EIGHTH EDITION

Negotiation

ROY J. LEWICKI
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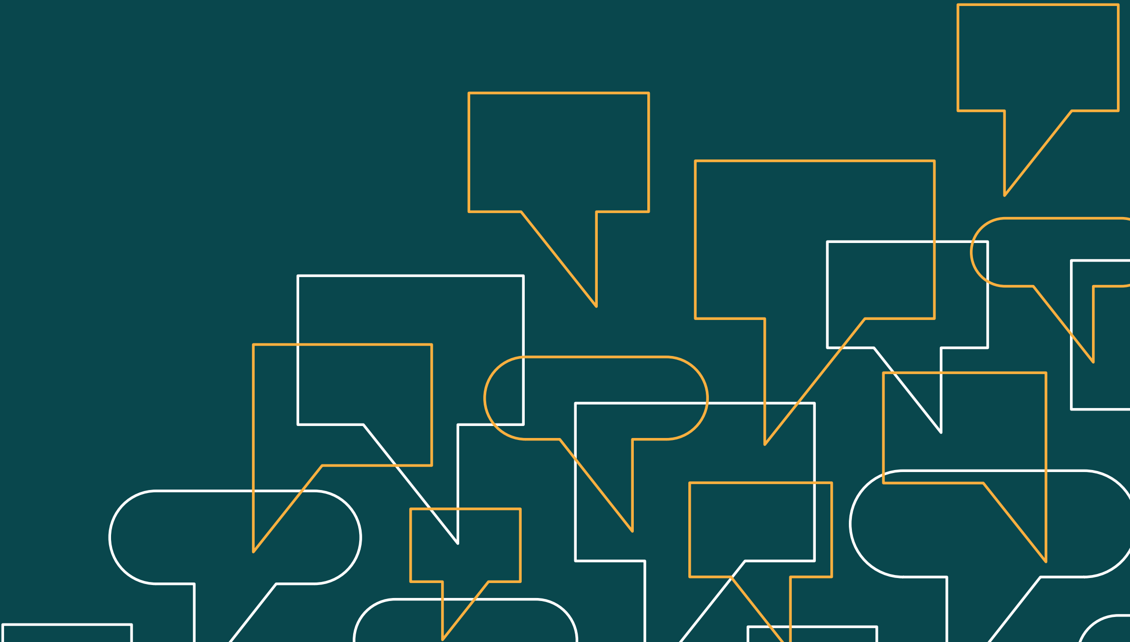

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Negotiation

eighth edition

Roy J. Lewicki
The Ohio State University

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Vanderbilt University

David M. Saunders
Queen's University

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NEGOTIATION, EIGHTH EDITION

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Dedication

We dedicate this book to all negotiation, mediation, and dispute resolution professionals who try to make the world a more peaceful and prosperous place.

And to John W. Minton (1946–2007): friend, colleague, and co-author.

About the Authors

Roy J. Lewicki is the Irving Abramowitz Memorial Professor of Business Ethics Emeritus and Professor of Management and Human Resources Emeritus at the Max M. Fisher College of Business, The Ohio State University. He has authored or edited 40 books, as well as numerous research articles and book chapters. Professor Lewicki has served as the president of the International Association for Conflict Management, and he received its Lifetime Achievement Award in 2013. He received the Academy of Management's Distinguished Educator Award in 2005 and has been recognized as a Fellow of the Academy of Management, International Association of Conflict Management, and Organizational Behavior Teaching Society for his contributions to the fields of negotiation and dispute resolution.

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David M. Saunders has served as dean of Smith School of Business at Queen's University since July 2003. Under his strategic leadership, the school has experienced dramatic growth, including the addition of new and innovative MBA, professional Master's, and executive education programs. In support of Smith's mission to develop outstanding leaders with a global perspective, Dr. Saunders has internationalized the school, adding 80 strategic partnerships around the globe and naming of the Smith School of Business after a $50 million gift from Stephen J.R. Smith. Most recently, he co-developed the Analytics Climate Assessment Tool (ACAT), which is used to assess organizations' technological capacity, skill sets, and analytics culture to compete effectively with business analytics in the era of Big Data. ACAT guides the creation of tailored executive education programs to enhance organizations' analytics culture, strategy, and leadership.

Preface

Welcome to the eighth edition of *Negotiation*!

Those familiar with the seventh edition will note that there has been no substantial change in the fundamental organization of this book. We continue to emphasize negotiator ethics as a core concept that any student of negotiation should read and understand.

The authors have carefully organized *Negotiation* to coordinate with the previous edition of *Negotiation: Readings, Exercises and Cases,* seventh edition. The Readings book will no longer be published in paper form, but its contents are available online to be adopted separately or paired with versions of the *Negotiation* text. A condensed version of this text is also available as *Essentials of Negotiation,* seventh edition, which will be available in 2020.

New Features and Content Changes

Faculty familiar with previous editions will also note the following other changes:

- The entire book has been revised and updated. The authors reviewed every chapter, utilizing extensive feedback from faculty who have used previous editions of the book. The content in some of the chapters has been reorganized and rewritten to present the material more coherently and effectively.
- In our continued effort to enhance the book's readability, we have also updated many of the features that offer lively perspectives on negotiation dynamics.
- We have included learning objectives at the beginning of each chapter and added an outline of the key sections of each chapter on the first page as well.
- A shorter version of this text, *Essentials of Negotiation,* seventh edition, can also be used in conjunction with the readings book.
- Finally, adopters should become fully aware of McGraw-Hill's CREATE service. CREATE allows any adopter to "mix and match" selected chapters from *Negotiation, Essentials of Negotiation,* or the seventh edition of *Negotiation: Readings, Exercises and Cases* into their own custom text. These custom texts are ideal for negotiation courses of different lengths, for different student audiences, and for instructors who want to combine text, readings, and selected exercises and cases into a single "course in a box." We encourage instructors to contact their local McGraw-Hill Education representative for further information, or visit the website at **www.mheducation.com** or **create.mheducation.com**.

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Once again, this book could not have been completed without the assistance of numerous people. We especially thank

- Many of our colleagues in the negotiation and dispute resolution field, whose research efforts have made the growth of this field possible and who have given us helpful feedback about earlier editions to improve the content of this edition.
- The work of John Minton, who helped shape the second, third, and fourth editions of this book and passed away in the fall of 2007.
- The staff of McGraw-Hill Education, especially our current senior editor, Michael Ablassmeir; Laura Spell, our associate portfolio manager who can solve almost any problem and content project manager, Melissa Leick; and Marla Sussman at Integra-CHI, who has provided strong editorial assistance as the authors struggle with the ongoing changes in the process of revising manuscript and creating readable prose.
- Our families, who continue to provide us with the time, inspiration, and opportunities for continued learning about effective negotiation and the personal support required to sustain this project.

Roy J. Lewicki
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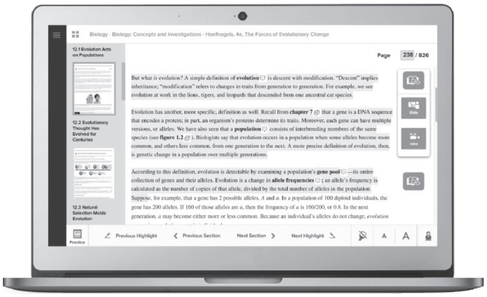
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But what *is* evolution? A simple definition of **evolution** is descent with modification. "Descent" implies inheritance; "modification" refers to changes in traits from generation to generation. For example, we see evolution at work in the lions, tigers, and leopards that descended from one ancestral cat species.

Evolution has another, more specific, definition as well. Recall from **chapter 7** that a gene is a DNA sequence that encodes a protein; in part, an organism's proteins determine its traits. Moreover, each gene can have multiple versions, or alleles. We have also seen that a **population** consists of interbreeding members of the same species (see **figure 1.2**). Biologists say that evolution occurs in a population when some alleles become more common, and others less common, from one generation to the next. A more precise definition of evolution, then, is genetic change in a population over multiple generations.

According to this definition, evolution is detectable by examining a population's **gene pool**—its entire collection of genes and their alleles. Evolution is a change in **allele frequencies**; an allele's frequency is calculated as the number of copies of that allele, divided by the total number of alleles in the population. Suppose, for example, that a gene has 2 possible alleles, *A* and *a*. In a population of 100 diploid individuals, the gene has 200 alleles. If 160 of those alleles are *a*, then the frequency of *a* is 160/200, or 0.8. In the next generation, *a* may become either more or less common. Because an individual's alleles do not change, *evolution*

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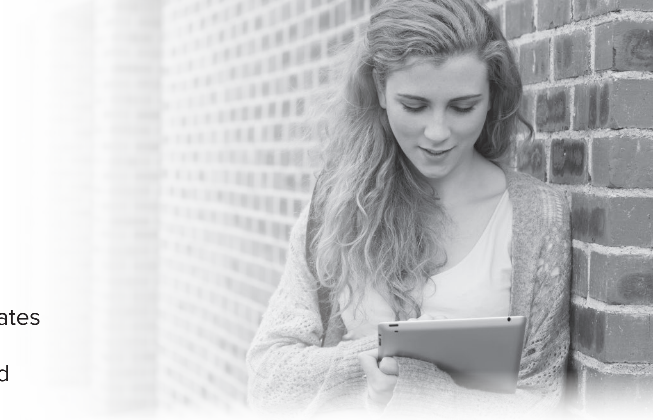

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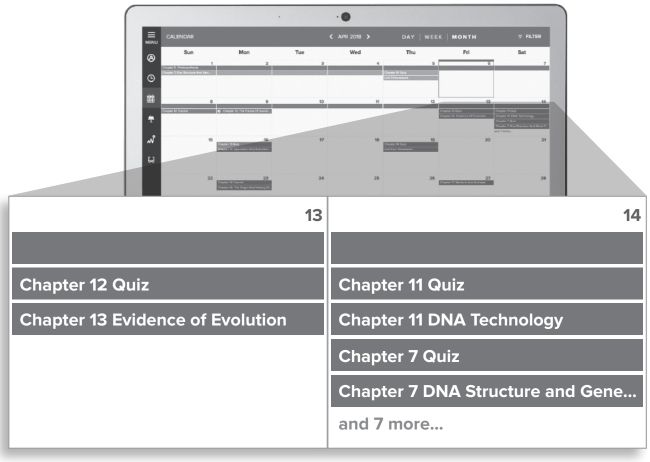

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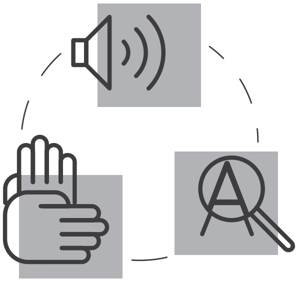

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CHAPTER 1

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 managing conflict.
4. Gain an overview of the organization of this book and the content of its chapters.

CHAPTER OUTLINE

A Few Words about Our Style and Approach
Joe and Sue Carter
Characteristics of a Negotiation Situation
Interdependence
    Types of Interdependence Affect Outcomes
    Alternatives Shape Interdependence
Mutual Adjustment
    Mutual Adjustment and Concession Making
    Two Dilemmas in Mutual Adjustment
Value Claiming and Value Creation
Conflict
    Definitions
    Levels of Conflict
    Functions and Dysfunctions of Conflict
    Factors That Make Conflict Easy or Difficult to Manage
Effective Conflict Management
Overview of the Chapters in This Book
Chapter Summary

"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 into the shower and 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” (Pruitt, 1981, p. xi). 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 an item 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 will 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 an elephant by only touching and feeling different parts of the animal, each social science discipline has its own theory and methods for studying concepts 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.[1] 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 business people—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 in 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 (see Lewicki, 1992; Rubin and Brown, 1975):

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 her head whether to spend a Saturday afternoon studying, playing tennis, or going to a football game—we consider negotiation as a process *between* individuals, within groups, and between groups.[2] 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.
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. In fact, as Kolb (2015) points out, there are many situations where negotiation is possible, but the parties fail to recognize the opportunity to negotiate, accepting (or rejecting) what the other offers without question. But there are also times to negotiate and times not to 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!
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

BOX 1.1 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!"

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 1.1).

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. Libraries have a policy for what they should charge if a rental video 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 video 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* 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 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 (Saorin-Iborra, 2006). 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, 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

When the Urge to Win Overwhelms Rational Decision Making

BOX 1.2

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 led 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 bad) 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 (see Chapter 11).
- *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: Adapted from Malhotra, Deepak K., Ku, Gillian, and Murnighan, Keith J., "When Winning is Everything," *Harvard Business Review,* May 2008, 78–86.

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 1.2 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 help 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 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 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 his or her goals. This mix of convergent and conflicting goals characterizes many interdependent relationships. (See Box 1.3 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" (Deutsch, 1962, p. 276). 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 or a fixed block of time. 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 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 (1991), in their popular book *Getting to Yes: Negotiating Agreement without Giving In,* stress that "whether you should or should not