

14

Conflict and Negotiation

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LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the three types of conflict and the three loci of conflict.
2. Outline the conflict process.
3. Contrast distributive and integrative bargaining.
4. Apply the five steps of the negotiation process.
5. Show how individual differences influence negotiations.
6. Describe the social factors that influence negotiations.
7. Assess the roles and functions of third-party negotiations.

★ Chapter Warm-up

If your professor has chosen to assign this, go to the Assignments section of mymanagementlab.com to complete the chapter warm-up.

A DEFINITION OF CONFLICT

There has been no shortage of definitions of *conflict*,¹ but common to most is the idea that conflict is a perception of differences or opposition. If no one is aware of a conflict, then it is generally agreed no conflict exists. Opposition or incompatibility, as well as interaction, are also needed to begin the conflict process.

We define **conflict** broadly as a process that begins when one party perceives another party has affected or is about to negatively affect something the first party cares about. Conflict describes the point in ongoing activity when interaction becomes disagreement. People experience a wide range of conflicts in organizations over an incompatibility of

Conflict

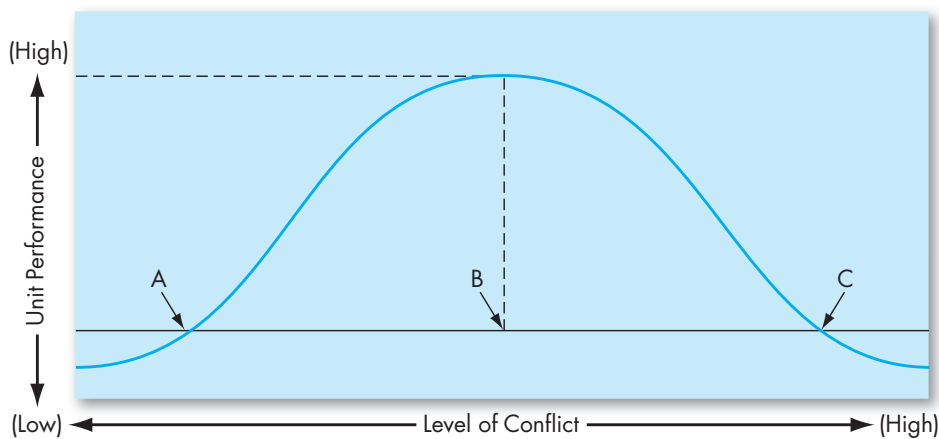
A process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.

goals, differences in interpretations of facts, disagreements over behavioral expectations, and the like. Our definition covers the full range of conflict levels, from overt and violent acts to subtle forms of disagreement.

Contemporary perspectives differentiate types of conflict based on their effects. **Functional conflict** supports the goals of the group and improves its performance, and is thus a constructive form of conflict. For example, a debate among members of a work team about the most efficient way to improve production can be functional if unique points of view are discussed and compared openly. Conflict that hinders group performance is destructive or **dysfunctional conflict**. A highly personal struggle for control that distracts from the task at hand in a team is dysfunctional. Exhibit 14-1 provides an overview depicting the effect of levels of conflict. To understand different types of conflict, we will discuss next the *types* of conflict and the *loci* of conflict.

Functional conflict
Conflict that supports the goals of the group and improves its performance.

Dysfunctional conflict
Conflict that hinders group performance.



Situation	Level of Conflict	Type of Conflict	Unit's Internal Characteristics	Unit Performance Outcome
A	Low or none	Dysfunctional	Apathetic Stagnant Nonresponsive to change Lack of new ideas	Low
B	Optimal	Functional	Viable Self-critical Innovative	High
C	High	Dysfunctional	Disruptive Chaotic Uncooperative	Low

EXHIBIT 14-1
The Effect of Levels of Conflict

Types of Conflict

One means of understanding conflict is to identify the *type* of disagreement, or what the conflict is about. Is it a disagreement about goals? Is it about people who just rub one another the wrong way? Or is it about the best way to get things done? Although each conflict is unique, researchers have classified conflicts into three categories: relationship, task, or process. **Relationship conflict** focuses on interpersonal relationships. **Task conflict** relates to the content and goals of the work. **Process conflict** is about how the work gets done.

Relationship conflict

Conflict based on interpersonal relationships.

Task conflict

Conflict over content and goals of the work.

Process conflict

Conflict over how work gets done.

RELATIONSHIP CONFLICT Studies demonstrate that relationship conflicts, at least in work settings, are almost always dysfunctional. Why? It appears that the friction and interpersonal hostilities inherent in relationship conflicts increase personality clashes and decrease mutual understanding, which hinders the completion of organizational tasks. Of the three types, relationship conflicts also appear to be the most psychologically exhausting to individuals. Because they tend to revolve around personalities, you can see how relationship conflicts can become destructive. After all, we can't expect to change our coworkers' personalities, and we would generally take offense at criticisms directed at who we *are* as opposed to how we behave.

TASK CONFLICT While scholars agree that relationship conflict is dysfunctional, there is considerably less agreement about whether task and process conflicts are functional. Early research suggested that task conflict within groups correlated to higher group performance, but a review of 116 studies found that generalized task conflict was essentially unrelated to group performance. However, close examination revealed that task conflict among top management teams was positively associated with performance, whereas conflict lower in the organization was negatively associated with group performance, perhaps because people in top positions may not feel as threatened in their organizational roles by conflict. This review also found that it mattered whether other types of conflict were occurring at the same time. If task and relationship conflict occurred together, task conflict more likely was negative, whereas if task conflict occurred by itself, it more likely was positive. Other scholars have argued that the strength of conflict is important: if task conflict is very low, people aren't really engaged or addressing the important issues; if task conflict is too high, infighting will quickly degenerate into relationship conflict. Moderate levels of task conflict may thus be optimal. Supporting this argument, one study in China found that moderate levels of task conflict in the early development stage increased creativity in groups, but high levels decreased team performance.²

Finally, the personalities of the teams appear to matter. One study demonstrated that teams of individuals who are, on average, high in openness and emotional stability are better able to turn task conflict into increased group performance. The reason may be that open and emotionally stable teams can put task conflict in perspective and focus on how the variance in ideas can help solve the problem, rather than letting it degenerate into relationship conflicts.

PROCESS CONFLICT What about process conflict? Researchers found that process conflicts are about delegation and roles. Conflicts over delegation often revolve around the perception that some members are shirking, and conflicts over roles can leave some group

members feeling marginalized. Thus, process conflicts often become highly personalized and quickly devolve into relationship conflicts. It's also true, of course, that arguing about how to do something takes time away from actually doing it. We've all been part of groups in which the arguments and debates about roles and responsibilities seem to go nowhere.

Loci of Conflict

Another way to understand conflict is to consider its *locus*, or the framework within which the conflict occurs. Here, too, there are three basic types. **Dyadic conflict** is conflict between two people. **Intragroup conflict** occurs *within* a group or team. **Intergroup conflict** is conflict *between* groups or teams.

Nearly all the literature on relationship, task, and process conflicts considers intragroup conflict (within the group). That makes sense given that groups and teams often exist only to perform a particular task. However, it doesn't necessarily tell us all we need to know about the context and outcomes of conflict. For example, research has found that for intragroup task conflict to positively influence performance within the team, it is important that the team has a supportive climate in which mistakes aren't penalized and every team member "[has] the other's back."³ But is this concept applicable to the effects of intergroup conflict? Think about, say, NFL football. As we said, for a team to adapt and improve, perhaps a certain amount of intragroup conflict (but not too much) is good for team performance, especially when the team members support one another. But would we care whether members from one team supported members from another team? Probably not. In fact, if groups are competing with one another so that only one team can "win," conflict seems almost inevitable. Still, it must be managed. Intense intergroup conflict can be quite stressful to group members and might well affect the way they interact. One study found, for example, that high levels of conflict between teams caused individuals to focus on complying with norms within their teams.⁴

It may surprise you how certain individuals become most important during intergroup conflicts. One study that focused on intergroup conflict found an interplay between an individual's position within a group and the way that individual managed conflict between groups. Group members who were relatively peripheral in their own group were better at resolving conflicts between their group and another one. But this happened only when those peripheral members were still accountable to their groups, and the effect can be confounded by dyadic conflicts.⁵ Thus, being at the core of your work group does not necessarily make you the best person to manage conflict with other groups.

Altogether, understanding functional and dysfunctional conflict requires not only that we identify the type of conflict; we also need to know where it occurs. It's possible that while the concepts of relationship, task, and process conflicts are useful in understanding intragroup or even dyadic conflict, they are less useful in explaining the effects of intergroup conflict. But how do we make conflict as productive as possible? A better understanding of the conflict process, discussed next, will provide insight about potential controllable variables.

THE CONFLICT PROCESS

The **conflict process** has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes (see Exhibit 14-2).

Dyadic conflict

Conflict that occurs between two people.

Intragroup conflict

Conflict that occurs within a group or team.

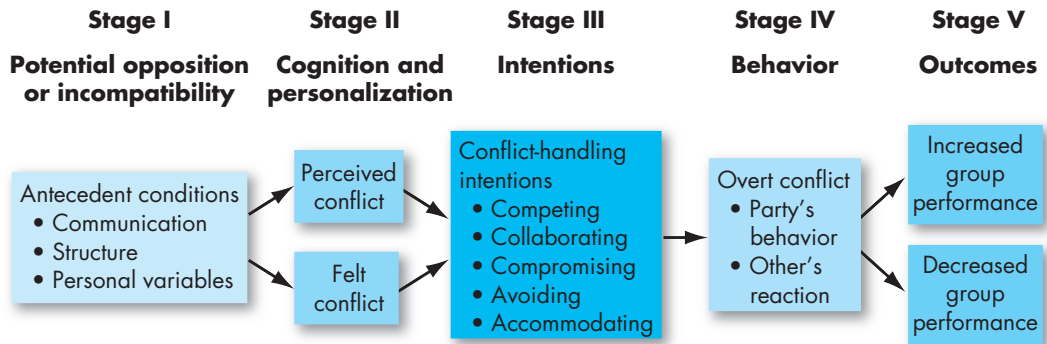
Intergroup conflict

Conflict between different groups or teams.

Conflict process

A process that has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes.

EXHIBIT 14-2
The Conflict Process



Stage I: Potential Opposition or Incompatibility

The first stage of conflict is the appearance of conditions—causes or sources—that create opportunities for it to arise. These conditions *need not* lead directly to conflict, but one of them is necessary if it is to surface. We group the conditions into three general categories: communication, structure, and personal variables.

COMMUNICATION Communication can be a source of conflict.⁶ There are opposing forces that arise from semantic difficulties, misunderstandings, and “noise” in the communication channel (see Chapter 11). These factors, along with jargon and insufficient information, can be barriers to communication and potential antecedent conditions to conflict. The potential for conflict has also been found to increase with too little or *too much* communication. Communication is functional up to a point, after which it is possible to overcommunicate, increasing the potential for conflict.

STRUCTURE The term *structure* in this context includes variables such as size of group, degree of specialization in tasks assigned to group members, jurisdictional clarity, member–goal compatibility, leadership styles, reward systems, and degree of dependence between groups. The larger the group and the more specialized its activities, the greater the likelihood of conflict. Tenure and conflict are inversely related, meaning that the longer a person stays with an organization, the less likely conflict becomes. Therefore, the potential for conflict is greatest when group members are newer to the organization and when turnover is high.



PERSONAL VARIABLES Our last category of potential sources of conflict is personal variables, which include personality, emotions, and values. People high in the personality traits of disagreeableness, neuroticism, or self-monitoring (see Chapter 5) are prone to tangle with other people more often—and to react poorly when conflicts occur.⁷ Emotions can cause conflict even when they are not directed at others. For example, an employee who shows up to work irate from her hectic morning commute may carry that anger into her workday, which can result in a tension-filled meeting.⁸ Furthermore, differences in preferences and values can generate increased levels of conflict. For example, a study in Korea found that when group members didn’t agree about their desired achievement levels, there was more task conflict; when group members didn’t agree about their desired

interpersonal closeness levels, there was more relationship conflict; and when group members didn't have similar desires for power, there was more conflict over status.⁹

Stage II: Cognition and Personalization

If the conditions cited in Stage I negatively affect something one party cares about, then the potential for opposition or incompatibility becomes actualized in the second stage.

As we noted in our definition of conflict, one or more of the parties must be aware that antecedent conditions exist. However, just because a disagreement is a **perceived conflict** does not mean it is personalized. It is at the **felt conflict** level, when individuals become emotionally involved, that they experience anxiety, tension, frustration, or hostility.

Stage II is important because it's where conflict issues tend to be defined, where the parties decide what the conflict is about.¹⁰ The definition of conflict is important because it delineates the set of possible settlements. Most evidence suggests that people tend to default to cooperative strategies in interpersonal interactions unless there is a clear signal that they are faced with a competitive person. However, if our disagreement regarding, say, your salary is a zero-sum situation (the increase in pay you want means there will be that much less in the raise pool for me), I am going to be far less willing to compromise than if I can frame the conflict as a potential win-win situation (the dollars in the salary pool might be increased so both of us could get the added pay we want).

Second, emotions play a major role in shaping perceptions.¹¹ Negative emotions allow us to oversimplify issues, lose trust, and put negative interpretations on the other party's behavior.¹² In contrast, positive feelings increase our tendency to see potential relationships among elements of a problem, take a broader view of the situation, and develop innovative solutions.¹³

Stage III: Intentions

Intentions intervene between people's perceptions and emotions, and their overt behavior. They are decisions to act in a given way.¹⁴ There is slippage between intentions and behavior, so behavior does not always accurately reflect a person's intentions.

Using two dimensions—*assertiveness* (the degree to which one party attempts to satisfy his or her own concerns) and *cooperativeness* (the degree to which one party attempts to satisfy the other party's concerns)—we can identify five conflict-handling intentions: *competing* (assertive and uncooperative), *collaborating* (assertive and cooperative), *avoiding* (unassertive and uncooperative), *accommodating* (unassertive and cooperative), and *compromising* (mid-range on both assertiveness and cooperativeness).¹⁵

Intentions are not always fixed. During the course of a conflict, intentions might change if a party is able to see the other's point of view or to respond emotionally to the other's behavior. People generally have preferences among the five conflict-handling intentions. We can predict a person's intentions rather well from a combination of intellectual and personality characteristics.

COMPETING When one person seeks to satisfy his or her own interests regardless of the impact on the other parties in the conflict, that person is **competing**. We are more apt to compete when resources are scarce.

Perceived conflict

Awareness by one or more parties of the existence of conditions that create opportunities for conflict to arise.

Felt conflict

Emotional involvement in a conflict that creates anxiety, tenseness, frustration, or hostility.

Intentions

Decisions to act in a given way.

Competing

A desire to satisfy one's interests, regardless of the impact on the other party to the conflict.

Collaborating

A situation in which the parties to a conflict each desire to satisfy fully the concerns of all parties.

Avoiding

The desire to withdraw from or suppress a conflict.

Accommodating

The willingness of one party in a conflict to place the opponent's interests above his or her own.

Compromising

A situation in which each party to a conflict is willing to give up something.

COLLABORATING When parties in conflict each desire to fully satisfy the concerns of all parties, there is cooperation and a search for a mutually beneficial outcome. In **collaborating**, parties intend to solve a problem by clarifying differences rather than by accommodating various points of view. If you attempt to find a win-win solution that allows both parties' goals to be completely achieved, that's collaborating.

AVOIDING A person may recognize a conflict exists and want to withdraw from or suppress it. Examples of **avoiding** include trying to ignore a conflict and keeping away from others with whom you disagree.

ACCOMMODATING A party who seeks to appease an opponent may be willing to place the opponent's interests above his or her own, sacrificing to maintain the relationship. We refer to this intention as **accommodating**. Supporting someone else's opinion despite your reservations about it, for example, is accommodating.

COMPROMISING In **compromising**, there is no winner or loser. Rather, there is a willingness to ration the object of the conflict and accept a solution with incomplete satisfaction of both parties' concerns. The distinguishing characteristic of compromising, therefore, is that each party intends to give up something.

A review that examined the effects of the four sets of behaviors across multiple studies found that openness and collaborating were both associated with superior group performance, whereas avoiding and competing strategies were associated with significantly worse group performance.¹⁶ These effects were nearly as large as the effects of relationship conflict. This further demonstrates that it is not just the existence of conflict or even the type of conflict that creates problems, but rather the ways people respond to conflict and manage the process once conflicts arise.

Stage IV: Behavior

Stage IV is a dynamic process of interaction. For example, you make a demand on me, I respond by arguing, you threaten me, I threaten you back, and so on. Exhibit 14-3 provides a way of visualizing conflict behavior. Each behavioral stage in a conflict is built upon a foundation. At the lowest point are perceptions, misunderstandings, and differences of opinions. These may grow to subtle, indirect, and highly controlled forms

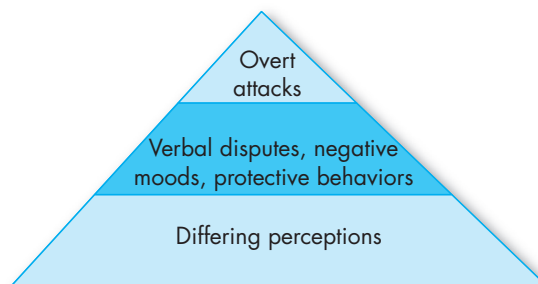


EXHIBIT 14-3

Dynamic Escalation of Conflict

Sources: P. T. Coleman, R. R. Vallacher, A. Nowak, and L. Bui-Wrzosinska, "Intractable Conflict as an Attractor: A Dynamical Systems Approach to Conflict Escalation and Intractability," *The American Behavioral Scientist* 50, no. 11 (2007): 1545-75; K. K. Petersen, "Conflict Escalation in Dyads with a History of Territorial Disputes," *International Journal of Conflict Management* 21, no. 4 (2010): 415-33.

of tension, such as a student challenging a point the instructor has made. Conflict can intensify until it becomes highly destructive. Strikes, riots, and wars clearly fall in this upper range. Conflicts that reach the upper ranges of the continuum are almost always dysfunctional. Functional conflicts are typically confined to the lower levels.

In conflict, intentions are translated into certain likely behaviors. *Competing* brings out active attempts to contend with team members, and greater individual effort to achieve ends without working together. *Collaborating* efforts create an investigation of multiple solutions with other members of the team and trying to find a solution that satisfies all parties as much as possible. *Avoidance* is seen in behavior like refusals to discuss issues and reductions in effort toward group goals. People who *accommodate* put their relationships ahead of the issues in the conflict, deferring to others' opinions and sometimes acting as a subgroup with them. Finally, when people *compromise*, they both expect to (and do) sacrifice parts of their interests, hoping that if everyone does the same, an agreement will sift out.

If a conflict is dysfunctional, what can the parties do to de-escalate it? Or, conversely, what options exist if conflict is too low to be functional and needs to be increased? This brings us to techniques of **conflict management**. We have already described several techniques in terms of conflict-handling intentions. Under ideal conditions, a person's intentions should translate into comparable behaviors.

Conflict management
The use of resolution and stimulation techniques to achieve the desired level of conflict.

Stage V: Outcomes

The action–reaction interplay between conflicting parties creates consequences. As our model demonstrates (see Exhibit 14-1), these outcomes may be functional if the conflict improves the group's performance, or dysfunctional if it hinders performance.

FUNCTIONAL OUTCOMES Conflict is constructive when it improves the quality of decisions, stimulates creativity and innovation, encourages interest and curiosity among group members, provides the medium for problems to be aired and tensions released, and fosters self-evaluation and change. Mild conflicts also may generate energizing emotions so members of groups become more active and engaged in their work.¹⁷

Conflict is an antidote for groupthink (see Chapter 9). Conflict doesn't allow the group to passively rubber-stamp decisions that may be based on weak assumptions, inadequate consideration of relevant alternatives, or other debilities. Conflict challenges the status quo and furthers the creation of new ideas, promotes reassessment of group goals and activities, and increases the probability that the group will respond to change. An open discussion focused on higher-order goals can make functional outcomes more likely. Groups that are extremely polarized do not manage their underlying disagreements effectively and tend to accept suboptimal solutions, or they avoid making decisions altogether rather than work out the conflict.¹⁸ Research studies in diverse settings confirm the functionality of active discussion. Team members with greater differences in work styles and experience tend to share more information with one another.¹⁹

DYSFUNCTIONAL OUTCOMES The destructive consequences of conflict on the performance of a group or an organization are generally well known: Uncontrolled opposition breeds discontent, which acts to dissolve common ties and eventually leads to the destruction of the group. A substantial body of literature documents how dysfunctional conflicts can reduce group effectiveness.²⁰ Among the undesirable consequences are poor communication, reductions in group cohesiveness, and subordination of group goals to

the primacy of infighting among members. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and trust.²¹ When active discussions turn into open conflicts between members, information sharing between members decreases significantly.²² At the extreme, conflict can bring group functioning to a halt and threaten the group’s survival.

MANAGING CONFLICT One of the keys to minimizing counterproductive conflicts is recognizing when there really is a disagreement. Many apparent conflicts are due to people using different verbiage to discuss the same general course of action. For example, someone in marketing might focus on “distribution problems,” while someone from operations talks about “supply chain management” to describe essentially the same issue. Successful conflict management recognizes these different approaches and attempts to resolve them by encouraging open, frank discussions focused on interests rather than issues. Another approach is to have opposing groups pick parts of the solution that are most important to them and then focus on how each side can get its top needs satisfied. Neither side may get exactly what it wants, but each side will achieve the most important parts of its agenda.²³ Third, groups that resolve conflicts successfully discuss differences of opinion openly and are prepared to manage conflict when it arises.²⁴ An open discussion makes it much easier to develop a shared perception of the problems at hand; it also allows groups to work toward a mutually acceptable solution. Fourth, managers need to emphasize shared interests in resolving conflicts, so groups that disagree with one another don’t become too entrenched in their points of view and start to take the conflicts personally. Groups with cooperative conflict styles and a strong underlying identification with the overall group goals are more effective than groups with a competitive style.²⁵



CULTURAL INFLUENCES Differences across countries in conflict resolution strategies may be based on collectivistic versus individualistic (see Chapter 4) tendencies and motives. Collectivistic cultures see people as deeply embedded in social situations, whereas individualistic cultures see them as autonomous. As a result, collectivists are more likely to seek to preserve relationships and promote the good of the group as a whole, and they prefer indirect methods for resolving differences of opinion. One study suggests that top management teams in Chinese high-technology firms prefer collaboration even more than compromising and avoiding. Collectivists may also be more interested in demonstrations of concern and working through third parties to resolve disputes, whereas individualists will be more likely to confront differences of opinion directly and openly.

Cross-cultural negotiations can create issues of trust.²⁶ One study of Indian and U.S. negotiators found that respondents reported having less trust in their cross-culture negotiation counterparts. The lower level of trust was associated with less discovery of common interests between parties, which occurred because cross-culture negotiators were less willing to disclose and solicit information. Another study found that both U.S. and Chinese negotiators tended to have an ingroup bias, which led them to favor negotiating partners from their own cultures. For Chinese negotiators, this was particularly true when accountability requirements were high.



Having considered conflict—its nature, causes, and consequences—we now turn to negotiation, which often resolves conflict.

★ WATCH IT

If your professor has assigned this, go to the Assignments section of mymanagementlab.com to complete the video exercise titled **Gordon Law Group: Conflict and Negotiation**.

NEGOTIATION

Negotiation permeates the interactions of almost everyone in groups and organizations. There's the obvious: Labor bargains with management. There's the not-so-obvious: managers negotiate with employees, peers, and bosses; salespeople negotiate with customers; purchasing agents negotiate with suppliers. Then there's the subtle: an employee agrees to cover for a colleague for a few minutes in exchange for a future favor. In today's loosely structured organizations, in which members often work with colleagues over whom they have no direct authority and with whom they may not even share a common boss, negotiation skills are critical.

We can define **negotiation** as a process that occurs when two or more parties decide how to allocate scarce resources.²⁷ Although we commonly think of the outcomes of negotiation in one-shot economic terms, like negotiating over the price of a car, every negotiation in organizations also affects the relationship between negotiators and the way negotiators feel about themselves.²⁸ Depending on how much the parties are going to interact with one another, sometimes maintaining the social relationship and behaving ethically will be just as important as achieving an immediate outcome of bargaining. Note that we use the terms *negotiation* and *bargaining* interchangeably.

Negotiation

A process in which two or more parties exchange goods or services and attempt to agree on the exchange rate for them.

Bargaining Strategies

There are two general approaches to negotiation—*distributive bargaining* and *integrative bargaining*.²⁹ As Exhibit 14-4 shows, they differ in their goals and motivation, focus, interests, information sharing, and duration of relationship. Let's define each and illustrate the differences.

Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Goal	Get as much of the pie as possible	Expand the pie so that both parties are satisfied
Motivation	Win-lose	Win-win
Focus	Positions ("I can't go beyond this point on this issue.")	Interests ("Can you explain why this issue is so important to you?")
Interests	Opposed	Congruent
Information sharing	Low (Sharing information will only allow other party to take advantage)	High (Sharing information will allow each party to find ways to satisfy interests of each party)
Duration of relationship	Short term	Long term

EXHIBIT 14-4 Distributive Versus Integrative Bargaining

Distributive bargaining

Negotiation that seeks to divide up a fixed amount of resources; a win-lose situation.

Fixed pie

The belief that there is only a set amount of goods or services to be divvied up between the parties.

DISTRIBUTIVE BARGAINING You see a used car advertised for sale online that looks great. You go see the car. It’s perfect, and you want it. The owner tells you the asking price. You don’t want to pay that much. The two of you negotiate. The negotiating strategy you’re engaging in is called **distributive bargaining**. Its identifying feature is that it operates under zero-sum conditions—that is, any gain I make is at your expense, and vice versa (see Chapter 13). Every dollar you can get the seller to cut from the car’s price is a dollar you save, and every dollar the seller can get from you comes at your expense. The essence of distributive bargaining is negotiating over who gets what share of a fixed pie. By **fixed pie**, we mean a set amount of goods or services to be divvied up. When the pie is fixed, or the parties believe it is, they tend to bargain distributively.

The essence of distributive bargaining is depicted in Exhibit 14-5. Parties *A* and *B* represent two negotiators. Each has a *target point* that defines what he or she would like to achieve. Each also has a *resistance point*, which marks the lowest acceptable outcome—the point beyond which the party would break off negotiations rather than accept a less favorable settlement. The area between these two points makes up each party’s *aspiration range*. As long as there is some overlap between *A*’s and *B*’s aspiration ranges, there exists a settlement range in which each one’s aspirations can be met.

When you are engaged in distributive bargaining, one of the best things you can do is make the first offer and make it an aggressive one. Making the first offer shows power; individuals in power are much more likely to make initial offers, speak first at meetings, and thereby gain the advantage. Another reason this is a good strategy is the anchoring bias, mentioned in Chapter 6. People tend to fixate on initial information. Once that anchoring point has been set, they fail to adequately adjust it based on subsequent information. A savvy negotiator sets an anchor with the initial offer, and scores of negotiation studies show that such anchors greatly favor the person who sets them.³⁰

INTEGRATIVE BARGAINING Jake was a Chicago luxury boutique owned by Jim Wetzel and Lance Lawson. In the early days of the business, Wetzel and Lawson moved millions of dollars of merchandise from many up-and-coming designers. They developed such a good rapport that many designers would send allotments to Jake without requiring advance payment. When the economy soured in 2008, Jake had trouble selling inventory, and designers were not being paid for what they had shipped to the store. Despite the fact that many designers were willing to work with the store on a delayed payment plan, Wetzel and Lawson stopped returning their calls. Lamented one designer, Doo-Ri Chung, “You kind of feel this familiarity with people who supported you for so long. When they have cash-flow issues, you want to make sure you are there for them as well.”³¹ Chung’s attitude shows the promise of **integrative bargaining**. In contrast to distributive bargaining, integrative bargaining assumes that one or more of

Integrative bargaining

Negotiation that seeks one or more settlements that can create a win-win solution.

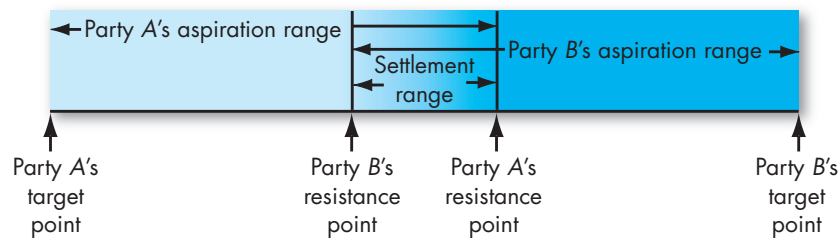


EXHIBIT 14-5
Staking Out the Bargaining Zone

the possible settlements can create a win–win solution. Of course, as the Jake example shows, both parties must be engaged for integrative bargaining to work.

CHOOSING BARGAINING METHODS In terms of intraorganizational behavior, integrative bargaining is preferable to distributive bargaining because the former builds long-term relationships. Integrative bargaining bonds negotiators and allows them to leave the bargaining table feeling they have achieved a victory. Distributive bargaining, however, leaves one party a loser. It tends to build animosity and deepen divisions when people have to work together on an ongoing basis. Research shows that over repeated bargaining episodes, a losing party who feels positively about the negotiation outcome is much more likely to bargain cooperatively in subsequent negotiations.

Why, then, don't we see more integrative bargaining in organizations? The answer lies in the conditions necessary for it to succeed. These include opposing parties who are open with information and candid about concerns, are sensitive to the other's needs and trust, and maintain flexibility. Because these conditions seldom exist in organizations, negotiations often take a win-at-any-cost dynamic.

Compromise and accommodation may be your worst enemy in negotiating a win–win agreement. Both reduce the pressure to bargain integratively. After all, if you or your opponent caves in easily, no one needs to be creative to reach a settlement. Consider a classic example in which two siblings are arguing over who gets an orange. Unknown to them, one sibling wants the orange to drink the juice, whereas the other wants the orange peel to bake a cake. If one capitulates and gives the other the orange, they will not be forced to explore their reasons for wanting the orange, and thus they will never find the win–win solution: They could *each* have the orange because they want different parts.

THE NEGOTIATION PROCESS

Exhibit 14-6 provides a simplified model of the negotiation process. It views negotiation as made up of five steps: (1) preparation and planning, (2) definition of ground rules,

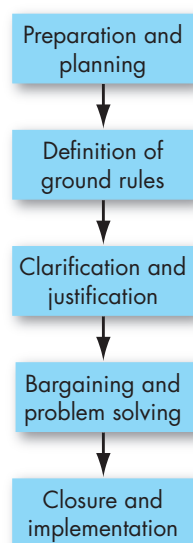


EXHIBIT 14-6
The Negotiation
Process

(3) clarification and justification, (4) bargaining and problem solving, and (5) closure and implementation.³²

PREPARATION AND PLANNING This may be the most important part of the process. Before you start negotiating, do your homework. What's the nature of the conflict? What's the history leading up to this negotiation? Who's involved and what are their perceptions of the conflict? Then consider your goals, in writing, with a range of outcomes from "most helpful" to "minimally acceptable." If you're a supply manager at Dell Computer, for instance, and your goal is to get a significant cost reduction from your keyboard supplier, make sure this goal stays paramount in discussions and doesn't get overshadowed by other issues. Next, assess what you think are the other party's goals. What intangible or hidden interests may be important to them? On what might they be willing to settle? Think carefully about what the other side might be willing to give up. People who underestimate their opponent's willingness to give on key issues before the negotiation even starts end up with lower outcomes.³³

BATNA

The best alternative to a negotiated agreement; the least the individual should accept.

Once you've gathered your information, develop a strategy. You should determine your and the other side's best alternative to a negotiated agreement, or **BATNA**. Your BATNA determines the lowest value acceptable to you for a negotiated agreement. Any offer you receive that is higher than your BATNA is better than an impasse. Conversely, you shouldn't expect success in your negotiation effort unless you're able to make the other side an offer it finds more attractive than its BATNA.

In nearly all cases, the party with superior alternatives will do better in a negotiation, so experts advise negotiators to solidify their BATNA prior to any interaction.³⁴ Therefore, be equipped to counter arguments with facts and figures that support your position. There is an interesting exception to this general rule—negotiators with absolutely no alternative to a negotiated agreement sometimes "go for broke" since they don't even consider what would happen if the negotiation falls through.³⁵

DEFINITION OF GROUND RULES Once you've done your planning and developed a strategy, you're ready to define with the other party the ground rules and procedures of the negotiation itself. Who will do the negotiating? Where will it take place? What time constraints, if any, will apply? To what issues will negotiation be limited? Will you follow a specific procedure if an impasse is reached? During this phase, the parties will exchange their initial proposals or demands.

CLARIFICATION AND JUSTIFICATION When you have exchanged initial positions, you and the other party will explain, amplify, clarify, bolster, and justify your original demands. This step needn't be confrontational. Rather, it's an opportunity for educating each other on the issues, why they are important, and how you arrived at your initial demands. Provide the other party with any documentation that supports your position.

BARGAINING AND PROBLEM SOLVING The essence of the negotiation process is the actual give-and-take in trying to hash out an agreement. This is where both parties need to make concessions. Relationships change as a result of negotiation, so take that into consideration. If you could "win" a negotiation but push the other side into

resentment or animosity, it might be wiser to pursue a more compromising style. If preserving the relationship will make you seem easily exploited, you may consider a more aggressive style. As an example of how the tone of a relationship in negotiations matters, people who feel good about the *process* of a job offer negotiation are more satisfied with their jobs and less likely to turn over a year later regardless of their actual *outcomes* from these negotiations.³⁶

CLOSURE AND IMPLEMENTATION The final step in the negotiation process is formalizing your agreement and developing procedures necessary for implementing and monitoring it. For major negotiations—from labor–management negotiations to bargaining over lease terms—this requires hammering out the specifics in a formal contract. For other cases, closure of the negotiation process is nothing more formal than a handshake.

INDIVIDUAL DIFFERENCES IN NEGOTIATION EFFECTIVENESS

Are some people better negotiators than others? The answer is complex. Four factors influence how effectively individuals negotiate: personality, mood/emotions, culture, and gender.

PERSONALITY TRAITS IN NEGOTIATIONS Can you predict an opponent’s negotiating tactics if you know something about his or her personality? Because personality and negotiation outcomes are related but only weakly, the answer is, at best, “sort of.”³⁷ Most research has focused on the Big Five traits of agreeableness, for obvious reasons—agreeable individuals are cooperative, compliant, kind, and conflict-averse. We might think such characteristics make agreeable individuals easy prey in negotiations, especially distributive ones. The evidence suggests, however, that overall agreeableness is weakly related to negotiation outcomes.

Self-efficacy (see Chapter 7) is one individual-difference variable that consistently seems to relate to negotiation outcomes.³⁸ This is a fairly intuitive finding—it isn’t too surprising to hear that those who believe they will be more successful in negotiation situations tend to perform more effectively. It may be that individuals who are more confident stake out stronger claims, are less likely to back down from their positions, and exhibit confidence that intimidates others. Although the exact mechanism is not yet clear, it does seem that negotiators may benefit from trying to get a boost in confidence before going to the bargaining table.

MOODS/EMOTIONS IN NEGOTIATIONS Do moods and emotions influence negotiation? They do, but the way they work depends on the emotion as well as the context. A negotiator who shows anger can induce concessions, for instance, because the other negotiator believes no further concessions from the angry party are possible. One factor that governs this outcome, however, is power—you should show anger in negotiations only if you have at least as much power as your counterpart. If you have less, showing anger actually seems to provoke “hardball” reactions from the other side.³⁹ “Faked” anger, or anger produced from surface acting, is not effective, but showing anger that is genuine (deep acting) is (see Chapter 4).⁴⁰ Having a history of showing anger, rather than sowing the seeds of revenge, actually induces more concessions because the other party perceives the



negotiator as “tough.”⁴¹ Anger has a cultural context. For instance, one study found that when East Asian participants showed anger, it induced more concessions than when the negotiator expressing anger was from the United States or Europe, perhaps because of the stereotype of East Asians as refusing to show anger.⁴²

Another relevant emotion is disappointment. Generally, a negotiator who perceives disappointment from his or her counterpart concedes more. Anxiety also may impact negotiation. For example, one study found that individuals who experienced more anxiety about a negotiation used more deceptions in dealing with others.⁴³ Another study found that anxious negotiators expect lower outcomes, respond to offers more quickly, and exit the bargaining process more quickly, leading them to obtain worse outcomes.⁴⁴ Even emotional unpredictability affects outcomes; researchers have found that negotiators who express positive and negative emotions in an unpredictable way extract more concessions because this behavior makes the other party feel less in control.⁴⁵ As one negotiator put it, “Out of the blue, you may have to react to something you have been working on in one way, and then something entirely new is introduced, and you have to veer off and refocus.”⁴⁶



CULTURE IN NEGOTIATIONS Do people from different cultures negotiate differently? The simple answer is the obvious one: Yes, they do. In general, people negotiate more effectively within cultures than between them. For example, a Colombian is apt to do better negotiating with a Colombian than with a Sri Lankan.

It appears that for successful cross-cultural negotiations, it is especially important that the negotiators be high in openness. This suggests a good strategy is to choose cross-cultural negotiators who are high on openness, and it helps to avoid factors such as time pressure that tend to inhibit learning about the other party.⁴⁷ Second, because emotions are culturally sensitive, negotiators need to be especially aware of the emotional dynamics in cross-cultural negotiation. For example, individuals from East Asian cultures may feel that using anger to get their way in a negotiation is not a legitimate tactic, so they refuse to cooperate when their opponents become upset.⁴⁸

GENDER IN NEGOTIATIONS There are many areas of organizational behavior (OB) in which men and women are not that different. Negotiation is not one of them. It seems fairly clear that men and women negotiate differently, that men and women are treated differently by negotiation partners, and that these differences affect outcomes.

A popular stereotype is that women are more cooperative and pleasant in negotiations than men. Though this is controversial, there is some merit to it. Men tend to place a higher value on status, power, and recognition, whereas women tend to place a higher value on compassion and altruism. Moreover, women tend to value relationship outcomes more than men, and men tend to value economic outcomes more than women.⁴⁹

These differences affect both negotiation behavior and negotiation outcomes. Compared to men, women tend to behave in a less assertive, less self-interested, and more accommodating manner. As one review concluded, women “are more reluctant to initiate negotiations, and when they do initiate negotiations, they ask for less, are more willing to accept [the] offer, and make more generous offers to their negotiation partners

than men do.”⁵⁰ A study of MBA students at Carnegie-Mellon University found that the male students took the step of negotiating their first offer 57 percent of the time, compared to 4 percent for the female students. The net result? A \$4,000 difference in starting salaries.⁵¹

One comprehensive literature review suggested that the tendency for men to receive better negotiation outcomes in some situations did not cover *all* situations. Indeed, the evidence suggested women and men bargain more equally in certain situations, women sometimes outperform men, and both men and women obtain more nearly equal outcomes when negotiating on behalf of someone else.⁵² In other words, everyone is better at advocating for others than they are at advocating for themselves. Factors that increased the predictability of negotiations also tended to reduce gender differences. When the range of negotiation settlements was well defined, men and women were more equal in outcomes. When more experienced negotiators were at the table, men and women were also nearly equivalent. The study authors proposed that when situations are more ambiguous, with less well-defined terms and less experienced negotiators, stereotypes may have stronger effects, leading to larger gender differences in outcomes.

NEGOTIATING IN A SOCIAL CONTEXT

We have mostly been discussing negotiations that occur among parties that meet only once, and in isolation from other individuals. However, in organizations, many negotiations are open-ended and public. When you are trying to figure out who in a work group should do a tedious task, negotiating with your boss to get a chance to travel internationally, or asking for more money for a project; there’s a social component to the negotiation. You are probably negotiating with someone you already know and will work with again, and the negotiation and its outcome are likely to be topics people will talk about. To really understand negotiations in practice, then, we must consider the social factors of reputation and relationships.

Reputation

Your reputation is the way other people think and talk about you. When it comes to negotiation, having a reputation for being trustworthy matters. In short, trust in a negotiation process opens the door to many forms of integrative negotiation strategies that benefit both parties.⁵³ The most effective way to build trust is to behave in an honest way across repeated interactions. Then, others feel more comfortable making open-ended offers with many different outcomes. This helps to achieve win–win outcomes, since both parties can work to achieve what is most important to themselves while still benefiting the other party.

Sometimes we either trust or distrust people based on word-of-mouth about a person’s characteristics. What characteristics help a person develop a trustworthy reputation? A combination of competence and integrity.⁵⁴ Negotiators higher in self-confidence and cognitive ability are seen as more competent by negotiation partners.⁵⁵ They are also considered better able to accurately describe a situation and their own resources, and are more credible when they make suggestions for creative solutions to impasses. Individuals

who have a reputation for integrity can also be more effective in negotiations.⁵⁶ They are seen as more likely to keep their promises and present information accurately, so others are more willing to accept their promises as part of a bargain. This opens many options for the negotiator that wouldn't be available to someone who is not seen as trustworthy. Finally, individuals who have higher reputations are better liked and have more friends and allies—in other words, they have more social resources, which may give them more understood power in negotiations.

Relationships

There is more to repeated negotiations than just reputation. The social, interpersonal component of relationships with repeated negotiations means that individuals go beyond valuing what is simply good for themselves and instead start to think about what is best for the other party and the relationship as a whole.⁵⁷ Repeated negotiations built on a foundation of trust also broaden the range of options, since a favor or concession today can be offered in return for some repayment further down the road.⁵⁸ Repeated negotiations also facilitate integrative problem solving. This occurs partly because people begin to see their negotiation partners in a more personal way over time and come to share emotional bonds.⁵⁹ Repeated negotiations also make integrative approaches more workable because a sense of trust and reliability has been built up.⁶⁰

THIRD-PARTY NEGOTIATIONS

To this point, we've discussed bargaining in terms of direct negotiations. Occasionally, however, individuals or group representatives reach a stalemate and are unable to resolve their differences through direct negotiations. In such cases, they may turn to a third party to help them find a solution. There are three basic third-party roles: mediator, arbitrator, and conciliator.

mediator

A neutral third party who facilitates a negotiated solution by using reasoning, persuasion, and suggestions for alternatives.

A **mediator** is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, and the like. Mediators are widely used in labor–management negotiations and in civil court disputes. Their overall effectiveness is fairly impressive. For example, the Equal Employment Opportunity Commission (EEOC) reported a settlement rate through mediation at 72.1 percent.⁶¹ But the situation is the key to whether mediation will succeed; the conflicting parties must be motivated to bargain and resolve their conflict. In addition, conflict intensity can't be too high; mediation is most effective under moderate levels of conflict. Finally, perceptions of the mediator are important; to be effective, the mediator must be perceived as neutral and noncoercive.

Arbitrator

A third party to a negotiation who has the authority to dictate an agreement.

An **arbitrator** is a third party with the authority to dictate an agreement. Arbitration can be voluntary (requested by the parties) or compulsory (forced on the parties by law or contract). The big plus of arbitration over mediation is that it always results in a settlement. Whether there is a downside depends on how heavy-handed the arbitrator appears. If one party is left feeling overwhelmingly defeated, that party is certain to be dissatisfied and the conflict may resurface at a later time.

A **conciliator** is a trusted third party who provides an informal communication link between the negotiator and the opponent. This role was made famous by Robert Duval in the first *Godfather* film. As Don Corleone's adopted son and a lawyer by training, Duval acted as an intermediary between the Corleones and the other Mafioso families. Comparing conciliation to mediation in terms of effectiveness has proven difficult because the two overlap a great deal. In practice, conciliators typically act as more than mere communication conduits. They also engage in fact-finding, interpreting messages, and persuading disputants to develop agreements.

Conciliator

A trusted third party who provides an informal communication link between the negotiator and the opponent.

SUMMARY

While many people assume conflict lowers group and organizational performance, this assumption is frequently incorrect. Conflict can be either constructive or destructive to the functioning of a group or unit. Levels of conflict can be either too high or too low to be constructive. Either extreme hinders performance. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released, and initiates the seeds of change without being disruptive or preventing the coordination of activities.

IMPLICATIONS FOR MANAGERS

- Choose an authoritarian management style in emergencies, when unpopular actions need to be implemented (such as cost cutting, enforcement of unpopular rules, and discipline), and when the issue is vital to the organization's welfare. Be certain to communicate your logic when possible to make certain others remain engaged and productive.
- Seek integrative solutions when your objective is to learn, when you want to merge insights from people with different perspectives, when you need to gain commitment by incorporating concerns into a consensus, and when you need to work through feelings that have interfered with a relationship.
- You can build trust by accommodating others when you find you're wrong, when you need to demonstrate reasonableness, when other positions need to be heard, when issues are more important to others than to yourself, when you want to satisfy others and maintain cooperation, when you can build social credits for later issues, to minimize loss when you are outmatched and losing, and when others should learn from their own mistakes.
- Consider compromising when goals are important but not worth potential disruption, when opponents with equal power are committed to mutually exclusive goals, and when you need temporary settlements to complex issues.
- Distributive bargaining can resolve disputes, but it often reduces the satisfaction of one or more negotiators because it is confrontational and focused on the short term. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and build lasting relationships.



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