

# Conflict and Negotiation

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*Let us never negotiate out of fear.  
But let us never fear to negotiate. —John F. Kennedy*

Photo: A postal employee attends to an automated sorting machine. Source: Robyn Beck/AFP/Newscom



Finally, USPS is not particularly competitive with Federal Express (FedEx) and United Parcel Service (UPS), its rivals in the lucrative overnight and ground shipping business. Though USPS is much larger—it employs 571,566 full-time workers, making it the nation’s largest employer after Walmart—FedEx and UPS hold 84 percent of the express and ground shipping market. One reason USPS is not competitive? More than 80 percent of its budget goes to employee wages and benefits, as opposed to 43 percent for FedEx and 61 percent for UPS.

To be fair, USPS does many things well, it has many dedicated workers, and its leaders continue to talk of changing. But change is rarely easy, and it rarely comes without ruffling some feathers. Meanwhile, USPS continues to follow the path of least resistance. Says one expert: “Pretty soon it’s going to be a government-run [junk mail] service. Does that make any sense?”

*Sources:* D. Leonard, “The End of Mail,” *Bloomberg Businessweek* (May 30, 2011), pp. 60–65; G. Easterbrook, “The Post Office—Return to Sender,” *Reuters* (June 1, 2011), downloaded June 30, 2011, from <http://blogs.reuters.com/>; and E. O’Keefe, “Postal Union Contract Ratified,” *Washington Post* (May 12, 2011), downloaded on July 10, 2011, from [www.washingtonpost.com/](http://www.washingtonpost.com/).

**A**s we see in the USPS example, both the presence and the absence of conflict and negotiation are often complex—and controversial—interpersonal processes. While we generally see conflict as a negative topic and negotiation as a positive one, each can generate positive and negative outcomes, and what we deem positive or negative often depends on our perspective. Let’s first gauge how you handle conflict. Take the following self-assessment.



SELF-ASSESSMENT LIBRARY

### What’s My Preferred Conflict-Handling Style?

In the Self-Assessment Library (available on CD and online), take assessment II.C.5 (What’s My Preferred Conflict-Handling Style?) and answer the following questions.

1. Judging from your highest score, what’s your primary conflict-handling style?
2. Do you think your style varies, depending on the situation?
3. Would you like to change any aspects of your conflict-handling style?

## A Definition of Conflict

### 1 Define *conflict*.

There has been no shortage of definitions of *conflict*,<sup>1</sup> but common to most is the idea that conflict is a perception. If no one is aware of a conflict, then it is generally agreed no conflict exists. Also needed to begin the conflict process are opposition or incompatibility and some form of interaction.

We can define **conflict**, then, as a process that begins when one party perceives another party has or is about to negatively affect something the first party cares about.<sup>2</sup> This definition is purposely broad. It describes that point in

any ongoing activity when an interaction crosses over to become an interparty conflict. It encompasses the wide range of conflicts people experience in organizations: incompatibility of goals, differences over interpretations of facts, disagreements based on behavioral expectations, and the like. Finally, our definition is flexible enough to cover the full range of conflict levels—from overt and violent acts to subtle forms of disagreement.

## Transitions in Conflict Thought

- 2 Differentiate among the traditional, interactionist, and managed-conflict views of conflict.

It is entirely appropriate to say there has been conflict over the role of conflict in groups and organizations. One school of thought has argued that conflict must be avoided—that it indicates a malfunctioning within the group. We call this the *traditional* view. Another perspective proposes not only that conflict can be a positive force in a group but that some conflict is absolutely necessary for a group to perform effectively. We label this the *interactionist* view. Finally, recent research argues that instead of encouraging “good” or discouraging “bad” conflict, it’s more important to resolve naturally occurring conflicts productively. This perspective is the *managed conflict* view. Let’s take a closer look at each view.

### The Traditional View of Conflict

The early approach to conflict assumed all conflict was bad and to be avoided. Conflict was viewed negatively and discussed with such terms as *violence*, *destruction*, and *irrationality* to reinforce its negative connotation. This **traditional view of conflict** was consistent with attitudes about group behavior that prevailed in the 1930s and 1940s. Conflict was a dysfunctional outcome resulting from poor communication, a lack of openness and trust between people, and the failure of managers to be responsive to the needs and aspirations of their employees.

The view that all conflict is bad certainly offers a simple approach to looking at the behavior of people who create conflict. We need merely direct our attention to the causes of conflict and correct those malfunctions to improve group and organizational performance. This view of conflict fell out of favor for a long time as researchers came to realize that some level of conflict was inevitable.

### The Interactionist View of Conflict

The **interactionist view of conflict** encourages conflict on the grounds that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static, apathetic, and unresponsive to needs for change and innovation.<sup>3</sup> The major contribution of this view is recognizing that a minimal level of conflict can help keep a group viable, self-critical, and creative.

The interactionist view does not propose that all conflicts are good. Rather, **functional conflict** supports the goals of the group and improves its performance

**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.

**traditional view of conflict** The belief that all conflict is harmful and must be avoided.

**interactionist view of conflict** The belief that conflict is not only a positive force in a group but also an absolute necessity for a group to perform effectively.

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

and is, thus, a constructive form of conflict. A conflict that hinders group performance is a destructive or **dysfunctional conflict**. What differentiates functional from dysfunctional conflict? The evidence indicates we need to look at the *type* of conflict—whether it’s connected to task, relationship, or process.<sup>4</sup>

**Task conflict** relates to the content and goals of the work. **Relationship conflict** focuses on interpersonal relationships. **Process conflict** relates to how the work gets done. Studies demonstrate that relationship conflicts are almost always dysfunctional.<sup>5</sup> 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. Unfortunately, managers spend a lot of effort resolving personality conflicts among staff members; one survey indicated this task consumes 18 percent of their time.<sup>6</sup>

In contrast, low levels of process conflict and low to moderate levels of task conflict can be functional, but only in very specific cases. Recent reviews have shown that task conflicts are usually just as disruptive as relationship conflicts.<sup>7</sup> For conflict to be productive, it must be kept within certain boundaries. For example, one study in China found that moderate levels of task conflict in the early development stage could increase creativity in groups, but high levels of task conflict decreased team performance, and task conflicts were unrelated to performance once the group was in the later stages of group development.<sup>8</sup> Intense arguments about who should do what become dysfunctional when they create uncertainty about task roles, increase the time to complete tasks, and lead members to work at cross-purposes. Low to moderate levels of task conflict stimulate discussion of ideas. This means task conflicts relate positively to creativity and innovation, but they are not related to routine task performance. Groups performing routine tasks that don’t require creativity won’t benefit from task conflict. Moreover, if the group is already engaged in active discussion of ideas in a nonconfrontational way, adding conflict will not help generate more ideas. Task conflict is also related to these positive outcomes only when all members share the same goals and have high levels of trust.<sup>9</sup> Another way of saying this is that task conflicts are related to increased performance only when all members believe the team is a safe place for taking risks and that members will not deliberately undermine or reject those who speak up.<sup>10</sup>

Task conflict is often functional, but one of its dangers is that it can escalate and become a battle of wills. For example, as a Target Corporation investor, William Ackman tried, unsuccessfully, for many years to convince the retailer to change its business strategy to improve performance and boost shareholder returns. Ackman sought to bring in new board members with a proxy vote. He asked shareholders to elect candidates who would bring new ideas to Target’s board, which he claimed was slow in making critical decisions. After a long battle that cost Target millions of dollars in defending itself, the shareholders voted to keep the current board members. Ackman is shown here meeting with the media after losing the proxy battle in which his candidates received less than 20 percent of the vote.



Source: Allen Fredrickson / Reuters / Landov Media.

## Resolution-Focused View of Conflict

Researchers, including those who had strongly advocated the interactionist view, have begun to recognize some problems with encouraging conflict.<sup>11</sup> As we will see, there are some very specific cases in which conflict can be beneficial. However, workplace conflicts are not productive, they take time away from job tasks or interacting with customers, and hurt feelings and anger often linger after conflicts appear to be over. People can seldom wall off their feelings into neat categories of “task” or “relationship” disagreements, so task conflicts sometimes escalate into relationship conflicts.<sup>12</sup> A study conducted in Taiwan and Indonesia found that when levels of relationship conflict are high, increases in task conflict are consistently related to lower levels of team performance and team member satisfaction.<sup>13</sup> Conflicts produce stress, which may lead people to become more close minded and adversarial.<sup>14</sup> Studies of conflict in laboratories also fail to take account of the reductions in trust and cooperation that occur even with relationship conflicts. Longer-term studies show that all conflicts reduce trust, respect, and cohesion in groups, which reduces their long-term viability.<sup>15</sup>

In light of these findings, researchers have started to focus more on managing the whole context in which conflicts occur, both before and after the behavioral stage of conflict occurs. A growing body of research, which we review later, suggests we can minimize the negative effects of conflict by focusing on preparing people for conflicts, developing resolution strategies, and facilitating open discussion. Researchers interested in cross-cultural conflicts have also encouraged individuals to recognize impediments to agreement like hidden emotional attachments to a particular course of action and social identities that place people on different “sides” of an issue based on national or cultural variables. Resolving cross-cultural conflicts begins by addressing these emotional and identity-based concerns and building bonds between parties through common interests.<sup>16</sup>

In sum, the traditional view was shortsighted in assuming all conflict should be eliminated. The interactionist view that conflict can stimulate active discussion without spilling over into negative, disruptive emotions is incomplete. The managed conflict perspective does recognize that conflict is probably inevitable in most organizations, and it focuses more on productive conflict resolution. The research pendulum has swung from eliminating conflict, to encouraging limited levels of conflict, and now to finding constructive methods for resolving conflicts productively so their disruptive influence can be minimized.

## The Conflict Process

- 3** Outline the conflict process. The **conflict process** has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes. The process is diagrammed in Exhibit 14-1.

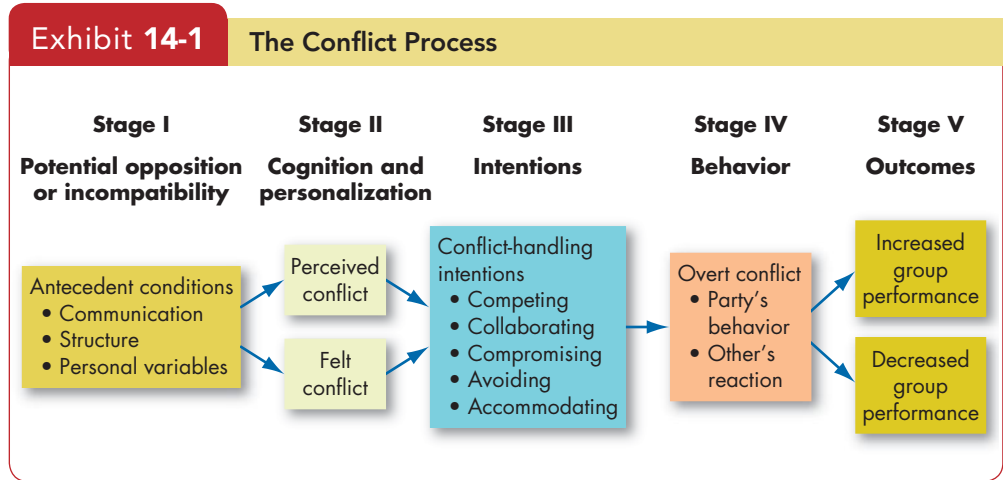
**dysfunctional conflict** *Conflict that hinders group performance.*

**task conflict** *Conflict over content and goals of the work.*

**relationship conflict** *Conflict based on interpersonal relationships.*

**process conflict** *Conflict over how work gets done.*

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



### Stage I: Potential Opposition or Incompatibility

The first step in the conflict process is the appearance of conditions that create opportunities for conflict to arise. These conditions *need not* lead directly to conflict, but one of them is necessary if conflict is to surface. For simplicity’s sake, we group the conditions (which we can also look at as causes or sources of conflict) into three general categories: communication, structure, and personal variables.

**Communication** Susan had worked in supply chain management at Bristol-Myers Squibb for 3 years. She enjoyed her work in large part because her manager, Harry, was a great boss. Then Harry got promoted, and Chuck took his place. Six months later, Susan says her job is a lot more frustrating. “Harry and I were on the same wavelength. It’s not that way with Chuck. He tells me something, and I do it. Then he tells me I did it wrong. I think he means one thing but says something else. It’s been like this since the day he arrived. I don’t think a day goes by when he isn’t yelling at me for something. You know, there are some people you just find it easy to communicate with. Well, Chuck isn’t one of those!”

Susan’s comments illustrate that communication can be a source of conflict.<sup>17</sup> They represent the opposing forces that arise from semantic difficulties, misunderstandings, and “noise” in the communication channels. Recall our comments on communication in Chapter 11.

A review of the research suggests that differing word connotations, jargon, insufficient exchange of information, and noise in the communication channel are all barriers to communication and potential antecedent conditions to conflict. Research has further demonstrated a surprising finding: the potential for conflict increases when either too little or *too much* communication takes place. Apparently, an increase in communication is functional up to a point, after which it is possible to overcommunicate, with a resultant increase in the potential for conflict.

**Structure** Charlotte and Mercedes both work at the Portland Furniture Mart—a large discount furniture retailer. Charlotte is a salesperson on the floor, and Mercedes is the company credit manager. The two women have known each other for years and have much in common: they live within two blocks of each other, and their oldest daughters attend the same middle school and are best friends. If Charlotte and Mercedes had different jobs, they might be best friends themselves, but they are constantly fighting battles with each other. Charlotte’s

job is to sell furniture, and she does it well. But most of her sales are made on credit. Because Mercedes' job is to make sure the company minimizes credit losses, she regularly has to turn down the credit application of a customer with whom Charlotte has just closed a sale. It's nothing personal between the women; the requirements of their jobs just bring them into conflict.

The conflicts between Charlotte and Mercedes are structural in nature. The term *structure* in this context includes variables such as size of the group, degree of specialization in the tasks assigned to group members, jurisdictional clarity, member-goal compatibility, leadership styles, reward systems, and the degree of dependence between groups.

Size and specialization can stimulate conflict. The larger the group and the more specialized its activities, the greater the likelihood of conflict. Tenure and conflict have been found to be inversely related; the potential for conflict is greatest when group members are younger and when turnover is high.

The greater the ambiguity about where responsibility for actions lies, the greater the potential for conflict to emerge. Such jurisdictional ambiguities increase intergroup fighting for control of resources and territory. Diversity of goals among groups is also a major source of conflict. When groups within an organization seek diverse ends, some of which—like sales and credit at Portland Furniture Mart—are inherently at odds, opportunities for conflict increase. Reward systems, too, create conflict when one member's gain comes at another's expense. Finally, if a group is dependent on another group (in contrast to the two being mutually independent), or if interdependence allows one group to gain at another's expense, opposing forces are stimulated.

**Personal Variables** Have you ever met someone for whom you felt an immediate dislike? You disagreed with most of the opinions he expressed. Even insignificant characteristics—the sound of his voice, the smirk when he smiled, his personality—annoyed you. We've all met people like that. When you have to work with such individuals, the potential for conflict arises.

Our last category of potential sources of conflict is personal variables, which include personality, emotions, and values. Personality does appear to play a role in the conflict process: some people just tend to get into conflicts a lot. In particular, people high in the personality traits of disagreeableness, neuroticism, or self-monitoring are prone to tangle with other people more often, and to react poorly when conflicts occur.<sup>18</sup> Emotions can also cause conflict. An employee who shows up to work irate from her hectic morning commute may carry that anger with her to her 9:00 a.m. meeting. The problem? Her anger can annoy her colleagues, which can result in a tension-filled meeting.<sup>19</sup>

## Stage II: Cognition and Personalization

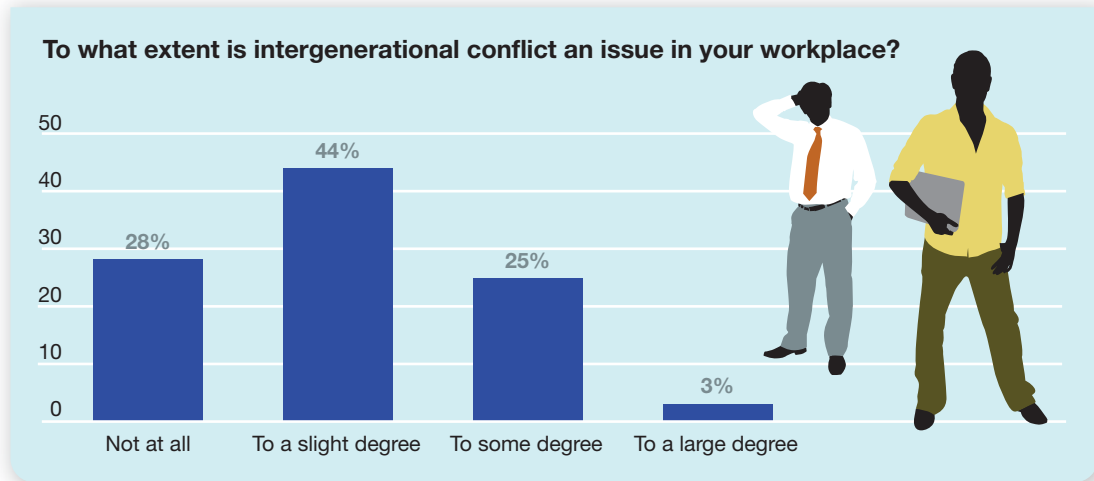
If the conditions cited in Stage I negatively affect something one party cares about, then the potential for opposition or incompatibility becomes actualized in the second stage.

As we noted in our definition of conflict, one or more of the parties must be aware that antecedent conditions exist. However, because a conflict is a **perceived conflict** does not mean it is personalized. In other words, "A may be aware that B and A are in serious disagreement . . . but it may not make A tense

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

## OB Poll

## Generation Differences Cause Some Workplace Conflict



Source: Based on "Intergenerational Conflict in the Workplace," SHRM News (April 29, 2011).

or anxious, and it may have no effect whatsoever on *A*'s affection toward *B*.<sup>20</sup> It is at the **felt conflict** level, when individuals become emotionally involved, that they experience anxiety, tension, frustration, or hostility.

Keep in mind two points. First, Stage II is important because it's where conflict issues tend to be defined, where the parties decide what the conflict is about.<sup>21</sup> If I define our salary disagreement as a zero-sum situation (if you get the increase in pay you want, there will be just that amount less for me), I am going to be far less willing to compromise than if I 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). Thus, the definition of a conflict is important because it typically delineates the set of possible settlements.

Our second point is that emotions play a major role in shaping perceptions.<sup>22</sup> Negative emotions allow us to oversimplify issues, lose trust, and put negative interpretations on the other party's behavior.<sup>23</sup> In contrast, positive feelings increase our tendency to see potential relationships among the elements of a problem, to take a broader view of the situation, and to develop more innovative solutions.<sup>24</sup>

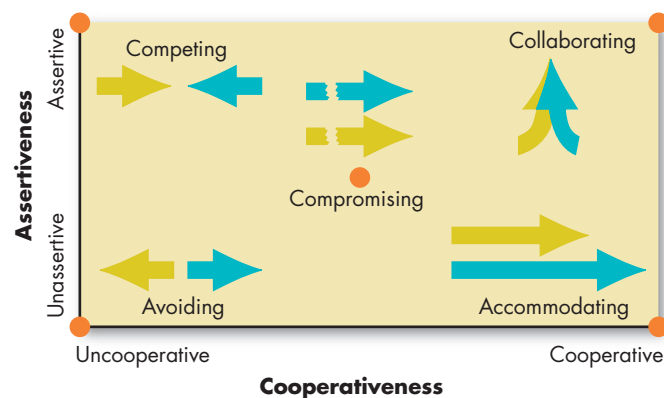
### Stage III: Intentions

**Intentions** intervene between people's perceptions and emotions and their overt behavior. They are decisions to act in a given way.<sup>25</sup>

We separate out intentions as a distinct stage because we have to infer the other's intent to know how to respond to his or her behavior. Many conflicts escalate simply because one party attributes the wrong intentions to the other. There is also typically a great deal of slippage between intentions and behavior, so behavior does not always accurately reflect a person's intentions.

Exhibit 14-2 represents one author's effort to identify the primary conflict-handling intentions. Using two dimensions—*cooperativeness* (the degree to which one party attempts to satisfy the other party's concerns) and *assertiveness*



**Exhibit 14-2** Dimensions of Conflict-Handling Intentions


Source: Figure from "Conflict and Negotiation Processes in Organizations" by K. Thomas in *Handbook of Industrial and Organizational Psychology*, 2/e, Vol. 3, ed. by M. D. Dunnette and L. M. Hough, p. 668 (Palo Alto, CA: Consulting Psychologists Press, 1992). Used with permission.

(the degree to which one party attempts to satisfy his or her own 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* (midrange on both assertiveness and cooperativeness).<sup>26</sup>

**Competing** When one person seeks to satisfy his or her own interests regardless of the impact on the other parties to the conflict, that person is **competing**. You compete when you place a bet that only one person can win, for example.

**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**, the 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 avoiding 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.

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

Intentions are not always fixed. During the course of a conflict, they might change if the parties are able to see the other's point of view or respond emotionally to the other's behavior. However, research indicates people have preferences among the five conflict-handling intentions we just described.<sup>27</sup> We can predict a person's intentions rather well from a combination of intellectual and personality characteristics.

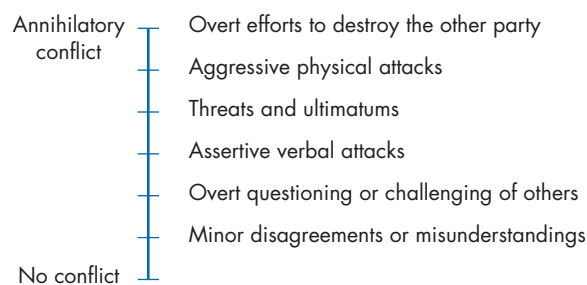
### Stage IV: Behavior

When most people think of conflict situations, they tend to focus on Stage IV because this is where conflicts become visible. The behavior stage includes the statements, actions, and reactions made by the conflicting parties, usually as overt attempts to implement their own intentions. As a result of miscalculations or unskilled enactments, overt behaviors sometimes deviate from these original intentions.<sup>28</sup>

It helps to think of Stage IV as 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. All conflicts exist somewhere along this continuum. At the lower part are conflicts characterized by subtle, indirect, and highly controlled forms of tension, such as a student questioning in class a point the instructor has just made. Conflict intensities escalate as they move upward along the continuum until they become 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 range of the continuum.

If a conflict is dysfunctional, what can the parties do to de-escalate it? Or, conversely, what options exist if conflict is too low and needs to be increased? This brings us to techniques of **conflict management**. Exhibit 14-4 lists the major resolution and stimulation techniques that allow managers to control conflict levels. We have already described several as conflict-handling intentions. This shouldn't be surprising. Under ideal conditions, a person's intentions should translate into comparable behaviors.

#### Exhibit 14-3 Conflict-Intensity Continuum



Sources: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach* (Upper Saddle River, NJ: Prentice Hall, 1974), pp. 93–97; and F. Glasi, "The Process of Conflict Escalation and the Roles of Third Parties," in G. B. J. Bomers and R. Peterson (eds.), *Conflict Management and Industrial Relations* (Boston: Kluwer-Nijhoff, 1982), pp. 119–140.

## Exhibit 14-4 Conflict Management Techniques

### Conflict-Resolution Techniques

<i>Problem solving</i>	Face-to-face meeting of the conflicting parties for the purpose of identifying the problem and resolving it through open discussion.
<i>Superordinate goals</i>	Creating a shared goal that cannot be attained without the cooperation of each of the conflicting parties.
<i>Expansion of resources</i>	When a conflict is caused by the scarcity of a resource (for example, money, promotion, opportunities, office space), expansion of the resource can create a win-win solution.
<i>Avoidance</i>	Withdrawal from or suppression of the conflict.
<i>Smoothing</i>	Playing down differences while emphasizing common interests between the conflicting parties.
<i>Compromise</i>	Each party to the conflict gives up something of value.
<i>Authoritative command</i>	Management uses its formal authority to resolve the conflict and then communicates its desires to the parties involved.
<i>Altering the human variable</i>	Using behavioral change techniques such as human relations training to alter attitudes and behaviors that cause conflict.
<i>Altering the structural variables</i>	Changing the formal organization structure and the interaction patterns of conflicting parties through job redesign, transfers, creation of coordinating positions, and the like.

### Conflict-Stimulation Techniques

<i>Communication</i>	Using ambiguous or threatening messages to increase conflict levels.
<i>Bringing in outsiders</i>	Adding employees to a group whose backgrounds, values, attitudes, or managerial styles differ from those of present members.
<i>Restructuring the organization</i>	Realigning work groups, altering rules and regulations, increasing interdependence, and making similar structural changes to disrupt the status quo.
<i>Appointing a devil's advocate</i>	Designating a critic to purposely argue against the majority positions held by the group.

Source: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach* (Upper Saddle River, NJ: Prentice Hall, 1974), pp. 59–89.

## Stage V: Outcomes

The action–reaction interplay between the conflicting parties results in 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** How might conflict act as a force to increase group performance? It is hard to visualize a situation in which open or violent aggression could be functional. But it's possible to see how low or moderate levels of conflict could improve the effectiveness of a group. Let's consider some examples and then review the research evidence. Note that all our examples focus on task and process conflicts and exclude the relationship variety.

Conflict is constructive when it improves the quality of decisions, stimulates creativity and innovation, encourages interest and curiosity among group members, provides the medium through which problems can be aired and tensions released, and fosters an environment of self-evaluation and change. The evidence suggests conflict can improve the quality of decision making by allowing all points to be weighed, particularly those that are unusual or held by a minority.<sup>29</sup> Conflict is an antidote for groupthink. It doesn't allow the group to passively rubber-stamp decisions that may be based on weak assumptions,

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

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

inadequate consideration of relevant alternatives, or other debilities. Conflict challenges the status quo and therefore 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 these 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 working out the conflict.<sup>30</sup>

Research studies in diverse settings confirm the functionality of active discussion. Groups whose members have different interests tend to produce higher-quality solutions to a variety of problems than do homogeneous groups.<sup>31</sup> Team members with greater differences in work styles and experience also tend to share more information with one another.<sup>32</sup>

These observations lead us to predict benefits to organizations from the increasing cultural diversity of the workforce. And that's what the evidence indicates, under most conditions. Heterogeneity among group and organization members can increase creativity, improve the quality of decisions, and facilitate change by enhancing member flexibility.<sup>33</sup> Researchers compared decision-making groups composed of all-Caucasian individuals with groups that also contained members from Asian, Hispanic, and Black ethnic groups. The ethnically diverse groups produced more effective and more feasible ideas, and the unique ideas they generated tended to be of higher quality than the unique ideas produced by the all-Caucasian group.

**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. And, of course, a substantial body of literature documents how dysfunctional conflicts can reduce group effectiveness.<sup>34</sup> Among the undesirable consequences are poor communication, reductions in group cohesiveness, and subordination of group goals to the primacy

IBM benefits from the diversity of its employees who engage in functional conflict that improves the company's performance. At IBM, diversity drives innovation. Achieving the full potential of its diverse workforce is a business priority fundamental to IBM's competitive success. For innovation to flourish, IBM needs different employee experiences, perspectives, skills, ideas, interests, information, and thinking. It relies on creative tension and opposing ideas that increase creativity, improve the quality of decisions, and facilitate change. IBM employees shown here broaden their diversity experiences and perspectives by participating in overseas assignments in emerging markets.



of infighting among members. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and trust.<sup>35</sup> When active discussions turn into open conflicts between members, information sharing between members decreases significantly.<sup>36</sup> At the extreme, conflict can bring group functioning to a halt and threaten the group's survival.

We noted that diversity can usually improve group performance and decision making. However, if differences of opinion open up along demographic fault lines, harmful conflicts result and information sharing decreases.<sup>37</sup> For example, if differences of opinion in a gender-diverse team line up so that men all hold one opinion and women hold another, group members tend to stop listening to one another. They fall into ingroup favoritism and won't take the other side's point of view into consideration. Managers in this situation need to pay special attention to these fault lines and emphasize the shared goals of the team.

The demise of an organization as a result of too much conflict isn't as unusual as you might think. One of New York's best-known law firms, Shea & Gould, closed down solely because the 80 partners just couldn't get along.<sup>38</sup> As one legal consultant familiar with the organization said, "This was a firm that had basic and principled differences among the partners that were basically irreconcilable." That same consultant also addressed the partners at their last meeting: "You don't have an economic problem," he said. "You have a personality problem. You hate each other!"

**Managing Functional Conflict** If managers recognize that in some situations conflict can be beneficial, what can they do to manage conflict effectively in their organizations? Let's look at some approaches organizations are using to encourage their people to challenge the system and develop fresh ideas.

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 language to discuss the same general course of action. For example, someone in marketing might focus on "distribution problems," while someone from operations will talk 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 discussion focused on interests rather than issues (we'll have more to say about this when we contrast distributive and integrative bargaining styles). 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 both sides will get the most important parts of its agenda.<sup>39</sup>

Groups that resolve conflicts successfully discuss differences of opinion openly and are prepared to manage conflict when it arises.<sup>40</sup> The most disruptive conflicts are those that are never addressed directly. 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. 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 to the overall group goals are more effective than groups with a competitive style.<sup>41</sup>

Differences across countries in conflict resolution strategies may be based on collectivistic tendencies and motives.<sup>42</sup> Collectivist cultures see people as deeply embedded in social situations, whereas individualist 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. They will avoid direct expression of conflicts, preferring indirect methods for resolving differences of opinion. 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.

Some research does support this theory. Compared to collectivist Japanese negotiators, their more individualist U.S. counterparts are more likely to see offers from their counterparts as unfair and to reject them. Another study revealed that whereas U.S. managers were more likely to use competing tactics in the face of conflicts, compromising and avoiding are the most preferred methods of conflict management in China.<sup>43</sup> Interview data, however, suggests top management teams in Chinese high-technology firms prefer collaboration even more than compromising and avoiding.<sup>44</sup>

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

## Negotiation

### 4 Define *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. And there's the subtle: an employee agrees to cover for a colleague for a few minutes in exchange for some past or future benefit. In today's loosely structured organizations, in which members work with colleagues over whom they have no direct authority and with whom they may not even share a common boss, negotiation skills become critical.

We can define **negotiation** as a process that occurs when two or more parties decide how to allocate scarce resources.<sup>45</sup> 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 the negotiators and the way the negotiators feel about themselves.<sup>46</sup> 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. In this section, we contrast two bargaining strategies, provide a model of the negotiation process, ascertain the role of moods and personality traits on bargaining, review gender and cultural differences in negotiation, and take a brief look at third-party negotiations.

### Bargaining Strategies

### 5 Contrast distributive and integrative bargaining.

There are two general approaches to negotiation—*distributive bargaining* and *integrative bargaining*.<sup>47</sup> As Exhibit 14-5 shows, they differ in their goal and motivation, focus, interests, information sharing, and duration of relationship. Let's define each and illustrate the differences.

**Distributive Bargaining** You see a used car advertised for sale online. It appears to be just what you've been looking to buy. You go out to see the car. It's great, and you want it. The owner tells you the asking price. You don't want to pay that much. The two of you then negotiate. The negotiating strategy you're

**Exhibit 14-5** Distributive Versus Integrative Bargaining

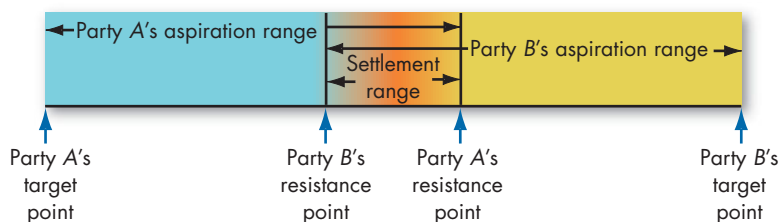
Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Goal	Get as much of the pie as possible	Expand the pie so that both parties are satisfied
Motivation	Win-lose	Win-win
Focus	Positions ("I can't go beyond this point on this issue.")	Interests ("Can you explain why this issue is 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

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. Every dollar you can get the seller to cut from the car's price is a dollar you save, and every dollar more the seller can get from you comes at your expense. So 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 divided up. When the pie is fixed, or the parties believe it is, they tend to bargain distributively.

Probably the most widely cited example of distributive bargaining is labor-management negotiations over wages. Typically, labor's representatives come to the bargaining table determined to get as much money as possible from management. Because every cent labor negotiates increases management's costs, each party bargains aggressively and treats the other as an opponent who must be defeated.

The essence of distributive bargaining is depicted in Exhibit 14-6. 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 below which the party would break off

**Exhibit 14-6** Staking Out the Bargaining Zone



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

**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 divided up between the parties.

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, research consistently shows 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 is 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.<sup>48</sup>

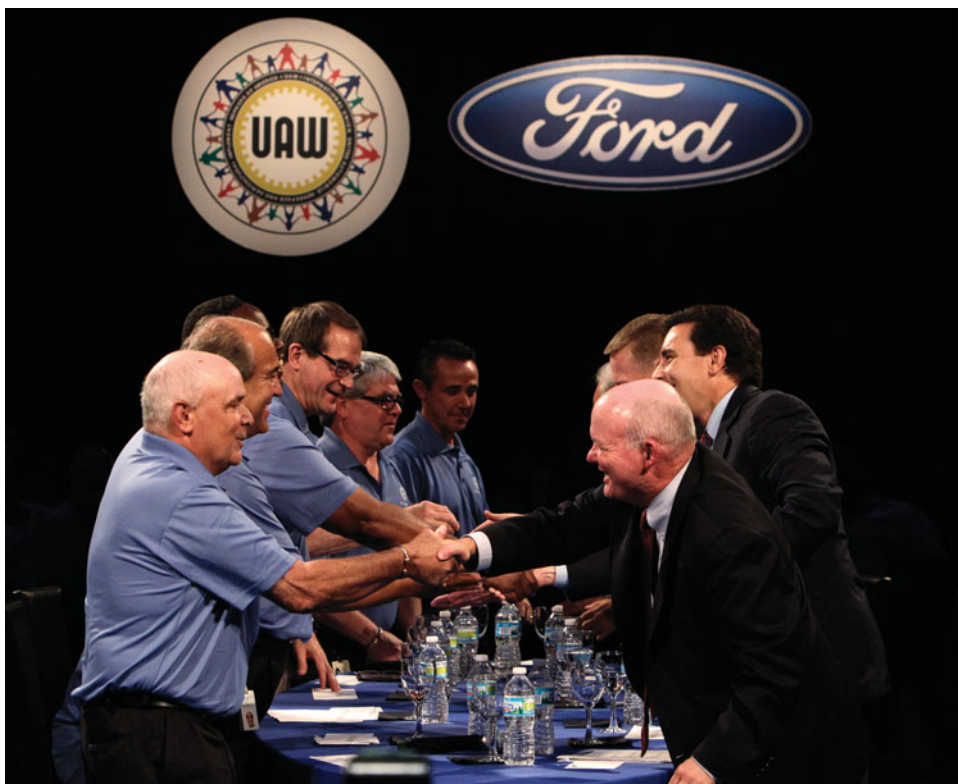
Say you have a job offer, and your prospective employer asks you what sort of starting salary you'd want. You've just been given a great gift—you have a chance to set the anchor, meaning you should ask for the highest salary you think the employer could reasonably offer. Asking for a million dollars is only going to make most of us look ridiculous, which is why we suggest being on the high end of what you think is *reasonable*. Too often, we err on the side of caution, afraid of scaring off the employer and thus settling for too little. It is possible to scare off an employer, and it's true employers don't like candidates to be assertive in salary negotiations, but liking isn't the same as doing what it takes to hire or retain someone.<sup>49</sup> What happens much more often is that we ask for less than we could have gotten.

Another distributive bargaining tactic is revealing a deadline. Erin is a human resources manager. She is negotiating salary with Ron, who is a highly sought-after new hire. Because Ron knows the company needs him, he decides to play hardball and ask for an extraordinary salary and many benefits. Erin tells Ron the company can't meet his requirements. Ron tells Erin he is going to have to think things over. Worried the company is going to lose Ron to a competitor, Erin decides to tell Ron she is under time pressure and needs to reach an agreement with him immediately, or she will have to offer the job to another candidate. Would you consider Erin to be a savvy negotiator? Well, she is. Why? Negotiators who reveal deadlines speed concessions from their negotiating counterparts, making them reconsider their position. And even though negotiators don't *think* this tactic works, in reality, negotiators who reveal deadlines do better.<sup>50</sup>

**Integrative Bargaining** Jake is a 5-year-old Chicago luxury boutique owned by Jim Wetzel and Lance Lawson. In the early days of the business, Wetzel and Lawson had no trouble moving 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 the designers found they 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."<sup>51</sup> Ms. Chung's attitude shows the promise of **integrative bargaining**. In contrast to distributive bargaining, integrative bargaining operates under the assumption that one or more of the possible settlements can create a win-win solution. Of course, as the Jake example shows and we'll highlight later, integrative bargaining takes "two to tango"—both parties must be engaged for it to work.



United Auto Workers officials (left) and Ford Motor Company officials shake hands during a news conference for the start of national negotiations in July 2011. Both UAW and Ford say that they are committed to integrative bargaining in finding mutually acceptable solutions to create a win-win settlement that will help boost their competitiveness with other automakers in the United States and abroad. The negotiations reflect a 70-year history of UAW and Ford working together to share information that will help address difficult business challenges.



Source: AP Photo/Paul Sancya.

In terms of intraorganizational behavior, all things being equal, 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 animosities 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 positive about the negotiation outcome is much more likely to bargain cooperatively in subsequent negotiations. This points to an important advantage of integrative negotiations: even when you “win,” you want your opponent to feel good about the negotiation.<sup>52</sup>

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 their concerns, are sensitive to the other’s needs and trust, and are willing to maintain flexibility.<sup>53</sup> Because these conditions seldom exist in organizations, it isn’t surprising that negotiations often take on a win-at-any-cost dynamic.

There are ways to achieve more integrative outcomes. Individuals who bargain in teams reach more integrative agreements than those who bargain individually because more ideas are generated when more people are at the bargaining table. So, try bargaining in teams.<sup>54</sup> Another way to achieve higher joint-gain settlements is to put more issues on the table. The more negotiable issues introduced into a negotiation, the more opportunity for “logrolling,” where issues are traded off because people have different preferences. This

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

## “Communicating Well Is More Important in Cross-Cultural Negotiations”

This statement is true.

At no time in human history has the contact between members of different cultures been higher. Supply chains are increasingly multinational networks. Large organizations market their products and services in many nations. Global virtual teams work to make their organizations globally competitive. Most of these supplier/customer/manager/employee relationships include negotiating over something. Only the smallest and most local organization is insulated from the need to negotiate cross-culturally.

Because negotiation is an intense communication process, you might think that globalization has placed a premium on communicating well in negotiations. A recent study supported that

view, but it also gave important details about what’s necessary to communicate well in cross-cultural negotiations:

*Clarity*—did each party understand each other?

*Responsiveness*—did each party respond quickly and smoothly?

*Comfort*—did each party feel comfortable and trust the other?

The authors found that cross-cultural negotiations did have lower communication quality with respect to all three characteristics than did within-country negotiations. They also found that higher levels of communication quality contributed to success in cross-cultural negotiations—in terms of both the joint gains the parties achieved and their satisfaction with the agreements.

Because communication quality was measured at the end of the negotiation, this study can’t determine cause-and-effect (it’s possible that negotiation outcomes cause the parties to perceive communication more favorably). However, it does suggest that cross-cultural negotiations need not always result in lower outcomes—if the parties commit themselves to communicating clearly, responsively, and in such a way to make the other side comfortable.

*Source:* Based on L. A. Liu, C. H. Chua, and G. K. Stahl, “Quality of Communication Experience: Definition, Measurement, and Implications for Intercultural Negotiations,” *Journal of Applied Psychology* 95, No. 3 (2010), pp. 469–487.

creates better outcomes for each side than if they negotiated each issue individually.<sup>55</sup> A final piece of advice is to focus on the underlying interests of both sides rather than on issues. In other words, it is better to concentrate on *why* an employee wants a raise rather than focusing just on the raise amount—some unseen potential for integrative outcomes may arise if both sides concentrate on what they really want rather than on the specific items they’re bargaining over. Typically, it’s easier to concentrate on underlying interests when parties to a negotiation are focused on broad, overall goals rather than on immediate outcomes of a specific decision.<sup>56</sup> Negotiations that occur when both parties are focused on learning and understanding the other side tend to also yield higher joint outcomes than those in which parties are more interested in their individual bottom-line outcomes.<sup>57</sup>

Finally, recognize that compromise may be your worst enemy in negotiating a win-win agreement. Compromising reduces the pressure to bargain integratively. After all, if you or your opponent caves in easily, it doesn’t require anyone to be creative to reach a settlement. Thus, people end up settling for less than they could have obtained if they had been forced to consider the other party’s interests, trade off issues, and be creative.<sup>58</sup> Think of the classic example in which two sisters are arguing over who gets an orange. Unknown to them, one sister wants the orange to drink the juice, whereas the other wants the orange peel to bake a cake. If one sister simply capitulates and gives the other sister 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 of it!

- 6 Apply the five steps of the negotiation process.

## The Negotiation Process

Exhibit 14-7 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, (3) clarification and justification, (4) bargaining and problem solving, and (5) closure and implementation.<sup>59</sup>

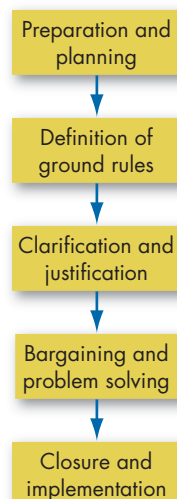
**Preparation and Planning** Before you start negotiating, you need to do your homework. What's the nature of the conflict? What's the history leading up to this negotiation? Who's involved and what are their perceptions of the conflict? What do you want from the negotiation? What are *your* goals? If you're a supply manager at Dell Computer, for instance, and your goal is to get a significant cost reduction from your supplier of keyboards, make sure this goal stays paramount in your discussions and doesn't get overshadowed by other issues. It often helps to put your goals in writing and develop a range of outcomes—from "most hopeful" to "minimally acceptable"—to keep your attention focused.

You also want to assess what you think are the other party's goals. What are they likely to ask? How entrenched is their position likely to be? What intangible or hidden interests may be important to them? On what might they be willing to settle? When you can anticipate your opponent's position, you are better equipped to counter arguments with the facts and figures that support your position.

Relationships will change as a result of a negotiation, so that's another outcome to take 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 weak and easily exploited, you may want to consider a more aggressive style. As an example of how the tone of a relationship set in negotiations matters, consider that 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.<sup>60</sup>

Once you've gathered your information, use it to develop a strategy. For example, expert chess players know ahead of time how they will respond to

Exhibit 14-7 The Negotiation



any given situation. As part of your strategy, you should determine your and the other side's **best alternative to a negotiated agreement**, or **BATNA**.<sup>61</sup> 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. If you go into your negotiation having a good idea of what the other party's BATNA is, even if you're not able to meet it you might be able to elicit a change. Think carefully about what the other side is 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 from a negotiation.<sup>62</sup>

**Definition of Ground Rules** Once you've done your planning and developed a strategy, you're ready to begin defining 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 also exchange their initial proposals or demands.

**Clarification and Justification** When you have exchanged initial positions, both 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 and informing 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 helps support 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 will undoubtedly need to make concessions.

**Closure and Implementation** The final step in the negotiation process is formalizing the agreement you have worked out and developing any procedures necessary for implementing and monitoring it. For major negotiations—from labor-management negotiations to bargaining over lease terms to buying a piece of real estate to negotiating a job offer for a senior management position—this requires hammering out the specifics in a formal contract. For most cases, however, 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 more complex than you might think. Four factors influence how effectively individuals negotiate: personality, mood/emotions, culture, and gender.

**Personality Traits in Negotiation** 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." Negotiators who are agreeable or extraverted are not very successful in distributive bargaining. Why? Because extraverts are outgoing and friendly, they tend to share more information than they should. And agreeable people are more interested in finding ways to cooperate rather than to butt heads. These traits, while slightly helpful in integrative negotiations, are liabilities

**7** Show how individual differences influence negotiations.

when interests are opposed. So the best distributive bargainer appears to be a disagreeable introvert—someone more interested in his or her own outcomes than in pleasing the other party and having a pleasant social exchange. People who are highly interested in having positive relationships with other people, and who are not very concerned about their own outcomes, are especially poor negotiators. These people tend to be very anxious about disagreements and plan to give in quickly to avoid unpleasant conflicts even before negotiations start.<sup>63</sup>

Research also suggests intelligence predicts negotiation effectiveness, but, as with personality, the effects aren't especially strong.<sup>64</sup> In a sense, these weak links are good news because they mean you're not severely disadvantaged, even if you're an agreeable extrovert, when it's time to negotiate. We all can learn to be better negotiators. In fact, people who think so are more likely to do well in negotiations because they persist in their efforts even in the face of temporary setbacks.<sup>65</sup>

**Moods/Emotions in Negotiation** Do moods and emotions influence negotiation? They do, but the way they do appears to depend on the type of negotiation. In distributive negotiations, it appears that negotiators in a position of power or equal status who show anger negotiate better outcomes because their anger induces concessions from their opponents. Angry negotiators also feel more focused and assertive in striking a bargain. This appears to hold true even when the negotiators are instructed to show anger despite not being truly angry. On the other hand, for those in a less powerful position, displaying anger leads to worse outcomes. Thus, if you're a boss negotiating with a peer or a subordinate, displaying anger may help you, but if you're an employee negotiating with a boss, it might hurt you.<sup>66</sup> So what happens when two parties have to negotiate and one has shown anger in the past? Does the other try to get revenge and act extra tough, or does this party have some residual fear that the angry negotiator might get angry again? Evidence suggests that being angry has a spillover effect, such that angry negotiators are perceived as "tough" when the parties meet a second time, which leads negotiation partners to give up more concessions again.<sup>67</sup>

Anxiety also appears to have an impact on negotiation. For example, one study found that individuals who experienced more anxiety about a negotiation used more deceptions in dealing with others.<sup>68</sup> Another study found that anxious negotiators expect lower outcomes from negotiations, respond to offers more quickly, and exit the bargaining process more quickly, which leads them to obtain worse outcomes.<sup>69</sup>

All these findings regarding emotions have related to distributive bargains. In integrative negotiations, in contrast, positive moods and emotions appear to lead to more integrative agreements (higher levels of joint gain). This may happen because, as we noted in Chapter 4, positive mood is related to creativity.<sup>70</sup>

**Culture in Negotiations** One study compared U.S. and Japanese negotiators and found the generally conflict-avoidant Japanese negotiators tended to communicate indirectly and adapt their behaviors to the situation. A follow-up study showed that, whereas early offers by U.S. managers led to the anchoring effect we noted when discussing distributive negotiation, for Japanese negotiators,

early offers led to more information sharing and better integrative outcomes.<sup>71</sup> In another study, managers with high levels of economic power from Hong Kong, which is a high power-distance country, were more cooperative in negotiations over a shared resource than German and U.S. managers, who were lower in power distance.<sup>72</sup> This suggests that in high power-distance countries, those in positions of power might exercise more restraint.

Another study looked at differences between U.S. and Indian negotiators.<sup>73</sup> Indian respondents reported having less trust in their negotiation counterparts than did U.S. respondents. These lower levels of trust were associated with lower discovery of common interests between parties, which occurred because Indian negotiators were less willing to disclose and solicit information. In both cultures, use of question-and-answer methods of negotiation were associated with superior negotiation outcomes, so although there are some cultural differences in negotiation styles, it appears that some negotiation tactics yield superior outcomes across cultures.

**Gender Differences in Negotiations** Do men and women negotiate differently? And does gender affect negotiation outcomes? The answer to the first question appears to be no.<sup>74</sup> The answer to the second is a qualified yes.<sup>75</sup>

A popular stereotype is that women are more cooperative and pleasant in negotiations than are men. The evidence doesn't support this belief. However, men have been found to negotiate better outcomes than women, although the difference is relatively small. It's been postulated that men and women place unequal values on outcomes. "It is possible that a few hundred dollars more in salary or the corner office is less important to women than forming and maintaining an interpersonal relationship."<sup>76</sup>

Because women are expected to be "nice" and men "tough," research shows women are penalized when they initiate negotiations.<sup>77</sup> What's more, when women and men actually do conform to these stereotypes—women act "nice" and men "tough"—it becomes a self-fulfilling prophecy, reinforcing the stereotypical gender differences between male and female negotiators.<sup>78</sup> Thus, one of the reasons negotiations favor men is that women are "damned if they do, damned if they don't." Negotiate tough and they are penalized for violating a gender stereotype. Negotiate nice and it only reinforces and lets others take advantage of the stereotype.

In this photo, Japanese labor union leader Hidekazu Kitagawa (right) presents the group's annual wage and benefits demands to Ikuo Mori, president of Fuji Heavy Industries, Ltd., the manufacturer of Subaru automobiles. Studies on how negotiating styles vary across national cultures reveal that the generally conflict-avoidant Japanese negotiators tend to communicate indirectly and use a more polite conversational style. Their style of interaction is less aggressive than other cultures, favoring frequent silent periods and more positive recommendations and commitments and de-emphasizing the use of threats and commands.



## Anger and Conflict Across Cultures

**W**e've discussed anger as a negotiating tactic, but do different cultures view the expression of anger differently? Evidence suggests they do, meaning the use of anger is not a consistently used negotiation strategy.

One study explicitly compared how U.S. and Chinese negotiators react to an angry counterpart. Chinese negotiators increased their use of distributive negotiating tactics, whereas U.S. negotiators decreased their use of these tactics. That is, Chinese negotiators

began to drive a harder bargain once they saw that their negotiation partner was becoming angry, whereas U.S. negotiators actually capitulate somewhat in the face of angry demands.

Why do East Asian negotiators respond more negatively to angry negotiators? In a second study, researchers found that European Americans tended to give larger concessions when faced with an angry negotiation partner, whereas Asian negotiators again gave smaller ones. This difference may occur because

individuals from East Asian cultures feel that using anger to get your way in a negotiation is not a legitimate tactic, so they respond by refusing to cooperate when their opponents become upset.

*Sources:* Based on M. Liu, "The Intrapersonal and Interpersonal Effects of Anger on Negotiation Strategies: A Cross-Cultural Investigation," *Human Communication Research* 35, no. 1 (2009), pp. 148–169; and H. Adam, A. Shirako, and W. W. Maddux, "Cultural Variance in the Interpersonal Effects of Anger in Negotiations," *Psychological Science* 21, no. 6 (2010), pp. 882–889.



SELF-ASSESSMENT LIBRARY

### What's My Negotiating Style?

In the Self-Assessment Library (available on CD and online), take assessment II.C.6 (What's My Negotiating Style?).

Evidence also suggests women's own attitudes and behaviors hurt them in negotiations. Managerial women demonstrate less confidence than men in anticipation of negotiating and are less satisfied with their performance afterward, even when their performance and the outcomes they achieve are similar to those for men.<sup>79</sup> Women are also less likely than men to see an ambiguous situation as an opportunity for negotiation. It appears that women may unduly penalize themselves by failing to engage in negotiations that would be in their best interests. Some research suggests that women are less aggressive in negotiations because they are worried about backlash from others. There is an interesting qualifier to this result: women are more likely to engage in assertive negotiation when they are bargaining on behalf of someone else than when they are bargaining on their own behalf.<sup>80</sup>

### 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.

A **mediator** is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, and the like.

- 8 Assess the roles and functions of third-party negotiations.

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

## Using Empathy to Negotiate More Ethically

You may have noticed that much of our advice for negotiating effectively depends on understanding the perspective and goals of the person with whom you are negotiating. Preparing checklists of your negotiation partner's interests, likely tactics, and BATNA have all been shown to improve negotiation outcomes. Can these steps make you a more ethical negotiator as well? Studies suggest that it might.

Researchers asked respondents to indicate how much they tended to think about other people's feelings and emotions and to describe the types of tactics they engaged in during a negotiation exercise. More empathetic individuals consistently engaged in fewer unethical negotiation behaviors like making false promises and manipulating information, and

emotions. To put this in terms familiar to you from personality research, it appears that individuals who are higher in agreeableness will be more ethical negotiators.

When considering how to improve your ethical negotiation behavior, follow these guidelines:

1. Try to understand your negotiation partner's perspective, not just by understanding cognitively what the other person wants, but by empathizing with the emotional reaction he or she will have to the possible outcomes.
2. Be aware of your own emotions, because many moral reactions are fundamentally emotional. One study found that engaging in unethical negotiation strategies increased feelings of guilt, so

by extension, feeling guilty in a negotiation may mean you are engaging in behavior you'll regret later.

3. Beware of empathizing so much that you work against your own interests. Just because you try to understand the motives and emotional reactions of the other side does not mean you have to assume the other person is going to be honest and fair in return. So be on guard.

*Sources:* Based on T. R. Cohen, "Moral Emotions and Unethical Bargaining: The Differential Effects of Empathy and Perspective Taking in Detering Deceitful Negotiation," *Journal of Business Ethics* 94, no. 4 (2010), pp. 569–579; and R. Volkema, D. Fleck, and A. Hofmeister, "Predicting Competitive-Unethical Negotiating Behavior and Its Consequences," *Negotiation Journal* 26, no. 3 (2010), pp. 263–286.

Mediators are widely used in labor–management negotiations and in civil court disputes. Their overall effectiveness is fairly impressive. The settlement rate is approximately 60 percent, with negotiator satisfaction at about 75 percent. 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.

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 negative side 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, interpret messages, and persuade disputants to develop agreements.



## MyManagementLab

Now that you have finished this chapter, go back to [www.mymanagementlab.com](http://www.mymanagementlab.com) to continue practicing and applying the concepts you've learned.

## Summary and Implications for Managers

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. As shown in Exhibit 14-8, 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 coordination of activities.

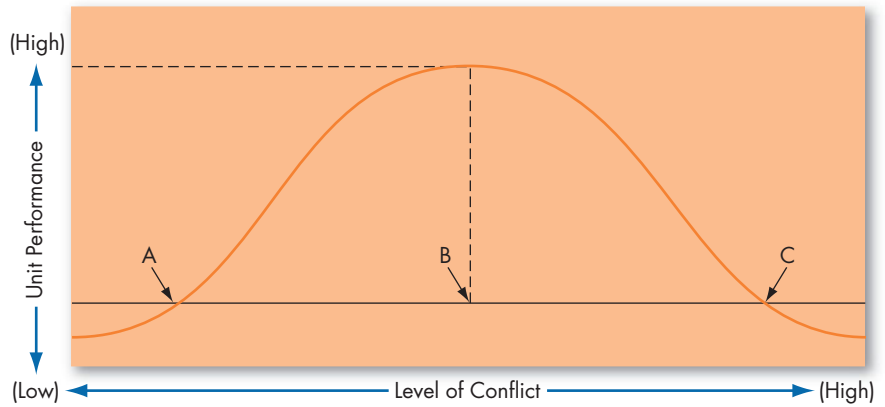
What advice can we give managers faced with excessive conflict and the need to reduce it? Don't assume one conflict-handling strategy will always be best! Select a strategy appropriate for the situation. Here are some guidelines:<sup>81</sup>

- Use *competition* when quick decisive action is needed (in emergencies), when issues are important, when unpopular actions need to be implemented (in cost cutting, enforcement of unpopular rules, discipline), when the issue is vital to the organization's welfare and you know you're right, and when others are taking advantage of noncompetitive behavior.
- Use *collaboration* to find an integrative solution when both sets of concerns are too important to be compromised, when your objective is to learn, when you want to merge insights from people with different perspectives or gain commitment by incorporating concerns into a consensus, and when you need to work through feelings that have interfered with a relationship.
- Use *avoidance* when an issue is trivial or symptomatic of other issues, when more important issues are pressing, when you perceive no chance of satisfying your concerns, when potential disruption outweighs the benefits of resolution, when people need to cool down and regain perspective, when gathering information supersedes immediate decision, and when others can resolve the conflict more effectively.
- Use *accommodation* when you find you're wrong, when you need to learn or show reasonableness, when you should allow a better position 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, when you are outmatched and losing (to minimize loss), when harmony and stability are especially important, and when employees can develop by learning from mistakes.

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

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

**Exhibit 14-8** Conflict and Unit 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

- Use *compromise* when goals are important but not worth the effort of potential disruption of more assertive approaches, when opponents with equal power are committed to mutually exclusive goals, when you seek temporary settlements to complex issues, when you need expedient solutions under time pressure, and as a backup when collaboration or competition is unsuccessful.
- 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.
- Make sure you set aggressive negotiating goals and try to find creative ways to achieve the objectives of both parties, especially when you value the long-term relationship with the other party. That doesn't mean sacrificing your self-interest; rather, it means trying to find creative solutions that give both parties what they really want.

## Player–Owner Disputes Are Unnecessary

### POINT

It seems there's always a major sports league on the verge of a strike. In the past few years, Major League Baseball (MLB), the National Basketball Association (NBA), the National Hockey League (NHL), and the National Football League (NFL) have had major labor disputes. When greed meets greed, guess who loses? Yes, the fans.

A few years ago, an entire NHL season was canceled due to a labor dispute (NHL owners staged a work stoppage or "lock-out" that lasted 311 days). The main issue? How to divide the more than \$2 billion in revenues generated by the league. The average NHL player earns an annual salary of \$1.35 million, and that doesn't include income from endorsements, appearances, merchandise, and so on. The owners aren't hurting, either. Most are millionaires many times over. Los Angeles Kings owner Philip Anschutz is reported to have a net worth of \$7 billion.

The NFL is a variation on the same theme. During the 2011 lockout, during which the player's union temporarily disbanded so it could claim it wasn't a union, the owners and players fought over how to divide \$9 billion in revenues. The average player makes \$1.9 million a year. The average net worth of an NFL owner is \$1.4 billion. And each side squabbles over getting more.

Yes, players get injured. Some lives are permanently damaged. But do you think being a construction worker, farmer, police officer, fisher, or loading-dock worker is a piece of cake? How often do these groups strike? They earn far less than professional athletes (the average fisher earns 2 percent of the average salary of an NHL player!), but they do work year-round, which is much more dangerous.

Meanwhile, ticket prices for sports events continue to soar. In the past 20 years, major league ticket prices have increased at double the rate of inflation. But what are the owners and players focused on? How to line their pockets even further. Was it any surprise when Minnesota Vikings running back Adrian Peterson, fuming over the dispute, called NFL players "modern-day slaves"? (He earns more than \$10 million a year.)

Billionaires feuding with millionaires. These are unseemly—and unnecessary—conflicts.

### COUNTERPOINT

Sports teams are an easy target.

It's true that most major league players are well rewarded for their exceptional talents and the risks they take. It's also true that owners who are able to invest in teams are wealthy—investors usually are. But do the resources on each side mean their conflict should just melt away? The reason these disputes happen is that real interests and real money is at stake.

The operation of major league sports is a complex business. The owners and players can be caricatured, but if you delve a bit deeper, you can see that their disputes are fairly natural. Let's look at hockey. NHL clubs spent 76 percent of their gross revenues on players' salaries and collectively lost \$273 million the year before the lockout. The NHL tried to convince players to accept a wage structure that linked player salaries to league revenues, guaranteeing the clubs "cost certainty." Understandably, the players' union resisted, arguing that "cost certainty" was nothing more than another term for a salary cap. They argued in favor of retaining the "market-based" system in which players individually negotiated contracts with teams, and teams had complete control over how much it spent on players.

The NFL lockout hinged on a number of issues that divided the owners and players, including the owners' desire for an 18-game season (with no increase in player compensation), the way costs are considered in revenue sharing, and pensions for retired players. These aren't trivial issues, and neither are they entirely different from issues that arise in other labor–management disputes.

Finally, it's easy to argue that major league sports have an unusual number of labor disputes, but that's not necessarily accurate. Did you hear about the 2011 Saskatchewan Teachers Federation strike? Sports interest us (which is why there's so much money involved), and thus we're more likely to notice major league sports labor disputes, but that doesn't prove they're more common.

Yes, owners are rich and players make a lot of money. We're the ones who helped them do it, and we shouldn't fault them for wanting more of what we gave them.

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## QUESTIONS FOR REVIEW

- 1 What is conflict?
- 2 What are the differences among the traditional, interactionist, and managed-conflict views of conflict?
- 3 What are the steps of the conflict process?
- 4 What is negotiation?
- 5 What are the differences between distributive and integrative bargaining?
- 6 What are the five steps in the negotiation process?
- 7 How do the individual differences of personality and gender influence negotiations?
- 8 What are the roles and functions of third-party negotiations?

## EXPERIENTIAL EXERCISE A Negotiation Role-Play

This role-play is designed to help you develop your negotiating skills. The class is to break into pairs. One person will play the role of Alex, the department supervisor. The other person will play C. J., Alex's boss. Both participants should read "The Situation," "The Negotiation," and then their role only.

### The Situation

Alex and C. J. work for Nike in Beaverton, Oregon. Alex supervises a research laboratory. C. J. is the manager of research and development. Alex and C. J. are former college runners who have worked for Nike for more than 6 years. C. J. has been Alex's boss for 2 years. One of Alex's employees has greatly impressed Alex. This employee is Lisa Roland. Lisa was hired 11 months ago. She is 24 years old and holds a master's degree in mechanical engineering. Her entry-level salary was \$57,500 per year. Alex told her that, in accordance with corporation policy, she would receive an initial performance evaluation at 6 months and a comprehensive review after 1 year. Based on her performance record, Lisa was told she could expect a salary adjustment at the time of the 1-year evaluation.

Alex's evaluation of Lisa after 6 months was very positive. Alex commented on the long hours Lisa was putting in, her cooperative spirit, the fact that others in the lab enjoyed working with her, and that she was making an immediate positive impact on the project assigned to her. Now that Lisa's first anniversary is coming up, Alex has again reviewed Lisa's performance. Alex thinks Lisa may be the best new person the R&D group has ever hired. After only a year, Alex has ranked Lisa as the number-3 performer in a department of 11.

Salaries in the department vary greatly. Alex, for instance, has a base salary of \$86,000, plus eligibility for a bonus that might add another \$7,000 to \$12,000 a year. The salary range of the 11 department members is \$48,400 to \$76,350. The individual with the lowest salary is a recent hire with a bachelor's degree in physics. The

two people whom Alex has rated above Lisa earn base salaries of \$69,200 and \$76,350. They're both 27 years old and have been at Nike for 3 and 4 years, respectively. The median salary in Alex's department is \$64,960.

### Alex's Role

You want to give Lisa a big raise. Although she's young, she has proven to be an excellent addition to the department. You don't want to lose her. More importantly, she knows in general what other people in the department are earning, and she thinks she's underpaid. The company typically gives 1-year raises of 5 percent, although 10 percent is not unusual, and 20 to 30 percent increases have been approved on occasion. You'd like to get Lisa as large an increase as C. J. will approve.

### C. J.'s Role

All your supervisors typically try to squeeze you for as much money as they can for their people. You understand this because you did the same thing when you were a supervisor, but your boss wants to keep a lid on costs. He wants you to keep raises for recent hires generally in the 5 to 8 percent range. In fact, he's sent a memo to all managers and supervisors saying this. He also said that managers will be evaluated on their ability to maintain budgetary control. However, your boss is also concerned with equity and paying people what they're worth. You feel assured that he will support any salary recommendation you make, as long as it can be justified. Your goal, consistent with cost reduction, is to keep salary increases as low as possible.

### The Negotiation

Alex has a meeting scheduled with C. J. to discuss Lisa's performance review and salary adjustment. Take a couple of minutes to think through the facts in this exercise and to prepare a strategy. Then take up to 15 minutes to conduct your negotiation. When your negotiation is complete, the class will compare the various strategies used and pair outcomes.

## ETHICAL DILEMMA The Lowball Applicant

Consider this real-life scenario:

A freelance project manager, I was hired to find someone to fill a highly specialized job. When I asked an impressive candidate her pay rate, she named a figure far below the industry standard. I could have rejected her for this lack of sophistication or exploited her low bid. Instead, I coached her to a figure nearly twice her bid yet about 30 percent below my client's budget. I did not inform my client about the discrepancy, and she was hired at the rate I recommended. Did I do wrong by either party?

—NAME WITHHELD, *New York*

Source: R. Cohen, "The Ethicist," *New York Times Magazine* (July 18, 2010), p. 19.

## CASE INCIDENT 1 Choosing Your Battles

While much of this chapter has discussed methods for achieving harmonious relationships and getting out of conflicts, it's also important to remember there are situations in which too little conflict can be a problem. As we noted, in creative problem-solving teams, some level of task conflict early in the process of formulating a solution can be an important stimulus to innovation.

However, the conditions must be right for productive conflict. In particular, individuals must feel psychologically safe in bringing up issues for discussion. If people fear that what they say is going to be held against them, they may be reluctant to speak up or rock the boat. Experts suggest that effective conflicts have three key characteristics: they should (1) speak to what is possible, (2) be compelling, and (3) involve uncertainty.

So how should a manager "pick a fight?" First, ensure that the stakes are sufficient to actually warrant a disruption. Second, focus on the future, and on how to resolve the conflict rather than on whom to blame. Third, tie the conflict to fundamental values. Rather than concentrating on winning or losing, encourage both parties to see how successfully exploring and resolving the conflict will lead to optimal outcomes for all. If managed successfully, some degree of open disagreement can be an important way for companies to manage simmering and potentially destructive conflicts.

Do these principles work in real organizations? The answer is yes. Dropping its old ways of handling scheduling

### Questions

1. In coaching the applicant to request a higher salary, did the project manager work against the interests of the client organization by which he or she is employed? Why or why not?
2. Could the manager have avoided this dilemma by proposing a salary figure that was the industry norm? Would that be in the interests of the client organization?
3. If you were in the project manager's situation, would you have handled this negotiation differently? If so, how so?

and logistics created a great deal of conflict at Burlington Northern Santa Fe railroad, but applying these principles to managing the conflict helped the railroad adopt a more sophisticated system and recover its competitive position in the transportation industry. Doug Conant, CEO of Campbell Soup, increased functional conflicts in his organization by emphasizing a higher purpose to the organization's efforts rather than focusing on whose side was winning a conflict. Thus, a dysfunctional conflict environment changed dramatically and the organization was able to move from one of the world's worst-performing food companies to one that was recognized as a top performer by both the Dow Jones Sustainability Index and *Fortune* 500 data on employee morale.

### Questions

1. How would you ensure sufficient discussion of contentious issues in a work group? How can managers bring unspoken conflicts into the open without making them worse?
2. How can negotiators utilize conflict management strategies to their advantage so that differences in interests lead not to dysfunctional conflicts but rather to positive integrative solutions?
3. Can you think of situations in your own life in which silence has worsened a conflict between parties? What might have been done differently to ensure that open communication facilitated collaboration instead?

Sources: Based on S. A. Joni and D. Beyer, "How to Pick a Good Fight," *Harvard Business Review* (December 2009), pp. 48–57; and B. H. Bradley, B. E. Postlewaite, A. C. Klotz, M. R. Hamdani, and K. G. Brown., "Reaping the Benefits of Task Conflict in Teams: The Critical Role of Team Psychological Safety Climate," *Journal of Applied Psychology*, Advance publication (July 4, 2011), doi: 10.1037/a0024200.

## CASE INCIDENT 2 Mediation: Master Solution to Employment Disputes?

We typically think of mediation as the province of marital counselors and labor strife. More organizations use mediation to resolve conflicts than you might think. In fact, in the United States, Canada, Great Britain, Ireland, and India, mediation is growing rapidly as a means to settle employment disputes. We introduced mediation in this chapter; let's look at some examples when it has succeeded and when it has failed.

Mediation has often succeeded:

- Many states have experimented with mediation as an alternative to traditional trials to resolve legal disputes. The state of Maryland found in a pilot program that 58 percent of appellate cases could be resolved through mediation and that mediation was both cheaper and faster than a traditional courtroom resolution.
- The Equal Employment Opportunity Commission (EEOC), the federal agency that oversees employment discrimination complaints in the United States, uses mediation extensively. Safeway, the third-largest U.S. supermarket chain, uses the EEOC to mediate numerous employment disputes. Says Donna Gwin, Safeway's Director of Human Resources, "Through mediation, we have had the opportunity to proactively resolve issues and avoid potential charges in the future. We have seen the number of charges filed with EEOC against us actually decline. We believe that our participating in mediation and listening to employees' concerns has contributed to that decline."

However, mediation doesn't always work:

- In 2008, the Screen Actors Guild (SAG) and the Alliance of Motion Picture and Television Producers (AMPTP), representing some 350 studios and production companies, engaged in prolonged negotiations over a new labor agreement. The negotiations failed, and the parties agreed to mediation. However, mediation also failed, and in response SAG asked its members to approve a strike authorization.
- When David Kuchinsky, the former driver for New York Knicks center Eddy Curry, sued Curry for sexual harassment, discrimination, and failure to pay \$93,000 in wages and reimbursements, the parties agreed to mediation. However, after the sides failed to reach a settlement during mediation, Kuchinsky reinstated his lawsuit, and Curry filed a \$50,000 countersuit.

### Questions

1. Drawing from these examples, what factors do you think differentiate occasions when mediation was successful and when it failed?
2. One successful mediator, Boston's Paul Finn, argues that if the disputing parties are seeking justice, "It's best to go somewhere else." Why do you think he says that?
3. Do you think a mediator should find out *why* the parties want what they want? Why or why not?
4. The EEOC reports that whereas 85 percent of employees agree to mediate their charges, employers agree to mediate only 30 percent of the time. Why do you think this disparity exists?

Sources: Based on M. Kapko, "Actors Union Seeks Strike Vote After Federal Mediation Fails," *Forbes* (November 23, 2008), [www.forbes.com](http://www.forbes.com); K. Tyler, "Mediating a Better Outcome," *HR Magazine* (November 2007), pp. 63–66; K. O'Brien, "The Closer," *Boston Globe* (April 12, 2009), [www.boston.com](http://www.boston.com); and S. Lash, "Appealing for Appellate Mediation in Maryland," *The Daily Record* (July 4, 2011), [www.thedailyrecord.com](http://www.thedailyrecord.com).

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