by the other party and the other party offers no proposal, the first party may feel improperly treated and may break off negotiations. When people make a concession, they trust the other party and the process far more if a concession is returned. In fact, the belief that concessions will occur during negotiations appears to be almost universal. During training seminars, we have asked negotiators from more than 50 countries if they expect give-and-take to occur during negotiations in their culture; all have said they do. This pattern of give-and-take is not just a characteristic of negotiation; it is also essential to joint problem solving in most interdependent relationships.[17] *Satisfaction with a negotiation is as much determined by the process through which an agreement is reached as with the actual outcome obtained.* To eliminate or even deliberately attempt to reduce this give-and-take—as some legal and labor–management negotiating strategies have attempted[18]—is to short-circuit the process, and it may destroy both the basis for trust and any possibility of achieving a mutually satisfactory result.

Value Claiming and Value Creation

Earlier, we identified two types of interdependent situations—zero-sum and non-zero-sum. Zero-sum or *distributive situations* are ones in which there can be only one winner or where the parties are attempting to get the larger share or piece of a fixed resource, such as an amount of raw material, money, time, and the like. In contrast, non-zero-sum or *integrative or mutual gains situations* are ones in which many people can achieve their goals and objectives.

The structure of the interdependence shapes the strategies and tactics that negotiators employ. In distributive situations, negotiators are motivated to win the competition and beat the other party or to gain the largest piece of the fixed resource that they can. To achieve these objectives, negotiators usually employ win–lose strategies and tactics. This approach to negotiation—called *distributive bargaining*—accepts the fact that there can only be one winner given the situation and pursues a course of action to be that winner. The purpose of the negotiation is to *claim value*—that is, to do whatever is necessary to claim the reward, gain the lion's share of the prize, or gain the largest piece possible.[19] An example of this type of negotiation is purchasing a used car or buying a used refrigerator at a yard sale. We fully explore the strategy and tactics of distributive bargaining, or processes of claiming value, in Chapter 2 and some of the less ethical tactics that can accompany this process in Chapter 5.

In contrast, in integrative situations the negotiators should employ win–win strategies and tactics. This approach to negotiation—called *integrative negotiation*—attempts to find solutions so both parties can do well and achieve their goals. The purpose of the negotiation is to create value—that is, to find a way for all parties to meet their objectives, either by identifying more resources or finding unique ways to share and coordinate the use of existing resources. An example of this type of negotiation might be planning a wedding so that the bride, groom, and both families are happy and satisfied, and the guests have a wonderful time. We fully explore the strategy and tactics of integrative, value-creating negotiations in Chapter 3.

It would be simple and elegant if we could classify all negotiation problems into one of these two types and indicate which strategy and tactics are appropriate for each problem. Unfortunately, *most actual negotiations are a combination of claiming and creating value processes*. The implications for this are significant:

1. *Negotiators must be able to recognize situations that require more of one approach than the other:* those that require predominantly distributive strategy and tactics, and those that require integrative strategy and tactics. Generally, distributive bargaining is most appropriate when time and resources are limited, when the other is likely to be competitive, and when there is no likelihood of future interaction with the other party. Most other situations should be approached with an integrative strategy.
2. *Negotiators must be versatile in their comfort and use of both major strategic approaches*. Not only must negotiators be able to recognize which strategy is most appropriate, but they must be able to employ both approaches with equal versatility. There is no single "best," "preferred," or "right" way to negotiate; the choice of negotiation strategy requires adaptation to the situation, as we will explain more fully in the next section on conflict. Moreover, if most negotiation issues or problems have components of both claiming and creating values, then negotiators must be able to use both approaches in the same deliberation.
3. *Negotiator perceptions of situations tend to be biased toward seeing problems as more distributive/competitive than they really are.* Accurately perceiving the nature

of the interdependence between the parties is critical for successful negotiation. Unfortunately, most negotiators do not accurately perceive these situations. People bring baggage with them to a negotiation: past experience, personality, moods, assumptions about the other party, and beliefs about how to negotiate. These elements dramatically shape how people perceive an interdependent situation, and these perceptions have a strong effect on the subsequent negotiation. Moreover, research has shown that people are prone to several systematic biases in the way they perceive and judge interdependent situations.[20] While we discuss these biases extensively in Chapter 6, the important point here is that the predominant bias is to see interdependent situations as more distributive or competitive than they really are. As a result, there is a tendency to assume a negotiation problem is more zero-sum than it may be and to *overuse* distributive strategies for solving the problem. As a consequence, negotiators often leave unclaimed value at the end of their negotiations because they failed to recognize opportunities for creating value.

The tendency for negotiators to see the world as more competitive and distributive than it is, and to underuse integrative, creating-value processes, suggests that many negotiations yield suboptimal outcomes. This does not need to be the case. At the most fundamental level, successful coordination of interdependence has the potential to lead to synergy, which is the notion that "the whole is greater than the sum of its parts." There are numerous examples of synergy. In the business world, many research and development joint ventures are designed to bring together experts from different industries, disciplines, or problem orientations to maximize their innovative potential beyond what each company can do individually. Examples abound of new technologies in the areas of medicine, communication, computing, and the like. The fiber-optic cable industry was pioneered by research specialists from the glass industry and specialists in the manufacturing of electrical wire and cable—industry groups that had little previous conversation or contact. A vast amount of new medical instrumentation and technology has been pioneered in partnerships between biologists and engineers. In these situations, interdependence was created between two or more of the parties, and the creators of these enterprises, who successfully applied the negotiation skills discussed throughout this book, enhanced the potential for successful value creation.

Value may be created in numerous ways, and the heart of the process lies in exploiting the differences that exist between the negotiators.[21] The key differences among negotiators include these:

1. *Differences in interests*. Negotiators seldom value all items in a negotiation equally. For instance, in discussing a compensation package, a company may be more willing to concede on the amount of a signing bonus than on salary because the bonus occurs only in the first year, while salary is a permanent expense. An advertising company may be quite willing to bend on creative control of a project, but very protective of control over advertising placement. Finding compatibility in different interests is often the key to unlocking the puzzle of value creation.
2. *Differences in judgments about the future*. People differ in their evaluation of what something is worth or the future value of an item. For instance, is that piece of

swamp land a valuable wetland to preserve, or a bug-infested flood control problem near a housing development, or a swamp that needs to be drained to build a shopping center? How parties see the present and what is possible that needs to be created—or avoided—can create opportunities for the parties to get together.

3. *Differences in risk tolerance*. People differ in the amount of risk they are comfortable assuming. A young, single-income family with three children can probably sustain less risk than a mature, dual-income couple near retirement. A company with a cash flow problem can assume less risk of expanding its operations than one that is cash-rich.
4. *Differences in time preference.* Negotiators frequently differ in how time affects them. One negotiator may want to realize gains now while the other may be happy to defer gains into the future; one needs a quick settlement while the other has no need for any change in the status quo. Differences in time preferences have the potential to create value in a negotiation. For instance, a car salesman may want to close a deal by the end of the month in order to be eligible for a special company bonus, while the potential buyer intends to trade his car "sometime in the next six months."

In summary, while value is often created by exploiting common interests, differences can also serve as the basis for creating value. The heart of negotiation is exploring both common and different interests to create this value and employing such interests as the foundation for a strong and lasting agreement. Differences can be seen as insurmountable, however, and in that case serve as barriers to reaching agreement. As a result, negotiators must also learn to manage conflict effectively in order to manage their differences while searching for ways to maximize their joint value. Managing conflict is the focus of the next section.

Conflict

As we have been discussing, a potential consequence of interdependent relationships is conflict. Conflict can result from the strongly divergent needs of the two parties or from misperceptions and misunderstandings. Conflict can occur when the two parties are working toward the same goal and generally want the same outcome or when both parties want very different outcomes. Regardless of the cause of the conflict, negotiation can play an important role in resolving it effectively. In this section, we will define conflict, discuss the different levels of conflict that can occur, review the functions and dysfunctions of conflict, and discuss strategies for managing conflict effectively.

Definitions

Conflict may be defined as a "sharp disagreement or opposition, as of interests, ideas, etc." and includes "the perceived divergence of interest, or a belief that the parties' current aspirations cannot be achieved simultaneously."[22] Conflict results from "the interaction of interdependent people who perceived incompatible goals and interference from each other in achieving those goals."[23]

Levels of Conflict

One way to understand conflict is to distinguish it by level. Four levels of conflict are commonly identified:

1. *Intrapersonal or intrapsychic conflict*. These conflicts occur within an individual. Sources of conflict can include ideas, thoughts, emotions, values, predispositions, or drives that are in conflict with each other. We want an ice cream cone badly, but we know that ice cream is very fattening. We are angry at our boss, but we're afraid to express that anger because the boss might fire us for being insubordinate. The dynamics of intrapsychic conflict are traditionally studied by various subfields of psychology: cognitive psychologists, personality theorists, clinical psychologists, and psychiatrists.[24] Although we will occasionally delve into the internal psychological dynamics of negotiators (e.g., in Chapter 6), this book generally doesn't address intrapersonal conflict.
2. *Interpersonal conflict*. A second major level of conflict is between individuals. Interpersonal conflict occurs between co-workers, spouses, siblings, roommates, or neighbors. Most of the negotiation theory in this book is drawn from studies of interpersonal negotiation and directly addresses the management and resolution of interpersonal conflict.
3. *Intragroup conflict*. A third major level of conflict is within a group—among team and work group members and within families, classes, living units, and tribes. At the intragroup level, we analyze conflict as it affects the ability of the group to make decisions, work productively, resolve its differences, and continue to achieve its goals effectively. Within-group negotiations, in various forms, are discussed in Chapter 10.
4. *Intergroup conflict*. The final level of conflict is intergroup—between organizations, ethnic groups, warring nations, or feuding families or within splintered, fragmented communities. At this level, conflict is quite intricate because of the large number of people involved and the multitudinous ways they can interact with each other. Negotiations at this level are also the most complex.

Functions and Dysfunctions of Conflict

Most people initially believe that conflict is bad or dysfunctional. This belief has two aspects: first, that conflict is an indication that something is wrong, broken or dysfunctional, and, second, that conflict creates largely destructive consequences. Deutsch and others[25] have elaborated on many of the elements that contribute to conflict's destructive image:

1. *Competitive, win–lose goals*. Parties compete against each other because they believe that their interdependence is such that goals are in opposition and both cannot simultaneously achieve their objectives.[26] Competitive goals lead to competitive processes to obtain those goals.
2. *Misperception and bias.* As conflict intensifies, perceptions become distorted. People come to view things consistently with their own perspective of the conflict. Hence, they tend to interpret people and events as being either with them or against them.

In addition, thinking tends to become stereotypical and biased—parties endorse people and events that support their position and reject outright those who oppose them.

3. *Emotionality.* Conflicts tend to become emotionally charged as the parties become anxious, irritated, annoyed, angry, or frustrated. Emotions overwhelm clear thinking, and the parties may become increasingly irrational as the conflict escalates.
4. *Decreased communication.* Productive communication declines with conflict. Parties communicate less with those who disagree with them and more with those who agree. The communication that does occur is often an attempt to defeat, demean, or debunk the other's view or to strengthen one's own prior arguments.
5. *Blurred issues.* The central issues in the dispute become blurred and less well defined. Generalizations abound. The conflict becomes a vortex that sucks in unrelated issues and innocent bystanders. The parties become less clear about how the dispute started, what it is "really about," or what it will take to solve it.
6. *Rigid commitments*. The parties become locked into positions. As the other side challenges them, parties become more committed to their points of view and less willing to back down from them for fear of losing face and looking foolish. Thinking processes become rigid, and the parties tend to see issues as simple and "either/or" rather than as complex and multidimensional (refer back to our earlier example of the deadlocked government negotiation).
7. *Magnified differences, minimized similarities*. As parties lock into commitments and issues become blurred, they tend to see each other—and each other's positions—as polar opposites. Factors that distinguish and separate them from each other become highlighted and emphasized, while similarities that they share become oversimplified and minimized. This distortion leads the parties to believe they are further apart from each other than they really may be, and hence they may work less hard to find common ground.
8. *Escalation of the conflict.* As the conflict progresses, each side becomes more entrenched in its own view, less tolerant and accepting of the other, more defensive and less communicative, and more emotional. The net result is that both parties attempt to win by increasing their commitment to their position, increasing the resources they are willing to spend to win, and increasing their tenacity in holding their ground under pressure. Both sides believe that by adding more pressure (resources, commitment, enthusiasm, energy, etc.), they can force the other to capitulate and admit defeat. As most destructive conflicts reveal, however, nothing could be further from the truth! Escalation of the conflict level and commitment to winning can increase so high that the parties will destroy their ability to resolve the conflict or ever be able to deal with each other again.

These are the processes that are commonly associated with escalating, polarized, "intractable" conflict. However, conflict also has many *productive* aspects.[27] Figure 1.1 outlines some of these productive aspects. From this perspective, conflict is not simply destructive

FIGURE 1.1 | Functions and Benefits of Conflict

- Discussing conflict makes organizational members more aware and able to cope with problems. Knowing that others are frustrated and want change creates incentives to try to solve the underlying problem.
- Conflict promises organizational change and adaptation. Procedures, assignments, budget allocations, and other organizational practices are challenged. Conflict draws attention to those issues that may interfere with and frustrate employees.
- Conflict strengthens relationships and heightens morale. Employees realize that their relationships are strong enough to withstand the test of conflict; they need not avoid frustrations and problems. They can release their tensions through discussion and problem solving.
- Conflict promotes awareness of self and others. Through conflict, people learn what makes them angry, frustrated, and frightened and also what is important to them. Knowing what we are willing to fight for tells us a lot about ourselves. Knowing what makes our colleagues unhappy helps us to understand them.
- Conflict enhances personal development. Managers find out how their style affects their subordinates through conflict. Workers learn what technical and interpersonal skills they need to upgrade themselves.
- Conflict encourages psychological development—it helps people become more accurate and realistic in their self-appraisals. Through conflict, people take others' perspectives and become less egocentric. Conflict helps people believe they are powerful and capable of controlling their own lives. They do not simply need to endure hostility and frustration but can act to improve their lives.
- Conflict can be stimulating and fun. People feel aroused, involved, and alive in conflict, and it can be a welcome break from an easygoing pace. It invites employees to take another look and to appreciate the intricacies of their relationships.

Source: Reprinted from Dean Tjosvold, *Working Together to Get Things Done: Managing for Organizational Productivity,* Lanham, MD: Lexington Books (1986).

or productive; it is both. The objective is not to eliminate conflict but to learn how to manage it to control the destructive elements while enjoying the productive aspects. *Negotiation is a strategy for productively managing conflict.*

Factors That Make Conflict Easy or Difficult to Manage

Figure 1.2 presents a conflict diagnostic model. This model offers some useful dimensions for analyzing any dispute and determining how easy or difficult it will be to resolve. Conflicts with more of the characteristics in the "difficult to resolve" column will be harder to settle, while those that have more characteristics in the "easy to resolve" column will be settled quicker.

Effective Conflict Management

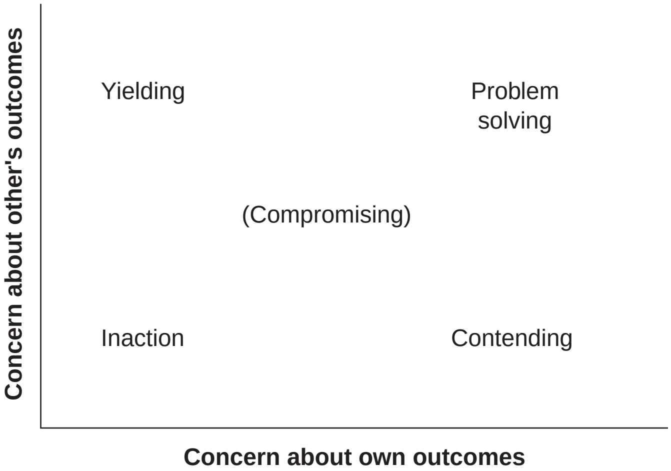
Many frameworks for managing conflict have been suggested, and inventories have been constructed to measure negotiator tendencies to use these approaches. Each approach begins with a similar two-dimensional framework and then applies different labels and descriptions to five key points. We will describe these points using the framework proposed by Dean Pruitt, Jeffrey Rubin, and S. H. Kim.[28]

FIGURE 1.2 | Conflict Diagnostic Model

	Viewpoint Continuum	
Dimension	**Difficult to Resolve**	**Easy to Resolve**
Issue in question	Matter of "principle"—values, ethics, or precedent a key part of the issue	Divisible issue—issue can be easily divided into small parts, pieces, units
Size of stakes—magnitude of what can be won or lost	Large—big consequences	Small—little, insignificant consequences
Interdependence of the parties—degree to which one's outcomes determine other's outcomes	Zero sum—what one wins, the other loses	Positive sum—both believe that *both* can do better than simply distributing current outcomes
Continuity of interaction—will they be working together in the future?	Single transaction—no past or future	Long-term relationship—expected interaction in the future
Structure of the parties—how cohesive, organized they are as a group	Disorganized—uncohesive, weak leadership	Organized—cohesive, strong leadership
Involvement of third parties—can others get involved to help resolve the dispute?	No neutral third party available	Trusted, powerful, prestigious third party available
Perceived progress of the conflict—balanced (equal gains and equal harm) or unbalanced (unequal gain, unequal harm)	Unbalanced—one party feels more harm and will want revenge and retribution whereas stronger party wants to maintain control	Balanced—both parties suffer equal harm and equal gain; both may be more willing to call it a "draw"

Source: Reprinted from Leonard Greenhalgh, Managing Conflict, *Sloan Management Review 27,* no. 6 (1986), pp. 45–51.

FIGURE 1.3 | The Dual Concerns Model



Source: Reprinted from Dean G. Pruitt, Jeffrey Z. Rubin, and Sung H. Kim, *Social Conflict: Escalation, Stalemate, and Settlement,* 2nd ed., (New York: The McGraw-Hill Companies, 1994).

The two-dimensional framework presented in Figure 1.3 is called the *dual concerns model*. The model postulates that people in conflict have two independent types of concern: concern about their own outcomes (shown on the horizontal dimension of the figure) and concern about the other's outcomes (shown on the vertical dimension of the figure). These concerns can be represented at any point from none (representing very low concern) to high (representing very high concern). The vertical dimension is often referred to as the cooperativeness dimension, and the horizontal dimension as the assertiveness dimension. The stronger their concern for their own outcomes, the more likely people will be to pursue strategies located on the right side of the figure, whereas the weaker their concern for their own outcomes, the more likely they will be to pursue strategies located on the left side of the figure. Similarly, the stronger their concern for permitting, encouraging, or even helping the other party achieve his or her outcomes, the more likely people will be to pursue strategies located at the top of the figure, while the weaker their concern for the other party's outcomes, the more likely they will be to pursue strategies located at the bottom of the figure.

Although we can theoretically identify an almost infinite number of points within the two-dimensional space based on the level of concern for pursuing one's own and the other's outcomes, five major strategies for conflict management have been commonly identified in the dual concerns model:

1. *Contending* (also called competing or dominating) is the strategy in the lower right-hand corner. Actors pursuing the contending strategy pursue their own outcomes strongly and show little concern for whether the other party obtains his or her desired outcomes. As Pruitt and Rubin state, "[P]arties who employ this strategy maintain

"My concession speech will be brief. You win."

their own aspirations and try to persuade the other party to yield."[29] Threats, punishment, intimidation, and unilateral action are consistent with a contending approach.

2. *Yielding* (also called accommodating or obliging) is the strategy in the upper left-hand corner. Actors pursuing the yielding strategy show little interest or concern in whether they attain their own outcomes, but they are quite interested in whether the other party attains his or her outcomes. Yielding involves lowering one's own aspirations to "let the other win" and gain what he or she wants. Yielding may seem like a strange strategy to some, but it has its definite advantages in some situations.
3. *Inaction* (also called avoiding) is the strategy in the lower left-hand corner. Actors pursuing the inaction strategy show little interest in whether they attain their own outcomes, as well as little concern about whether the other party obtains his or her outcomes. Inaction is often synonymous with withdrawal or passivity; the party prefers to retreat, be silent, or do nothing.
4. *Problem solving* (also called collaborating or integrating) is the strategy in the upper right-hand corner. Actors pursuing the problem-solving strategy show high concern for attaining their own outcomes and high concern for whether the other party attains his or her outcomes. In problem solving, the two parties actively pursue approaches to maximize their joint outcome from the conflict.
5. *Compromising* is the strategy located in the middle of Figure 1.3. As a conflict management strategy, it represents a moderate effort to pursue one's own outcomes and a moderate effort to help the other party achieve his or her outcomes. Pruitt and Rubin do not identify compromising as a viable strategy; they see it "as arising from one of

two sources—either lazy problem solving involving a half-hearted attempt to satisfy the two parties' interests, or simple yielding by both parties."[30] However, because many other scholars who use versions of this model (see endnote 26) believe that compromising represents a valid strategic approach to conflict, rather than as laziness or a cop-out, we have inserted it in Pruitt, Rubin, and Kim's framework in Figure 1.3.

Much of the early writing about conflict management strategies—particularly the work in the 1960s and 1970s—had a strong normative value bias against conflict and toward cooperation.[31] Although these models suggested the viability of all five strategic approaches to managing conflict, problem solving was identified as the distinctly preferred approach. Those writings stressed the virtues of problem solving, advocated using it, and described how it could be pursued in almost any conflict. However, more recent writing, although still strongly committed to problem solving, has been careful to stress that each conflict management strategy has its own distinct advantages and disadvantages and can be more or less appropriate to use given the type of interdependence and conflict context (see Figure 1.4).

Overview of the Chapters in This Book

The book is organized into 12 chapters. The first five chapters address the "fundamentals of negotiation." In addition to this first overview chapter, Chapters 2 and 3 explore the basic strategy and tactics of distributive bargaining and integrative negotiation. Chapter 4 explores how parties can plan and prepare a negotiation strategy and effectively anticipate their encounter with the other negotiator. Finally, in Chapter 5, we discuss whether there are, or should be, accepted ethical standards to guide negotiations. We identify the major ethical issues raised in negotiation, describe the ways negotiators tend to think about those choices, and provide a framework for making informed ethical decisions.

The next three chapters explore critical negotiation subprocesses. In Chapter 6 we discuss how a negotiator's perceptions, cognitions, and emotions tend to shape (and often bias) the way the negotiator views and interprets bargaining interaction. Chapter 7 examines the processes by which negotiators effectively communicate their own interests, positions, and goals, and make sense of the other party's communications. Chapter 8 focuses on power in negotiation; the chapter begins by defining the nature of power, and discussing some of the dynamics of using it in negotiation, followed by an exploration of the key sources of power available to most negotiators.

Much of our discussion thus far assumes that the negotiation parties do not have all established long-term relationship. Chapter 9 looks at ways that established relationships impact current negotiations, and considers three major concerns—reputations, trust, and fairness—that are particularly critical to effective negotiations within a relationship. In Chapter 10, we examine how negotiations change when there are multiple parties at the table—such as negotiating within groups and teams—who are attempting to achieve a collective agreement or group consensus. In Chapter 11, we examine how different languages and national culture changes the "ground rules" of negotiation. This chapter discusses some of the factors that make international negotiation different, and how national culture affects the rhythm and flow of negotiation.

FIGURE 1.4 | Styles of Handling Interpersonal Conflict and Situations where They Are Appropriate or Inappropriate

Conflict Style	Situations Where Appropriate	Situations Where Inappropriate
Integrating	1. Issues are complex. 2. Synthesis of ideas is needed to come up with better solutions. 3. Commitment is needed from other parties for successful implementation. 4. Time is available for problem solving. 5. One party alone cannot solve the problem. 6. Resources possessed by different parties are needed to solve their common problems.	1. Task or problem is simple. 2. Immediate decision is required. 3. Other parties are unconcerned about outcome. 4. Other parties do not have problem-solving skills.
Obliging	1. You believe you may be wrong. 2. Issue is more important to the other party. 3. You are willing to give up something in exchange for something from the other party in the future. 4. You are dealing from a position of weakness. 5. Preserving relationship is important.	1. Issue is important to you. 2. You believe you are right. 3. The other party is wrong or unethical.
Dominating	1. Issue is trivial. 2. Speedy decision is needed. 3. Unpopular course of action is implemented. 4. Necessary to overcome assertive subordinates. 5. Unfavorable decision by the other party may be costly to you. 6. Subordinates lack expertise to make technical decisions. 7. Issue is important to you.	1. Issue is complex. 2. Issue is not important to you. 3. Both parties are equally powerful. 4. Decision does not have to be made quickly. 5. Subordinates possess high degree of competence.
Avoiding	1. Issue is trivial. 2. Potential dysfunctional effect of confronting the other party outweighs benefits of resolution. 3. Cooling off period is needed.	1. Issue is important to you. 2. It is your responsibility to make decision. 3. Parties are unwilling to defer; issue must be resolved. 4. Prompt attention is needed.
Compromising	1. Goals of parties are mutually exclusive. 2. Parties are equally powerful. 3. Consensus cannot be reached. 4. Integrating or dominating style is not successful. 5. Temporary solution to a complex problem is needed.	1. One party is more powerful. 2. Problem is complex enough to need a problem-solving approach.

Source: Modified from M. Afzalur Rahim, *Rahim Organizational Conflict Inventories: Professional Manual,* (Palo Alto, CA: Consulting Press Psychologists, 1990).

Finally, in Chapter 12, we reflect on negotiation at a broad level. We look back at the broad perspective we have provided, and suggest 10 "best practices" for those who wish to continue to improve their negotiation skills.

Endnotes

[1] Pruitt, 1981, p. xi.

[2] E.g., Hochberg and Kressel, 1996; Oliver, Balakrishnan, and Barry, 1994; Olekalns, Smith, and Walsh, 1996; Weiss, 1997.

[3] Lewicki, 1992; Rubin and Brown, 1975.

[4] See Bazerman, Tenbrunsel, and Wade-Benzoni (1998) on the challenges of negotiating with yourself.

[5] Saorin-Iborra, 2006.

[6] Deutsch, 1962, p. 276.

[7] Fisher, Ury, and Patton, 1991.

[8] But as we will extensively note in Chapter 2, at this point, the student is only considering his own BATNA. He may not know that the employer believes the student absolutely fits this job description perfectly, hasn't found another candidate with the same qualifications, and might be willing to pay a lot more just to make sure the student doesn't say "no".

[9] Goffman, 1969; Pruitt and Rubin, 1986; Raven and Rubin, 1976; Ritov, 1996.

[10] Alexander, Schul, and Babakus, 1991; Donohue and Roberto, 1996; Eyuboglu and Buja, 1993; Pinkley and Northcraft, 1994.

[11] Gray, 1994; Kolb, 1985; Kolb and Putnam, 1997.

[12] Beisecker, Walker, and Bart, 1989; Raven and Rubin, 1976.

[13] Fisher, Ury, and Patton, 1991; Follett, 1940; Nash, 1950; Sebenius, 1992; Sen, 1970; Walton and McKersie, 1965.

[14] Pruitt, 1981.

[15] Kelley, 1966.

[16] We are not suggesting that Max should do this; rather, because the long-term relationship is important in this situation, Max should ensure that both parties' needs are met (see Chapter 3 for an expanded discussion of this point).

[17] Kimmel, Pruitt, Magenau, Konar-Goldband, and Carnevale, 1980; Putnam and Jones, 1982; Weingart, Thompson, Bazerman, and Carroll, 1990.

[18] Raiffa, 1982; Selekman, Fuller, Kennedy, and Baitsel, 1964.

[19] Lax and Sebenius, 1986.

[20] Bazerman, Magliozzi, and Neale, 1985; Neale and Bazerman, 1985; Neale and Northcraft, 1991; Pinkley, 1992; Thompson, 1990b.

[21] Lax and Sebenius, 1986.

[22] Both from Pruitt and Rubin, 1986, p. 4.

[23] Hocker and Wilmot, 1985, p. 12.

[24] Bazerman, Tenbrunsel, and Wade-Benzoni, 1998.

[25] Deutsch, 1973; Folger, Poole, and Stutman, 1993; Hocker and Wilmot, 1985.

[26] As mentioned earlier, however, the goals may not actually be in opposition, and the parties need not compete. Perception is more determinant than reality.

[27] Coser, 1956; Deutsch, 1973.

[28] Pruitt, Rubin, and Kim, 1994.

[29] Pruitt and Rubin, 1986.

[30] Ibid., p. 29.

[31] Lewicki, Weiss, and Lewin, 1992.