Imagine that two sisters are vying for the last orange in their refrigerator. How should they decide who gets it? Most people would cut it in half because neither one could convince the other to give up the whole thing. But what if each sister approached the situation by asking the other why she wanted it? If one wanted the peel for baking and the other wanted the fruit for the juice, they both could win (Follett, 1994). This scenario illustrates the classic distinction between distributive and integrative negotiation, the two dominant negotiation strategies. In contrast with distributive negotiation’s competitive approach, integrative negotiation is collaborative. “Expanding the pie” allows both parties to create value and satisfy their needs. The following pages discuss the essence of integrative negotiation, when it is appropriate to negotiate this way, and the tactics that are used to implement it.

**INTENDED BENEFITS OF THIS CHAPTER**

When you finish reading this chapter, you should be able to

1. Determine when it is appropriate to negotiate integratively.
2. Recognize and apply the tactics that are used to implement this strategy.
3. Negotiate effectively using this strategy.

**THE ESSENCE OF INTEGRATIVE NEGOTIATION**

Integrative negotiation requires a different mindset than distributive bargaining because it is used when
Table 4.1 Factors to Consider When Choosing Which Strategy to Use

<table>
<thead>
<tr>
<th>Condition</th>
<th>Distributive</th>
<th>Integrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals</td>
<td>In Fundamental Conflict</td>
<td>Not in Fundamental Conflict</td>
</tr>
<tr>
<td>Relationship</td>
<td>Not a High Priority</td>
<td>Is a High Priority</td>
</tr>
<tr>
<td>Resources</td>
<td>Fixed or Limited</td>
<td>Not Fixed or Limited</td>
</tr>
<tr>
<td>Trust &amp; Cooperation</td>
<td>Is Lacking</td>
<td>Exists</td>
</tr>
</tbody>
</table>

you want to solve problems in a way that works for both sides, not merely for yourself. Returning to the Dual Concerns Model presented in Chapter 1, this is the strategy to use when you are highly concerned with your outcomes and those of the other party. Table 4.1 again summarizes and compares the situational characteristics that determine when it is most appropriate to use each of the two dominant strategies.

**PREPARATION AND INTEGRATIVE BARGAINING**

All elements of the preparation process are important, regardless of which strategy you employ. Chapter 3 explained why positions, target points, resistance points, and alternatives are particularly important when you negotiate distributively. Defining the situation, interests, and rapport building assume greater importance when you negotiate integratively.

*Defining the situation* is always important because it helps you determine what you will be negotiating, your goals, and the issues that must be addressed to produce a complete solution. It assumes greater importance when you negotiate integratively because you and the other party must develop a shared understanding of the situation. It seems obvious, but you must be trying to solve the same problem if you hope to find solutions that help both of you.

*Interests* are the primary focus of integrative negotiators—is sometimes called interest-based bargaining for this reason. When you negotiate this way, you identify your own interests and those of the other party, and then try to invent solutions that satisfy all of them. Since we negotiate to satisfy our needs, and interests are typically unmet needs, it makes sense to focus on these rather than positions. Viewed differently, there is only one way to satisfy a position—you get it or you do not. There are usually many different ways to satisfy interests so integrative negotiation affords greater opportunities to find mutually beneficial solutions. The negotiation described in Negotiation in Action 4.1 between Allison and her boss illustrates the interest-based focus of the integrative approach. They clarified interests and then invented solutions to satisfy them.

**NEGOTIATION IN ACTION 4.1**

On Thursday, Allison was summoned to meet with the Chief Executive Officer (CEO) of the nonprofit organization at which she works. When she arrived, they exchanged pleasantries for a few minutes. Since neither of them enjoyed small talk, Allison quickly asked what she could do for him. The CEO told her that he had decided to fill the vacant Chief Operating Officer (COO) position with the current Vice President of
Operations, and he was reorganizing the Institute. The new COO would be responsible for all non-research activities and the CEO would retain responsibility for all research areas. Since the new COO lacks a strong understanding of information technology, he would like to move Allison out of Corporate Information and have her report to the COO as the new Vice President of Clinical Information. She would be responsible for all of the clinical information technology needs of the Institute. In this role, she would retain some of her current duties and assume many new ones. He then handed her an organization chart and told her to determine how the newly formed areas should be structured. Taken aback, Allison pretended to study the chart. After a few minutes, she asked what the new COO thought about how this should be structured. He told her it was up to her to find out and to make it work. She then asked what the current Chief Information Officer (CIO), her immediate boss, thought about it. He explained that the CIO was asked to provide input but took too long. Thus, it was up to Allison to work it out with him. Allison then asked, “So basically you want me to facilitate the reorganization of the whole division because no one else is doing it quickly enough for you?” He laughed and said, “Yes, now get to it.” She thanked him for the opportunity and left.

Allison and the new COO met the following morning and quickly created the new organization chart. They also agreed that Allison would initially negotiate the reallocation of responsibilities with the CIO because she had a better relationship with him. The COO would intervene only if it became necessary. On the way back to her office, Allison asked her boss if he wanted to have lunch. Since they ate together nearly every day, this was not a surprise. At lunch, after discussing some work issues, talk turned to the reorganization. Allison confessed that the CEO told her about it. They talked about various aspects of the change, including what they liked and disliked about it. They agreed that it was important to organize the Institute in an efficient and effective manner. They discussed separating Clinical Information from Corporate Information to enable the clinical division to function more effectively. They agreed this was a particularly important concern for both of them and for the organization as a whole.

With this agreement on their shared concern, Allison asked what the CIO thought about two important issues—digitizing patient records and information security. The CIO’s position regarding patient records was that they should remain with him. Allison then asked if the clinical division could function effectively without responsibility for patient records. After some discussion, the CIO reconsidered their shared interest in organizational effectiveness and agreed that it should move with Allison to Clinical Information. Regarding information security, the CIO felt strongly that it should remain with Corporate Information because contracts were negotiated for the entire Institute all at once. Although Allison believed patient records posed unique security risks that could be managed more effectively in Clinical Information, she agreed that greater savings could be realized by negotiating all of the security programs at once and that it would serve their mutual interests to leave it in Corporate Information.

Their agreement to move digitizing patient records to Clinical Information and leave information security to Corporate Information was derived by focusing on the interests of the organization, and on each of their personal interests. They agreed that the reorganization promoted efficiency and
effectiveness for the Institute, which would enhance its overall success. More personally, the CIO benefited from this because he was now able to spend more time on important projects, thereby enhancing his success with them. It also reduced some of the risk he would have to assume and enhanced his job security, both of which he valued highly. Allison’s career would benefit from the promotion and from her new responsibilities. She valued the additional risk she was assuming and the added recognition she would receive if her efforts were successful. In fact, she gained immediate recognition from the CEO when, in less than one day, she and the COO presented him with the new organization chart.

Building rapport also assumes greater importance when using the integrative strategy. It was noted in Chapter 2 that negotiators who engaged in a mere 10 minutes of conversation, even if it is unrelated to the negotiation, share more information, make fewer threats, and develop more respect and trust during talks than pairs who do not do so (Nadler, 2004). These are particularly important when negotiating integratively because trust, cooperation, and information sharing help negotiators develop a shared understanding of the situation, identify interests, and invent solutions that satisfy them. Moreover, trust, information sharing, and the absence of threats enhance relationships, which is one reason we use this strategy.

INTEGRATIVE NEGOTIATING MYTHS

There are a number of myths or misconceptions surrounding this strategy. People seem to think it is about being soft or nice, and that they have negotiated integratively if they maintain or improve the relationship. Though the relationship matters and may be an important goal, it is only one piece of the puzzle. It is true that integrative negotiators are soft on the people, but they are not soft on interests or the problem. Trading substance for the relationship is more consistent with accommodation. Even worse, the other side may use this against you when trying to claim value. Like the spouse who claims, “If you really loved me you would go to the store for me,” the other party might say, “If you really valued our business relationship you would give me a better price.” If you give in once, he or she is likely to use this tactic again and again. To illustrate, Negotiation in Action 4.2 describes a manager who treats dissatisfied customers very nicely and politely.

NEGOTIATION IN ACTION 4.2

A food server at an upscale restaurant incorrectly submitted an order for a vegetarian couple, and their meals were served with chicken mixed into their pasta. The customers demanded to see a manager. After inviting them to discuss the situation in a quieter location where their concerns could be heard more clearly, he listened to their complaints—mostly about how badly lunch tarnished her birthday celebration. When they finished venting their frustrations, they discussed different ways these repeat customers could be compensated for their unsatisfactory experience. The couple finally explained that they did not want a free or discounted meal. What they really wanted was to ensure that situations like this were prevented in the future by properly training employees. The manager proudly informed them of their rigorous training program. He also explained that despite the effectiveness of their
Does this scenario illustrate an integrative negotiation, or did the managers merely accommodate the customers for the server’s mistake?

- Aggressiveness is not inappropriate when negotiating integratively. Insisting on digging deeper to find relevant information, ensuring that all of your interests are satisfied, and pointing out problems associated with exercising a BATNA are examples of when it is appropriate and necessary to be aggressive.
- Nor is integrative negotiating about compromising. If you compromise your interests you will not achieve a wise agreement. While it is true that value will eventually have to be claimed and compromising may be involved, the integrative part of the negotiation is the value creation component. Be careful not to confuse satisfaction with integrative negotiating. Just because you are satisfied or happy does not necessarily mean that you have created value (Thompson, Valley, & Kramer, 1995).
- The assumption of a fixed pie is another myth that may prevent people from using this strategy properly, or even attempting to use it. Negotiators commonly assume that resources are fixed or that their interests are completely incompatible (Bazerman & Neale, 1983; Fisher, Ury, & Patton, 1991). If this is true, expanding the pie is impossible. While some negotiations truly are zero-sum exercises, most are not—if there are two or more issues and the negotiators prioritize them differently, integrative potential exists.

TACTICS OF INTEGRATIVE BARGAINING

In their book *Getting to Yes*, Fisher et al. (1991) provide an invaluable framework for understanding the tactics that are used to implement this strategy. These include separating the person from the problem, focusing on interests rather than positions, inventing options for mutual gain, and using objective criteria to evaluate options.

Separating the Person From the Problem

This tactic strikes some people as being warm and fuzzy because its central tenets include “be soft on the person” and “attack the problem not the person.” Being soft on the person may be the reason some people incorrectly think they have negotiated integratively—because they were nice to each
other. This set of tactics is about depersonalizing the problem, but it is much more than merely being nice. It is about emotions, perceptions, and communication and how these help the parties find creative solutions that allow them to maximize joint gain.

This set of tactics strikes others as being odd—why would a negotiator attack the other party when they are trying to satisfy their respective needs? It may be counterintuitive and counterproductive, but negotiations do become quite tense and emotional at times. Imagine that you articulate what you know are very logical and compelling arguments and counterarguments in support of your positions, but they fall on deaf ears. When this happens and when you reach impasses, frustrations mount. You begin to doubt whether the other negotiator would know a good argument if he or she heard one. As your deadline nears you tell the other negotiator that he or she is not negotiating in good faith, or maybe that he or she is not smart enough to understand what you are proposing. Even in simulated role-plays conducted as classroom exercises, participants sometimes react verbally (yelling, swearing), physically (walking away, slamming doors), and physiologically (beet-red faces, exaggerated gestures). What would happen if they truly had a vested interest in the outcomes?

**The role of emotions.** Actions often beget equal and opposite reactions. If one negotiator attacks the other, he or she is likely to reciprocate. Such an emotional response only serves to escalate the conflict, thereby undermining the process. Negative emotions cause negotiators to pay less attention to the other party’s interests, diminish the accuracy of their judgments about these interests, lead to the use of less cooperative strategies and the creation of less favorable outcomes, and less compliance with the terms of the agreements that are reached. These emotions also make negotiators less interested in having future interactions with the other party (Allred, Mallozzi, Matsui, & Raia, 1997; Forgas, 1998). Interestingly, negotiators also cooperate less and are less likely to honor agreements that are reached when the other party experiences negative emotions (Forgas, 1998). Emotion affects electronic negotiations as well. When people negotiating via email believe a relationship is not possible, they issue more threats and ultimatums, and they are more likely to reach an impasse (Moore, Kurtzburg, Thompson, & Morris, 1999).

If negative emotions hinder negotiations, do positive emotions help? They do, to a point. When the aforementioned email negotiators believed that a relationship was possible, they conveyed expressions of positive affect that enhanced rapport and diminished the likelihood of reaching an impasse (Moore et al., 1999). Positive emotions also engender better outcomes and, when the negotiators can see each other, they use fewer contentious tactics (Carnevale & Isen, 1986; Kramer, Newton, & Pomerenke, 1993). Emotions that are extremely positive, however, may distort negotiators’ judgments (Ariely & Lowenstein, 2006).

The moral of the story is that emotions must be managed.

- Recognize and understand that emotions are an inevitable part of the bargaining process.
- Do not attack the other side even if you think it might feel good to do so because of the way he or she is behaving. It will not help you maximize joint gain.
- If the other party is very emotional, allow him or her to vent his or her frustrations but do not react to them. Sit back and wait for him or her to cool off, or take a break and resume at a later time or date.
- If your emotions are strong, do the same things.
- If he or she attacks you, recast it as an attack on the problem and not you. This takes confidence, self-control, and perhaps some wordsmithing.
• Taking a short break might help with this as well. You will not produce wise agreements if you continue trying to negotiate while emotions are strong (Fisher et al., 1991; Ury, 1991). Additional suggestions for managing emotions are discussed in Chapter 13.

The role of perceptions. It is well documented that our own point of view makes it very difficult to process and evaluate information objectively (Galinsky & Moskowitz, 2000; Kronzon & Darley, 1999). This is a problem because successful integrative negotiation requires parties to develop a shared and complete understanding of the situation. They may be trying to solve different problems if their perceptions differ. These distortions will be amplified if emotions are strong. Viewing the situation from the other party’s perspective is very beneficial because it enhances problem solving and facilitates efforts to achieve integrative agreements (Neale & Bazerman, 1983; Richardson, Hammock, Smith, Gardner, & Signo, 1994). For these reasons, stand in the other party’s shoes to view the situation from his or her perspective, and have him or her stand in your shoes to see it from your perspective. After doing so, discuss each of your perceptions explicitly. Asking how he or she views the situation, and sharing your own view, will enable you to make sense of your different viewpoints and reconcile them (Fisher et al., 1991).

The role of communication. Unfortunately, communication problems are as common as misperceptions. Instead of talking with the other party, negotiators sometimes talk at each other or they stop talking altogether. They may misunderstand or misinterpret the other party because they do not listen well. Negotiation in Action 4.3 illustrates how easily miscommunications might arise.

So what? If the word rich engenders such diverse interpretations, what happens when we negotiate issues that are far more complex and important than this?

NEGO T I ATI ON IN A CT I O N 4.3

Hundreds of students were asked to answer the following question: “How much money does a single person without children have to earn in a year for you to consider him or her to be rich?” Some of the answers weren’t about money. Instead, students gave narrative descriptions about achieving goals and being happy in life. For those who did share dollar amounts, they ranged between $20,000 per year and $3 million per year.

In addition to depersonalizing the problem, managing emotions, and clarifying perceptions, “separating the person from the problem” requires negotiators to create a free flowing exchange of information that helps them gain a clearer and deeper understanding of the situation. Several steps will help you achieve this.

• Ask open-ended and probing questions to gather information and to clarify what has been said.
• Engage in active listening. This includes repeating or paraphrasing what was said to check for understanding and to let the other negotiator know that you understand.
• Talk about the impact of the problem on you instead of blaming him or her for what happened to you—so-called I statements. This will diminish his or her defensiveness.
• If you disagree with something that is said, critique its merits, not him or her.
• If the other negotiator does not seem to understand what you are communicating, reframe it—restate your message in a different way.
• Look forward, not back. You cannot change the past so blaming the other party, or allowing him or her to blame you, for what happened will not help. You can influence the future so steer the conversation forward (Fisher et al., 1991).

The scenario described in Negotiation in Action 4.4 illustrates some of these points.

**NEGOTIATION IN ACTION 4.4**

Don reports directly to Hank. He is older than Hank and has been with the organization much longer. They were tasked with changing the format of a report that is sent to Congress so that it will be easier to read and understand. Hank and Don are both willing to share their thoughts, including concerns and problems, when they arise. Don was comfortable with the existing form and didn’t want to change it but Hank thinks the change is needed. He began drafting a new format for the report before he and Don met to talk about it. When they did meet, Hank focused on his own desires and needs. He used his knowledge and experience with different formats that worked very well elsewhere to justify it. He used the power of his position and other tactics to persuade Don to agree with him, but to no avail. Don responded negatively to these tactics and to Hank’s perception of what format was best. Each time he disagreed, Hank became frustrated. Don became defensive and his facial expressions displayed just how frustrated and disgruntled he was. In fact, he eventually walked out.

When they met again, Hank changed his tactics. Instead of trying to convince Don that his proposal was the right one, they talked about the importance of the report. They agreed that it was necessary to provide critical financial information to senior leadership and to Congress. He asked Don about his experience with the current format, why he thought it was appropriate, and any problems he had encountered with it. He also asked Don about the problems he expected with the format he proposed during their previous meeting. They generated an honest and open exchange of information about the report and what it should accomplish. This helped each of them understand the other’s perception of the situation. It also helped Hank understand Don’s resistance to changing the format. Moreover, they eliminated the emotional responses that guided much of their previous meeting (Personal Communication).

During their second meeting, Hank did a better job of managing emotions, clarifying perceptions, and communicating. This helped them employ other integrative tactics that eventually led to the creation of a report format that was acceptable to both of them, their superiors, and Congress.

**Focus on Interests, Not Positions**

Interests are a negotiator’s fears, concerns, and unmet needs. They are the motives underlying stated positions—the purposes they will serve for you, not your justifications for them. Assume that you are negotiating a $5,000 pay increase with your supervisor. The issue to be negotiated is your pay increase, $5,000 is your position, and the reasons you need $5,000 or how it will help you are your interests. These might include raising your status, gaining recognition for your fine
work, helping you maintain your standard of living as your family expands, and undoubtedly others. Confusing issues, positions, and interests is problematic because it stifles the creativity needed to invent solutions that work for both parties. If you focus only on your demand for $5,000, there is only one solution. If you focus on the purposes it will serve for you, there are many plausible solutions.

Interests can pertain to the substantive terms of the negotiation, the relationship, the process, or principles. **Substantive interests** pertain to the tangible issues being negotiated. These might include price, delivery date, or who will handle installation. **Relationship interests** pertain to the nature of the relationship you want to have with the other party. **Process interests** are about how a deal is made or how a dispute is settled. **Principle interests** are intangible. They pertain to strongly held beliefs about, for example, what is right or wrong (Lax & Sebenius, 1986, 2002).

Each of these types of interests can be **intrinsic**—you value or need something in and of itself. They can also be **instrumental**—you value or need something because it will help you in the future. For example, some negotiators prefer to negotiate in a strident manner because it helps them feel like they won when an agreement is reached. This is an intrinsic process interest. Others prefer a cooperative approach because they think it will make future interactions with the other party more productive. This is an instrumental process interest. Principle interests are important to consider because negotiators’ beliefs about what is right, acceptable, or fair shape what they believe are appropriate outcomes, and appropriate means for achieving them (Lax & Sebenius, 1986, 2002).

Sometimes people make demands or adopt positions and do not really know why. To identify your own interests, ask yourself some questions.

- Why do I want the position I demanded?
- How will it help me?
- What purposes will it serve for me?
- What will happen if the other party says no to my demand?
- What will happen if the other party says yes to my demand?

It is important to identify your interests for each issue. Redundancy will occur if they overlap, but your understanding of the situation will improve if some are unique to a particular issue. This may increase integrative potential by expanding the range of plausible solutions. Unmet needs or unsatisfied interests are also one of the main reasons people object to and reject proposals, so identifying all of them is essential. Since there are usually multiple interests associated with each issue, identifying as many as possible and prioritizing them will help you create value because it is the presence of different priorities pertaining to issues and interests that make valuable tradeoffs possible. Sharing your interests with the other party is also advised—if you do not, he or she is not likely to share interests with you and your negotiation will go nowhere fast (Bazerman & Neale, 1992). In short, sharing your interests and priorities will increase the likelihood of reaching integrative agreements (Thompson, 1991).

Identifying the other party’s interests should follow a similar approach—ask the same or similar questions of him or her that you asked of yourself. In addition, when the other party objects to one of your proposals, ask, “Why don’t you think it will work for you?,” “What do you think I’m asking for?” When you ask these kinds of questions, you are looking for the other negotiator’s fears, concerns, needs, and desires, not his or her justifications. Like you, he or she will have multiple interests associated with each issue. For the reasons just mentioned, it will pay...
dividends to identify as many as you can and to ask about his or her priorities. Negotiators who
ask the other party about his or her priorities are more likely to reach integrative agreements than
those who do not (Galinsky, Maddux, Gilin, & White, 2008). Will the other party share this infor-
mation? If you do, he or she is likely to reciprocate. While it is fairly easy to understand why a
negotiator might hide, exaggerate, or misrepresent his or her target and resistance points or
BATNA, it is not clear what he or she might gain by misrepresenting interests. Nor does it seem
likely that a negotiator could exploit the other party by understanding his or her true interests.

It is sometimes difficult to identify and define interests (Provis, 1996). In addition to asking the
aforementioned questions, discuss them explicitly with the other party. This should help you gain
clarity and ensure that your understanding is shared. Working together to identify all of the issues,
the interests associated with them, and how each of you prioritized them will provide you
with the information required to find integrative solutions. This is important because shared
interests present different opportunities and challenges than interests that are different but com-
patible. Both of these present different opportunities and challenges than interests that seem to
be incompatible.

**Invent Options for Mutual Gain**

Some people begin a negotiation by identifying the issues and then hammering out solutions for each.
You may reach an agreement by following this path, but it is not likely to maximize joint gain, or even
your own gain. The issues, and the interests associated with them, define the situation. If these are
ignored, the agreement reached will not be complete or wise. Stated differently, it is hard to solve a prob-
lem or capitalize on a new opportunity if you do not have a clear and shared understanding of what it is.

**Brainstorming**

When each party’s issues and interests have been identified and clarified, it is possible to begin
searching for solutions that satisfy them. Inventing options is essentially a brainstorming task. You
are trying to generate a list of options that you can then choose from, or modify to produce even
better options. You can do this with your colleagues and then share them with the other party as part
of your brainstorming effort, or you can brainstorm with the other party. Either way, having an open
mind, and a creative one, enhances brainstorming efforts. Table 4.2 offers suggestions for fostering
creativity. “Green Hat” thinking (see Chapter 10) also helps.

Successful brainstorming requires participants to avoid making some common mistakes.

- **Premature judgment** is the tendency to prematurely criticize or evaluate options when they
  are invented, perhaps because they seem unworkable or too outrageous. They may be
  unworkable or outrageous, but that is okay at this point. Your purpose now is to generate a
  substantial list of potential solutions. Generating more ideas increases the probability of
  generating better ones, and the best are most likely to surface toward the latter part of the
  activity (Shea, 1983).

- **Separating the inventing and evaluating functions** is essential because creating and critiquing
  require very different skills, and the latter inhibits the former. Thus, invent first. You will
  revisit the options you invent later to determine their efficacy.
### Table 4.2 Factors That Increase Creativity

<table>
<thead>
<tr>
<th>Suggestion</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarify goals; Define the situation</td>
<td>Know what you want to accomplish; Explore what you want in place of what you have</td>
</tr>
<tr>
<td>Invent</td>
<td>Look for tools (e.g., metaphors) that help you break out of tradition-bound thinking; Use triggers (e.g., force associations between two unlike things, reverse hidden assumptions, propose outrageous ideas, include team members from different disciplines) to move your brainstorming forward</td>
</tr>
<tr>
<td>Incubate</td>
<td>Take a break and engage in divergent thinking by working on unrelated tasks</td>
</tr>
<tr>
<td>Create an appropriate working environment</td>
<td>Quiet; Alcohol-free; Natural; Relaxed; Unrestrained</td>
</tr>
<tr>
<td>Take your time</td>
<td>Originality and flexibility increase later in the process</td>
</tr>
<tr>
<td>External evaluation (e.g., by constituents)</td>
<td>Explicitly consider how the idea will be implemented; Delaying evaluation improves idea generation; External evaluations improve decision making, modification, or improvement of ideas more than it improves idea generation</td>
</tr>
<tr>
<td>Individual differences</td>
<td>Open-mindedness; Empathy; Emotional intelligence; Intrinsically motivated (e.g., per interest in task, knowledge of subject); Convergent thinkers; Divergent thinkers; Ability to break out of functional fixedness</td>
</tr>
</tbody>
</table>

(See, e.g., Ellwood, Pallier, Snyder, & Gallate, 2009; Ma, 2009; Beeftink, van Erde, & Rutto, 2008; DeYoung, Flanders, & Peterson, 2008; Hemlin, Allwood, & Martin, 2008; Yuan & Zhou, 2008; Weiss, 2001.)

Many negotiators see their task as narrowing the gap between the parties’ positions, not broadening the options available. Moreover, they think they know the correct answer when they attempt to settle a dispute—they proceed by trying to convince the other party that their view should prevail. When making deals, they often believe their proposal is reasonable and that it should be adopted (Fisher et al., 1991). It is important to overcome this tendency to search for the single best answer. The beauty of focusing on interests is that it expands the number and type of solutions that will help both sides.

- The **mythical fixed pie** or pool of resources was discussed earlier. While some negotiations truly are zero-sum in nature, most are not. This is a problem here because a negotiator who succumbs to the myth will conclude that a gain for the other party is a loss for him or her. This belief inhibits creativity and the process of inventing options.
- **Egocentrism**, or being too self-interested, stifles brainstorming efforts. While it is necessary for negotiators to focus on their own interests, they must also consider those of the other party. Integrative negotiation is about maximizing joint gain, so thinking that “their problem
is their problem” will undermine your efforts. Again, this strategy is used to solve shared or joint problems (Fisher et al., 1991). Consider framing all issues as shared problems—as our issue rather than as my issue or your issue.

Types of Integrative Solutions

Once your brainstorming has produced a generous list of possible solutions, you and the other party must critique and evaluate them. Consider starting with the ones that appear to be the most promising. Perhaps there is one that satisfies both parties’ shared interests. More likely, you can combine or otherwise modify options that were invented to create even better ones. It may help to view the options from different perspectives—your own, the other party’s, or an outsider’s (Butler, 1996). What these solutions might look like is discussed here and in Reading 4.2 at the end of this chapter.

Bridging Solutions

A bridging solution is described in Negotiation in Action 4.5.

NEGOTIATION IN ACTION 4.5

An entrepreneur is negotiating the sale of her company. She is genuinely optimistic about the future prospects of her fast-growing business. The buyer, who truly likes the company, is much more skeptical about its future cash flow. While the two have negotiated earnestly and in good faith, no price is acceptable to both sides. Active listening for each side’s real interests, informal meals together, outings to major sporting events, and other actions to build the relationship and trust have been helpful but insufficient. They have been unable to find a solution that bridges the gap between their distinctly different positions.

Although they were unable to find a mutually acceptable solution, this is not the case of a negative settlement range. There is a viable solution, one that might appear valuable to the optimistic seller and not particularly costly to the less optimistic buyer, if they ignore their stated positions and focus instead on their interests. For example, the buyer could pay a fixed price now that is less than his current valuation of the company, and a contingent amount later based upon the performance of the company over a future period. Properly structured with adequate incentives and monitoring mechanisms in place, such a contingent payment might satisfy their respective interests and be more attractive than their no-agreement alternatives (adapted from Lax & Sebenius, 2002).

Logrolling

Logrolling also leads to integrative outcomes. If the parties attach different priorities to different interests and issues, they may be able to maximize joint gain by finding trades that capitalize on these differences. Teresa and Julia planned an evening out to catch up and to see a movie. Teresa did
not really care where they ate, but she desperately wanted to see a movie that was just released. Julia,
on the other hand, did not really care which movie they saw, but she had been dying to try a trendy
new restaurant in her neighborhood. This enabled them to satisfy their respective interests and
maximize their gain—they had dinner at the trendy new restaurant and then went to the movie
Teresa wanted to see.

Different attitudes toward risk, as demonstrated in the negotiation between Allison and her boss
(the CIO) in Negotiation in Action 4.1, often facilitate such tradeoffs. They were able to trade repons-
sibilities in a way that gave the CIO little risk and more security, in return for assuming greater risk
with the prospect of greater career advancement. People who value time differently may also ben-
efit from logrolling. If you need a product now but do not have a lot of money, and the seller needs
to clear the product out of inventory more than he or she needs immediate payment, you may be
able to receive the product now in return for payment over time. Different capabilities provide
another basis for finding valuable tradeoffs. A manufacturer may enter into an alliance with a mar-
keting firm to sell what it produces. This enables them to capitalize on their distinct competencies
(Lax & Sebenius, 2002). Successful logrolling obviously requires you and the other party to identify
more than one issue or to divide an issue into separate parts. Negotiators also find tradeoffs among
packages of issues and interests, not just two.

Nonspecific Compensation and Cutting the Cost of Compliance

Nonspecific compensation involves allowing one person to obtain his or her objectives and then
paying off the other person for accommodating his or her interests. The payoff is unrelated to the
substantive terms of the negotiation but of adequate value to that person.

When cutting the costs for compliance, one negotiator again satisfies his or her interests. The other
party’s costs are then minimized for agreeing to go along. The nature of nonspecific compensation
and cutting the cost of compliance, are illustrated in respectively, 4.6.

NEGOTIATION IN ACTION 4.6

Early in his career, Benny wanted to establish his credentials as a trainer to supplement his academic
work. When the human resources director of the athletic facility on his campus asked him to conduct
training programs for her employees, Benny agreed even though she didn’t have a budget that would
allow her to pay him. From time to time, however, she gave him tickets to sporting events and concerts
that he wanted to attend. This nonspecific compensation persuaded him to continue training for her.

Assume that a college basketball or football coach accepts a new position with a different school
or a professional team before his or her current employment contract expires. If the current employment
contract requires payment of a sum of money to break it, and the new employer pays all or part of this
cost, it is cutting the coach’s cost of compliance.

Make the other party’s decision to say yes an easy one. While viewing the situation from the other
negotiator’s perspective, you must believe that your proposals satisfy his or her interests, and you
must present them in a manner that makes this clear. If they do not, why would you expect him or
her to say yes? Would you agree to a proposal that does not satisfy your interests? Furthermore, it is one thing for the other party to say yes. It may be quite another to persuade his or her constituents to say yes.

Make your proposals easy to sell to his or her constituents. This requires you to possess a clear understanding of the other party’s perception of the situation (Fisher et al., 1991).

USE OBJECTIVE CRITERIA TO EVALUATE OPTIONS

Once alternative solutions have been identified, you must evaluate them to decide which options to keep and which to eliminate. Using objective criteria that are independent of your will and independent of the other party’s will enables you to choose solutions based on their merits or principles of fairness (Fisher et al., 1991). Objective criteria include things like legal requirements, relevant precedents, customs, market prices or wages, professional standards and policies. When discussing the use of appeals to fairness in Chapter 3, Connie’s leaky faucets and the customer service manager’s “more than fair” offer were discussed. Negotiation in Action 4.7 illustrates the use of objective criteria in her negotiation.

NEGOTIATION IN ACTION 4.7

Before the “more than fair” offer was extended, Connie asked the customer service manager (CSM) to replace the faucets. Her request was denied because the customer service manager claimed the faucets weren’t defective. Incredulous, Connie asked her what she meant. She claimed that since water was still coming out of the faucets as it’s supposed to, they weren’t defective. Ignoring the fact that her staff had just spent two weeks trying to repair her “non-defective” faucets, Connie got out her dictionary, quoted the definition of defect, and explained that her faucets matched that definition precisely. She then asked her how she defined defect. After a very weak answer and some additional discussion, including a threat to take the company to court, the customer service manager agreed to pay Connie to replace the faucets and made her “more than fair” offer. When Connie asked how that amount was determined, she again got the runaround. Ignoring it, Connie explained that fairness to her was the retail price of the new faucets plus the amount a licensed contractor would charge to install them, and she presented the price and estimate she had acquired. The customer service manager eventually agreed to pay her this amount, which was several hundred dollars more than her initial “more than fair” offer.

The dictionary definition and the retail price/contractor’s estimate are both objective criteria, independent of each negotiator’s will. The value in using these is that they are very persuasive, much more so than one’s belief or opinion about these matters. It was hard for the customer service manager to dispute Connie’s claims about the defect and about a fair price because she supported them with objective evidence. As an aside, this was not an integrative negotiation because Connie used this tactic. As noted in Chapter 3, however, objective evidence can be very persuasive no matter which strategy you use.
Merely because you raise an objective criterion does not mean the other side will accept it. It becomes another issue to negotiate. If you search together, you may eliminate some of the difficulty it takes to reach an agreement. The benefit of commencing a joint search for objective criteria is illustrated in Negotiation in Action 4.8.

**NEGOTIATION IN ACTION 4.8**

It is a common practice to use market rates when negotiating wages and salaries. Whether an applicant is negotiating his or her own salary or a union is negotiating wages for its members, both parties are likely to use market salaries or wages to support their proposals. This makes sense because paying the going rate for a position seems to be meritorious and much more persuasive than either side’s opinion about the appropriate salary or wage for different jobs. Management, however, may survey lower paying firms to determine the market or average salary because this would justify a lower rate. The applicant or union, on the other hand, may survey higher paying employers because this would justify a higher salary or wage. It also helps to negotiate these criteria in advance. If options are invented and then you search for criteria, there is an obvious incentive to look for criteria that support preferred options. Selecting criteria in advance prevents this (Fisher et al., 1991).

When determining which objective standards will be used, explanations are helpful in persuading the other side to agree. As noted earlier, even an explanation that offers little or no new information is better than simply saying, “I think that one is best” or “I think we should pick this one!” Also remember that intangibles such as principle interests may be driving or influencing the other party’s choices. Make them explicit because they will influence what each party deems appropriate.

Fair standards work well for evaluating substantive options. In some cases, you must find fair procedures or processes to resolve conflicting interests. This might be as simple as flipping a coin or drawing straws to determine, for example, which heir gets to pick first when dividing an estate’s assets. Another alternative is to use the age-old means for dividing a piece of cake between two children—one cuts and the other chooses which piece he or she wants. When these approaches are used, there is an inherent fairness in knowing that chances were equal, even if the ultimate division of the resources is not (Fisher et al., 1991).

**FINE TUNING YOUR EFFORTS TO ACHIEVE INTEGRATIVE SOLUTIONS**

**Avoid Focusing on One Issue at a Time**

Negotiators often select one issue to begin with and then negotiate until an agreement is reached. If they get stuck, they move to a different issue and return to this one later. They might start with an easy issue to get both parties comfortable with the process, and with agreeing. Alternatively, they might start with the most difficult issue so that when they finish with it the rest will be easier and
they can end on a more positive note. These seem logical, but they do not help you create integrative solutions. We are more likely to compromise on each issue if we focus on one at a time because we spend more time arguing for our positions and against the other party’s positions (Hyder, Prietula, & Weingart, 2000). Moreover, focusing on one issue at a time precludes finding beneficial tradeoffs based on different priorities. A better approach is to surface all issues and the interests associated with each early on.

**Use Multiple Equivalent Offers**

Another reason to avoid dealing with one issue at a time is because extending multiple equivalent offers simultaneously may help you overcome the other party’s uncooperativeness, reluctance to share information, or unwillingness to even seriously consider your proposals. This approach requires you to simultaneously extend two or three multiple issue offers to the other negotiator that are of equal value to you. This will move you away from the aforementioned tendency to compromise on each issue when they are dealt with sequentially. If you listen carefully and observe the other party, it will also provide you with information about his or her priorities. Negotiators who make multiple equivalent offers find more integrative solutions, achieve more profitable outcomes, and are thought of more favorably by the other party because we like the flexibility that comes with choices (Hyder et al., 2000; Leonardelli, Medvec, Galinsky, & Clausen-Schulz, 2008).

**Trust**

Trust means you have confident positive expectations regarding another’s conduct. Distrust means you have confident negative expectations about his or her conduct (Lewicki, McAllister, & Bies, 1998). Trust matters because integrative negotiation requires the parties to honestly and openly share information so they can generate a complete and shared understanding of the situation, including their respective interests. We know that trust begets cooperation, and cooperation begets trust. We also know that greater expectations of trust between negotiators lead to greater information sharing with the other party and, conversely, greater expectations of distrust lead to less information sharing. Since greater information sharing leads to better outcomes, this is beneficial (Butler, 1995, 1999; Olekalns, Lau, & Smith, 2002).

Blind trust is risky because it makes negotiators vulnerable. Nevertheless, many people exhibit surprisingly high levels of trust when they form new relationships with strangers. Despite their lack of information about the other person, most assume he or she can be trusted (Kramer, 1999; Myerson, Weick, & Kramer, 1996). Suggestions for helping you build trust are summarized in Table 4.3. We also tend to be more trusting if we have opportunities to communicate with the other person and if our personalities predispose us to trust. Integrative processes tend to increase trust while distributive processes decrease it (Olekalns & Smith, 2005). Face-to-face negotiations also encourage greater trust development than online negotiations. Parties anticipating an online negotiation expect less trust before the negotiation even begins, are less satisfied with their outcomes, trust the other party less after the negotiation ends, and have less desire for future interactions with him or her (Naquin & Paulson, 2003).
Table 4.3 Suggestions for Increasing or Repairing Trust

<table>
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<tr>
<th>Suggestion</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Build Rapport</td>
<td>Talk and share information; Nonverbally mirror the other party</td>
</tr>
<tr>
<td>Relationships</td>
<td>Ongoing interactions must be honest and trustworthy</td>
</tr>
<tr>
<td>Promises</td>
<td>Meet others’ expectations and honor your promises—that builds credibility; If promises must be broken, find ways to minimize harm done to the victim</td>
</tr>
<tr>
<td>Discuss Explicitly</td>
<td>Explicitly stress the benefits of creating and maintaining trust</td>
</tr>
<tr>
<td>Reciprocate</td>
<td>Sharing information and making concessions creates a sense of indebtedness that induces the other to reciprocate—that builds trust</td>
</tr>
<tr>
<td>Avoid Attacking</td>
<td>Do not attribute situationally determined behaviors to others</td>
</tr>
<tr>
<td>Apologize</td>
<td>When trust is violated, early apologies are better than no apologies; They are most effective when made after the other party has been given a chance to feel heard and understood; Feeling heard suggests the conflict is ready to be managed</td>
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<table>
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<tr>
<th>Explanations</th>
<th>Apologies and simple explanations are effective at restoring trust</th>
</tr>
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<tbody>
<tr>
<td>Consequences</td>
<td>Taking penalties is more effective for restoring mutual cooperation than only offering explanations; Accepting penalties that imply acceptance of responsibility for the trust violation are effective</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Apologies with internal attributions are more effective than apologies with external attributions because of the willingness to take responsibility rather than shift blame elsewhere; Mere excuses compromise the credibility and character of the offender</td>
</tr>
<tr>
<td>Sincerity</td>
<td>Sincerity magnifies the benefits of apologies</td>
</tr>
<tr>
<td>Future Violations</td>
<td>A low probability of future trust violations increases victims’ willingness to reconcile, especially for minor violations; The probability of future violations is less relevant following serious violations because victims rely more on the quality of the past relationship when deciding whether to reconcile</td>
</tr>
<tr>
<td>Deception</td>
<td>Trust can be restored if untrustworthy behavior is not accompanied by deception; Trust harmed by deception never fully recovers</td>
</tr>
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(See, e.g., Frantz & Bennigson, 2005; Schweitzer, 2004; Tomlinson, Dineen, & Lewicki, 2004; Bottom, Gibson, Daniels, & Murnighan, 2002; Lewicki & Weithoff, 2000; Lewicki & Stevenson, 1998; Lewicki & Bunker, 1996, 1995.)

CONCLUSION AND IMPLICATIONS FOR PRACTICE

Done well, this strategy produces wise agreements because it satisfies the parties’ interests, it is efficient, and it often preserves or improves relationships (Fisher et al., 1991). These benefits are achievable if you separate the person from the problem, focus on interests instead of positions, invent options...
for mutual gain, and use objective criteria to evaluate the options you invent. This model is not, however, entirely separable from the distributive strategy. Once you create value by negotiating integratively, you must claim it. Using objective criteria may help with this, but distributive tactics may also be required. The following suggestions should help you create more value that you and the other negotiator can then claim.

1. Manage emotions, clarify perceptions, and communicate clearly once the requisite conditions for integrative negotiations are met. This allows both parties to develop a complete and shared understanding of the situation.

2. Frame each of the issues as shared or joint problems. This fosters cooperation and reinforces that you are working together to find solutions that help both of you.

3. Keep in mind that the pie can be expanded only when you and the other party try to advance the full set of interests—economic or noneconomic, substantive, relational, process, or principle (Lax & Sebenius, 2002).

4. Focus on both dealcrafting and interpersonal processes. Most people think of negotiations as interpersonal processes and focus on a variety of dynamics, including communication, trust building, cultural differences, perceptions, personality, bargaining styles, no-deal options, and various tactics. These are critical, but they are not the whole story. True integrative negotiation also requires dealcrafting—tapping the potential value latent in the situation. Identifying and understanding the full set of interests will enable you to look for bridging solutions, find logrolling opportunities, offer nonspecific compensation, reduce the other party’s costs of agreeing, or otherwise brainstorm solutions that satisfy these interests. (See Reading 4.2.)

5. Use objective criteria rather than engaging in a contest of wills to decide which options are best. This enables you to evaluate criteria based on their merits, which is more consistent with maximizing joint gain and preserving or improving relationships. Searching for objective criteria with the other party, before you invent options, will help both of you avoid the tendency to look for objective criteria that support preferred options that have already been invented.

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KEY TERMS

<table>
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<tr>
<th>Bridging solution</th>
<th>Fixed pie</th>
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<tr>
<td>Cutting the costs for compliance</td>
<td>Instrumental interests</td>
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<tr>
<td>Creating value</td>
<td>Intrinsic interests</td>
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<tr>
<td>Dealcrafting</td>
<td>Logrolling</td>
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<tr>
<td>Expanding the pie</td>
<td>Nonspecific compensation</td>
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Principle interests
Process interests
Relationship interests
Substantive interests

REFERENCES


Reading 4.1

**Taking Steps Toward “Getting to Yes” at Blue Cross and Blue Shield of Florida**

Bridget Booth and Matt McCredie

Never before has there been a more opportune time for Blue Cross and Blue Shield of Florida, Inc. (BCBSF) to benefit from the concepts of principled negotiation outlined in the book *Getting to Yes*.

BCBSF is the industry leader in Florida, providing health benefit plans and health-related services. The company and its subsidiaries serve more than six million people. However, maintaining a market leadership position is difficult in light of the many challenges facing today’s healthcare marketplace.

Factors such as rising healthcare costs, increased competition, consumerism, and shifting demographics have caused the company to search for new and different ways of doing business as customers’ healthcare needs expand. Inherent in these new and different business models is the need for more collaborative business practices, such as those outlined in *Getting to Yes*.

**Different Times Call for Different Approaches**

Today’s healthcare marketplace is becoming increasingly consumer driven. Consumers expect the same level of service and convenience from health organizations that they receive from other companies, such as online retailers, banks, and investment firms. The Institute of the Future predicts that by the end of 2010, the health market will be an innovative economy demanding nontraditional offerings such as wellness, food, cosmetics, fashion, health information and even biosecurity. Developing alliances with other organizations is one way the company is positioning itself for the health industry of the future. BCBSF’s Alliance Group, a small department formed in 2001, enables business areas to develop strategic relationships with other entities.

Capitalizing on business opportunities through alliances enables BCBSF and other companies to pursue the risks and rewards of mutually compatible goals that would be difficult to achieve alone. Alliances include outsourcing partnerships, joint operating agreements, and joint ventures. These alliances provide the companies with access to new markets, capabilities, knowledge, and capital, along with the ability to share development and acquisition costs. Alliances also enable each party to bring products to market quickly in a cost-effective manner, which is critical in today’s healthcare industry.

BCBSF’s Alliance Group is experiencing positive outcomes by applying concepts outlined in *Getting to Yes* and is helping to move the organization more toward the management concepts of principled negotiation. Historically, however, businesses have not formally practiced or rewarded employees for these types of behaviors. For example, contract negotiations between companies often focus on each individual organization championing its own positions without considering the other’s interests. Rewards are often linked to how well an organization’s position is defended or “won” without giving thought to what bigger solutions could emerge by focusing on mutual gains.

Contract negotiations between companies often focus on each individual organization championing its own positions without considering the other’s interests.

To expand beyond this type of traditional mind-set, BCBSF is seeking out ways to indoctrinate the concepts of principled negotiation throughout the entire organization. Principled negotiation, according to Getting to Yes, involves looking at issues based on their merits rather than defending steadfast positions. Its goal is to meet the underlying concerns of the parties. Shifting behavior away from a contest of wills toward this type of collaborative mindset can be challenging. To help make the transition, BCBSF is emphasizing three major steps: top-level executive support; a disciplined, programmed approach to alliance management; and reinforcement of desired behaviors and related outcomes.

BCBSF is further embracing the concepts of principled negotiation by working with Vantage Partners, a consulting firm that partners with leading companies to institutionalize the capability to negotiate, build, and manage critical relationships effectively. Initially, BCBSF was seeking external perspectives for establishing superior alliance management capabilities. As part of that process, the company was introduced to mutual-gains behavior as a necessary component of developing successful alliances and other collaborative relationships. Vantage, founded by Getting to Yes coauthor Roger Fisher, helps its clients incorporate concepts from the book into their daily management practices. BCBSF has been working with Vantage Partners for approximately two years and has experienced increased trust and alignment with business associates as a result of implementing Getting to Yes concepts.

The company’s movement toward applying Getting to Yes concepts is illustrated by the formation and management of a strategic alliance with a key competitor, Availity, L.L.C., a joint venture between subsidiaries of BCBSF and Humana, Inc., was conceived out of a desire to lower health costs, improve efficiencies, and provide more timely service to physicians and hospitals. Humana is one of the nation’s leading publicly traded health benefits companies, with approximately seven million medical members in 19 states and Puerto Rico. The company offers coordinated health insurance coverage and related services to employer groups, government-sponsored plans, and individuals. Both Humana and BCBSF were trying to reach the same goal of improving the manner in which hospitals and physicians conducted business with their organizations.

The resulting joint venture, Availity, is an Internet-based solution that streamlines administrative workflow and improves communication between physicians, hospitals, payers, and pharmacies. Through a secure website, physicians can submit requests for payments, check the status of payments for services, verify patients’ coverage and eligibility, and receive authorizations for referrals and other medical services online. This streamlined process replaces time-consuming manual interactions such as phone calls and paperwork. Currently, there are more than 9,000 physician offices, 208 hospitals, and more than 27,000 physicians in Florida using the Availity platform to process routine transactions.

The challenges of managing a joint venture with a key competitor could be daunting, if not impossible, without a shift in behavior by both parties to think of the other as a partner. Adding to the complexity is the organizations’ differing corporate cultures, due in part to their structures: Humana is a for-profit publicly traded company, while BCBSF is a private, not-for-profit policyholder-owned mutual company. In addition, Humana serves a national market, while BCBSF primarily serves Florida.

**Putting the Concepts Into Practice**

On a daily basis, BCBSF is learning first hand about the benefits of applying principled negotiation concepts in its alliances, as well as the pitfalls of what happens when the concepts are not applied consistently.
The change in mindset to be collaborative vs. competitive in the development of this solution was critical to the formation and ongoing success of the joint venture.

Separating the People From the Problem

Although BCBSF had not yet institutionalized Getting to Yes concepts during the early formation of Availity, the company became more deliberate in following the concepts alter the alliance was operational and the organization became more aware of the benefits of principled negotiation. Looking back, despite a lack of formal training in Getting to Yes concepts, the company unconsciously implemented some of the concepts during the formation of Availity, which helped greatly in building the alliance.

As outlined in the book, separating the people from the problem requires emphasizing relationships by dealing directly with perceptions. BCBSF looked for ways to demonstrate its desire to collaborate by coming to the table with a sincere intent to build a relationship and determine common interests. Although it was not formally stated that the concepts of principled negotiation would be followed, the negotiators realized that forming a successful joint venture would require a collaborative approach. Both parties approached initial discussions in an open manner by listening rather than trying to debate or persuade. The two parties invested substantial amounts of time at the executive level to build the relationship. As the book says, prevention works best—and building this type of personal relationship “cushioned the people on each side against the knocks of negotiation.” A strong relationship at the senior level continues to benefit the alliance today through subsequent governance activities.

Once Availity was established and operational, BCBSF began to interact with Availity as a business associate. This new relationship benefited from additional collaborative negotiation skills.

A significant challenge in implementing the concept of separating the people from the problem was the complex nature of the multiple relationships inherent in the Availity alliance. On the surface, it seemed as though only one relationship existed: the two initial owners. A closer look revealed several different relationships between BCBSF and Availity, ranging from BCBSF having an ownership interest in Availity, to BCBSF being the largest customer of Availity, to BCBSF being a vendor for Availity for technical development. Similarly, Humana has multiple relationships with Availity.

Many of the people involved in the formation had multiple accountabilities reflecting different aspects of the relationship. These multiple relationships and their corresponding accountabilities made it difficult to understand a person’s perspective on a given issue. By mapping out the different relationships and corresponding accountabilities, ambiguity was reduced and problem solving improved. The exercise helped the parties understand the various perspectives and clarified accountabilities. Mapping out accountabilities in alliances is an approach that BCBSF is adopting which is starting to result in more favorable outcomes in learning to separate people from problems. In addition, when individuals have several roles, the organization is learning the value of having those individuals clearly communicate which role they are representing.

Focus on Interests, Not Positions

During initial discussions, Humana and BCBSF laid the groundwork to understand each other and see the situation from the other’s perspective. General discussions about how each party viewed the industry, the future of healthcare, opportunities for collaboration, and anticipated future challenges helped both parties to identify and understand the other’s interests regarding electronic connectivity. At later stages, for example, during the testing phase, this exercise served as a strong foundation in helping the
parties to separate people from problems because there was an understanding of the other's viewpoints.

One challenge in focusing on interests rather than positions had to do with the two organizations having different approaches to testing the various capabilities of Availity. One party was accustomed to using a prescribed methodology for testing the various capabilities. The other, being a new organization, had processes that were still under development. The "positions" had to do with which organization's testing procedures to follow, but the underlying interests for both parties were identical: for Availity to be up and running error-free.

After holding a number of brainstorming sessions, it became evident that the parties could combine components of their methodologies to create a joint solution. By focusing on interests rather than positions, the parties realized that testing did not have to follow a certain methodology; it just had to result in error-free operations. By shifting the focus to interests rather than the positions, a new solution involving leveraging existing resources in a more effective manner was designed. A joint testing approach was agreed upon to meet mutual interests, and the parties were able to learn from each other in creating the solution.

**Inventing Options for Mutual Gain**

*Getting to Yes* says, “Skill at inventing options can be one of your most useful assets.” This was especially evident in the formation of Availity. Before Availity was conceived, Humana and BCBSF came together and identified their interests regarding electronic connectivity. Both parties wanted to improve relationships with hospitals and physicians, reduce healthcare industry costs for consumers, and improve workflow for hospitals, physicians, and payers. The solution resulted in the joint venture that became Availity, which mutually benefited both organizations.

To assure that options for mutual gain were being sought throughout the development of Availity, relationship manager responsibilities were assigned to individuals to keep the best interests of the alliance in the forefront. Each party had someone who functioned in this capacity, which helped with the overall success of the alliance. Relationship manager roles are now included in many of BCBSF’s alliances to serve as objective arbitrators between the parties and to look for options for mutual gain.

**Additional Lessons Learned**

BCBSF has learned a number of lessons about how to develop collaborative and productive alliance relationships.

In general, the company’s experience has been that applying the concepts from *Getting to Yes* came more naturally at the executive/strategic level and required much more deliberation at subsequent levels. When alliance parties moved away from the conceptual level and into daily operations, implementing *Getting to Yes* concepts became more challenging. There are several reasons for this, including the experience levels of those involved, challenges with establishing strategic alignment throughout all levels, and varying reward systems at different levels of the organization. Among the steps that BCBSF is taking to address these challenges are: establishing alliance specialists at the middle-management level, and providing training regarding principled negotiation concepts at all levels of the organization.

*Applying the concepts from Getting to Yes came more naturally at the executive/strategic level and required much more deliberation at subsequent levels.*

Many of the lessons learned involve setting clear expectations in the beginning of the alliance formation. One is the importance of
being deliberate in establishing ground rules for interacting with others early in the relationship before negotiation begins. Agreed-upon methods for communicating, making decisions, and handling conflicts, although somewhat awkward to create, are critical in relationship building and can help the parties to separate people from problems, especially when conflicts arise and emotions are high.

Along the same lines, a documented business plan that defines the market opportunity, product or service, sales and promotion approach, and validates financial forecasts can prove beneficial. The business plan is not only an effective tool for guiding the alliance; it also clarifies the interests and expectations of the parties.

In addition to a business plan, the alliance parties have found benefits in clearly defined strategies with supporting organizational goals. In addition, the company is establishing metrics that measure not only the business results of alliances but the quality and strength of the relationships as well.

Establishing early on what each party will contribute in terms of capital, resources, and revenue is also a lesson that the company has learned in forming successful alliances. Without this foundation, the parties may have differing viewpoints of what the other is contributing, which often leads to misunderstanding and can prevent the alliance from progressing smoothly.

Perhaps the biggest reward for implementing the concepts from *Getting to Yes* is being able to see first hand the benefits—meeting business goals, spending less time defending positions, creating a less stressful business environment, and meeting the underlying interests of both parties. The concepts have helped the company discover new ways of doing business—opening a new world of possibilities never imagined before.

**Endnote**


**Thinking Further 4.1**

1. In your opinion when, if ever, is the use of deception acceptable in negotiations? Is it possible for deceptive tactics to not hurt the other party? How would you feel if you learned that deceptive tactics were used against you in a negotiation—even if the negotiation resulted in exceeding your target point? How would you have felt if the negotiation resulted in no deal?

2. Do you assume that the other party always uses some degree of deception in a negotiation? How would making that assumption change your tactics compared to assuming that the other party will not use deception?

**Reading 4.2**

**3-D Negotiation Playing the Whole Game**

David A. Lax and James K. Sebenius

WHAT STANDS between you and the yes you want? In our analysis of hundreds of negotiations, we’ve uncovered barriers in three complementary dimensions; the first is tactics; the second is deal design; and the third is setup.
Each dimension is crucial, but many negotiators and much of the negotiation literature fixate on only the first two.

For instance, most negotiation books focus on how executives can master tactics—interactions at the bargaining table. The common barriers to yes in this dimension include a lack of trust between parties, poor communication, and negotiators’ “hardball” attitudes. So the books offer useful tips on reading body language, adapting your style to the bargaining situation, listening actively, framing your case persuasively, deciding on offers and counteroffers, managing deadlines, countering dirty tricks, avoiding cross-cultural gaffes, and so on.

The second dimension, that of deal design—or negotiators’ ability to draw up a deal at the table that creates lasting value—also receives attention. When a deal does not offer enough value to all sides, or when its structure won’t allow for success, effective 2-D negotiators work to diagnose underlying sources of economic and non-economic value and then craft agreements that can unlock that value for the parties. Does some sort of trade between sides make sense and, if so, on what terms? Should it be a staged agreement, perhaps with contingencies and risk-sharing provisions? A deal with a more creative concept and structure? One that meets ego needs as well as economic ones?

Beyond the interpersonal and deal design challenges executives face in 1-D and 2-D negotiations the 3-D obstacles—flaws in the negotiating setup itself. Common problems in this often-neglected third dimension include negotiating with the wrong parties or about the wrong set of issues, involving parties in the wrong sequence or at the wrong time, as well as incompatible or unattractive no-deal options. 3-D negotiators, however, reshape the scope and sequence of the game itself to achieve the desired outcome. Acting entrepreneurially, away from the table, they ensure that the right parties are approached in the right order to deal with the right issues, by the right means, at the right time, under the right set of expectations, and facing the right no-deal options.

Former U.S. trade representative Charlene Barshefsky, who has negotiated with hundreds of companies, governments, and nongovernmental organizations to spearhead deals on goods, services, and intellectual property, characterizes successful 3-D negotiations this way: “Tactics at the table are only the cleanup work. Many people mistake tactics for the underlying substance and the relentless efforts away from the table that are needed to set up the most promising possible situation once you face your counterpart. When you know what you need and you have put a broader strategy in place, then negotiating tactics will flow.”

3-D Negotiation in Practice

Even managers who possess superior interpersonal skills in negotiations can fail when the barriers to agreement fall in the 3-D realm. During the 1960s, Kennecott Copper’s long-term, low-royalty contract governing its huge El Teniente mine in Chile was at high risk of renegotiation: the political situation in Chile had changed drastically since the contract was originally drawn up, rendering the terms of the deal unstable. Chile had what appeared to be a very attractive walk away option—or in negotiation lingo, a BATNA (best alternative to negotiated agreement). By unilateral action, the Chilean government could radically change the financial terms of the deal or even expropriate the mine. Kennecott’s BATNA appeared poor: Submit to new terms or be expropriated.

Imagine that Kennecott had adopted a 1-D strategy focusing primarily on interpersonal actions at the bargaining table. Using that approach, Kennecott’s management team would assess the personalities of the ministers with whom it would be negotiating. It would try to be culturally sensitive, and it might choose elegant restaurants in which to meet. Indeed,
Kennecott’s team did take such sensible actions. But that approach wasn’t promising enough given the threatening realities of the situation. Chile’s officials seemed to hold all the cards: They didn’t need Kennecott to run the mine; the country had its own experienced managers and engineers. And Kennecott’s hands seemed tied: It couldn’t move the copper mine, nor did it have a lock on downstream processing or marketing of the valuable metal, nor any realistic prospect, as in a previous era, of calling in the U.S. fleet.

Fortunately for Kennecott, its negotiators adopted a 3-D strategy and set up the impending talks most favorably. The team took six steps and changed the playing field altogether. First, somewhat to the government’s surprise, Kennecott offered to sell a majority equity interest in the mine to Chile. Second, to sweeten that offer, the company proposed using the proceeds from the sale of equity, along with money from an Export-Import Bank loan, to finance a large expansion of the mine. Third, it induced the Chilean government to guarantee this loan and make the guarantee subject to New York state law. Fourth, Kennecott insured as much as possible of its assets under a U.S. guarantee against expropriation. Fifth, it arranged for the expanded mine’s output to be sold under long-term contracts with North American and European customers. And sixth, the collection rights to these contracts were sold to a consortium of European, U.S., and Japanese financial institutions.

These actions fundamentally changed the negotiations. A larger mine, with Chile as the majority owner, meant a larger and more valuable pie for the host country: The proposal would result in more revenue for Chile and would address the country’s interest in maintaining at least nominal sovereignty over its own natural resources.

Moreover, a broad array of customers, governments, and creditors now shared Kennecott’s concerns about future political changes in Chile and were highly skeptical of Chile’s capacity to run the mine efficiently over time. Instead of facing the original negotiation with Kennecott alone, Chile now effectively faced a multiparty negotiation with players who would have future dealings with that country—not only in the mining sector but also in the financial, industrial, legal, and public sectors. Chile’s original BATNA—to unceremoniously eject Kennecott—was now far less attractive than it had been at the outset, since hurting Kennecott put a wider set of Chile’s present and future interests at risk.

And finally, the guarantees, insurance, and other contracts improved Kennecott’s BATNA. If an agreement were not reached and Chile acted to expropriate the operation, Kennecott would have a host of parties on its side. Though the mine was ultimately nationalized some years later, Chile’s worsened alternatives gave Kennecott a better operating position and additional years of cash flow compared with similar companies that did not take such actions.

This case underscores our central message: Don’t just skillfully play the negotiating game you are handed; change its underlying design for the better. It is unlikely that 1-D tactical or interpersonal brilliance at the table—whether in the form of steely gazes, culturally sensitive remarks, or careful and considered listening to all parties—could have saved Kennecott from its fundamentally adverse bargaining position. Yet the 3-D moves the company made away from the table changed the negotiation’s setup (the parties involved, the interests they saw at stake, their BATNAs) and ultimately created more value for all involved—much of which Kennecott claimed for itself.

**How 3-D Moves Work**

Successful 3-D negotiators induce target players to say yes by improving the proposed deal, enhancing their own BATNAs, and worsening those of the other parties. 3-D players intend such moves mainly to *claim* value for themselves but also to *create* value for all sides.
Claiming Value. 3-D negotiators rely on several common practices in order to claim value, including soliciting outside offers or bringing new players into the game, sometimes to create a formal or informal auction. After negotiating a string of alliances and acquisitions that vaulted Millennium Pharmaceuticals from a small startup in 1995 to a multibillion-dollar company less than a decade later, then-chief business officer Steve Holtzman explained the rationale for adding parties to the negotiations: “Whenever we feel there’s a possibility of a deal with someone, we immediately call six other people. It drives you nuts, trying to juggle them all. But number one. It will change the perception on the other side of the table. And number two, it will change your self-perception. If you believe that there are other people who are interested, your bluff is no longer a bluff; it’s real. It will come across with a whole other level of conviction.” (For more on Millennium, see “Strategic Deal-making at Millennium Pharmaceuticals” HBS case 110.9-800-032.)

While negotiators should generally try to improve their BATNAs, they should also be aware that some of the moves they make might inadvertently worsen their walk away options. For instance, several years ago, we worked with a U.S. manufacturing firm on its joint-venture negotiations in Mexico. The company had already researched possible cultural barriers and ranked its three potential partners according to the competencies it found most desirable in those companies. After approaching the negotiations in a culturally sensitive spirit, and in what had seemed a very logical sequence, the U.S. team had nevertheless come to an impasse with the most attractive partner. The team abandoned those talks and was now deep into the process with the second most desirable candidate—and again, things were going badly. Imagine subsequent negotiations with the third, barely acceptable, partner if the second set of talks had also foundered—in an industry where all would quickly know the results of earlier negotiations.

As each set of negotiations failed, the U.S. firm’s BATNA—a deal with another Mexican company or no joint venture at all—became progressively worse. Fortunately, the U.S. company opened exploratory discussions with the third firm in parallel with the second. This helped the U.S. company to discover which potential partner actually made the most business sense, to avoid closing options prematurely, and to take advantage of the competition between the Mexican companies. The U.S. business should have arranged the process so that the prospect of a deal with the most desirable Mexican partner would function as its BATNA in talks with the second most desirable partner, and so on. In short, doing so would have created the equivalent of a simultaneous four-party negotiation (structured as one U.S. firm negotiating in parallel with each of the three Mexican turns) rather than three sequential two-party negotiations. This more promising 3-D setup would have greatly enhanced whatever 1-D cultural insight and tactical ingenuity the U.S. firm could muster.

In addition to strengthening their own position, 3-D negotiators who add parties and issues to a deal can weaken the other side’s BATNA. For instance, when Edgar Bronfman, former CEO of Seagram’s and head of the World Jewish Congress, first approached Swiss banks asking them to compensate Holocaust survivors whose families’ assets had been unjustly held since World War II, he felt stonewalled. Swiss banking executives saw no reason to be forthcoming with Bronfman; they believed they were on strong legal ground because the restitution issue had been settled years ago. But after eight months of lobbying by Bronfman, the World Jewish Congress, and others, the negotiations were dramatically expanded—to the detriment of the Swiss. The bankers faced a de facto coalition of interests that credibly threatened the lucrative Swiss share of the public finance business in states such as California and New York. They faced the divestiture by huge U.S. pension funds of stock in Swiss banks as well as in all
Swiss-based companies; a delay in the merger between Swiss Bank and UBS over the “character fitness” license vital to doing business in New York; expensive and intrusive lawsuits brought by some of the most formidable U.S. class-action attorneys; and the wider displeasure of the U.S. government, which had become active in brokering a settlement.

Given the bleak BATNA the Swiss bankers faced, it’s hardly surprising that the parties reached an agreement, including a commitment from the Swiss bankers to pay $1.25 billion to survivors. It was, however, an almost unimaginable outcome at the beginning of the small, initially private game in which the Swiss seemed to hold all the cards.

Another way for negotiators to claim value is to shift the issues under discussion and the interests at stake. Consider how Microsoft won the browser war negotiations. In 1996, AOL was in dire need of a cutting-edge Internet browser, and both Netscape and Microsoft were competing for the deal. The technically superior, market-dominant Netscape Navigator vied with the bugger Internet Explorer, which was then struggling for a market foothold but was considered by Bill Gates to be a strategic priority. A confident, even arrogant, Netscape pushed for a technically based “browser-for-dollars” deal. In the book aol.com, Jean Villanueva, a senior AOL executive, observed, “The deal was Netscape’s to lose. They were dominant. We needed to get what the market wanted. Most important, we saw ourselves as smaller companies fighting the same foe—Microsoft.”

But when all was said and done, it was Microsoft that had etched a deal with AOL. The software giant would provide Explorer to AOL for free and had promised a series of technical adaptations in the future. Microsoft had also agreed that AOL client software would be bundled with the new Windows operating system.

Microsoft—a direct competitor to AOL—would place the AOL icon on the Windows desktop right next to the icon for its own on-line service, the Microsoft Network (MSN). AOL’s position on “the most valuable desktop real estate in the world” would permit it to reach an additional 50 million people per year at effectively no cost, compared with its $40 to $80 per-customer acquisition cost incurred by “carpet bombing” the country with AOL disks. In effect, Bill Gates sacrificed the medium-term position of MSN to his larger goal of winning the browser war.

How did 3-D moves swing the negotiations in Microsoft’s favor? Microsoft’s Web browser was technically inferior to Netscape’s, so the chances of Microsoft winning on those grounds were poor, regardless of its negotiating skills and tactics at the table. Instead Microsoft shifted the negotiations from Netscape’s technical browser-for-dollars deal toward wider business issues on which it held a decisive edge. Rather than focus on selling to the technologists, Microsoft concentrated on selling to AOL’s businesspeople. As AOL’s lead negotiator and head of business development, David Colburn, stated in his deposition to the Supreme Court in 1998, “The willingness of Microsoft to bundle AOL in some form with the Windows operating system was a critically important competitive factor that was impossible for Netscape to match.” Instead of trying to skillfully play a poor hand when dealing with party X on issues A and B, Microsoft changed the game toward a more compatible counterpart Y, emphasizing issues C, D, and E on which it was strong.

These examples of 3-D value-claiming moves conflict with the standard 1-D interpersonal approach to negotiation. Actions taken away from the table—sharply altering parties and issues, restructuring and resequencing the process, changing BATNAs—are not primarily about 1—D interpersonal skills but rather about enhancing the underlying setup of the negotiation itself.

Creating Value. By adding complementary parties or issues to the negotiating process, 3-D negotiators can not only claim value for themselves but
also create more value for all parties involved. In *Co-opetition*, their influential book on business strategy, Adam Brandenburger and Barry Nalebuff explored the concept of the *Value net*, or the collection of players whose potential combination and agreement can create value. 3-D negotiators often facilitate in the development of such value nets. They scan beyond their specific transactions for compatible players with complementary capabilities or valuations, and they craft agreements that profitably incorporate these players.

The world of foreign affairs offers many examples in which potentially valuable bilateral deals can be impossible unless a third party with complementary interests is included. In a 1985 issue of *Negotiation Journal*, University of Toronto professor and international negotiation specialist Janice G. Stein wrote the following about the importance of Henry Kissinger’s 3-D role in a crucial Middle East negotiation: “The circular structure of payment was essential to promoting agreement among the parties. Egypt improved the image of the United States in the Arab world, especially among the oil-producing states; the United States gave Israel large amounts of military and financial aid; and Israel supplied Egypt with territory. Indeed, a bilateral exchange between Egypt and Israel would not have succeeded since each did not want what the other could supply.”

In an example from the business world, the owners of a niche packaging company with an innovative technology and a novel product were deep in price negotiations to sell the company to one of three potential buyers, all of them larger packaging operations. Instead of mainly working with its bankers to make the case for a higher valuation and to refine its at-the-table tactics with each packaging industry player, the niche player took a 3-D approach. Its broader analysis suggested that one of its major customers, a large consumer goods firm, might particularly value having exclusive access to the niche player’s technologies and packaging products, so it brought the consumer goods firm into the deal. The move uncovered a completely new source of potential value—and a much higher potential selling price. It also increased the pressure on the larger packaging companies: They would face more competition and might not be able offer the same kind of exclusive, customized packaging service to their customers.

The potential elements of a value net are not always obvious at the start of a negotiation. For example, a U.S.-European conservation group wished to preserve the maximum amount of rain-forest habitat in a South American country. From membership contributions and foundation support, the conservation group had U.S. dollars it could use (after converting the dollars to local currency at the official exchange rate) to buy development rights. The owner of the land and the conservation group negotiated hard and tentatively agreed on an amount of rain forest to be protected and a price per hectare based on local currency. But 3-D thinking ultimately improved the deal for all sides.

The host country was indebted in dollar-denominated bonds, which were trading at a 45% discount to their face value (given their perceived default risk). The country had to use scarce dollar-export earnings, needed for many pressing domestic purposes, to keep its debt-service obligations current; of course, interest payments were determined by the face value of the debt, not the bond discount. These facts suggested that more value could have been created by adding two other sets of players to the initial negotiation between the landowner and the conservation group.

In this green variant of a debt-for-equity swap, the conservation group bought country debt from foreign holders at the prevailing 45% discount. It then brought this debt to the country’s Central Bank and negotiated its redemption for local currency at a premium between the discounted value of the debt and its full-dollar face value (up to an 82% premium over the discounted value). The conservation group then used this greater quantity of local currency
from the Central Bank to buy more development rights from the landowner at a somewhat higher unit price.

This expanded four-party negotiation—sequentially involving the conservation group, international bondholders, the Central Bank, and the landowner—benefited everyone more than the best result possible in the initial negotiation between just the landowner and the conservation group. The bank was able to retire debt and cancel dollar-interest obligations, which were very costly to the country, using cheaper (to it) local currency without exporting more or diverting scarce export earnings. The conservation group was able to save more rain forests at the same dollar cost, and the landowner got a higher price in a currency it was better positioned to use.

To find complementary parties and issues, as the conservation group did, you should ask questions that focus on relative valuation. What uninvolved parties might highly value elements of the present negotiation? What outside issues might be highly valued if they were incorporated into the process? Are there any parties outside the immediate negotiations that can bear part of the risk of the deal more cheaply than the current players?

On the other hand, it is sometimes necessary to shrink—or at least stage—the set of involved issues, interests, and parties in order to create value. For example, rather than enter into a full multiparty process at the outset, an industry association that wants to negotiate a certain set of standards may benefit from first seeking agreement between a few dominant players, which would then serve as the basis for a later deal among the wider group. Or, negotiations to forge a multi-issue strategic alliance between two firms may be dramatically simplified by one side which instead proposes an outright acquisition.

Certainly, the form chosen for a transaction can dramatically affect the complexity of negotiations and the value to be had. The planned merger of equals by Bell Atlantic and Nynex would have required separate negotiations with regulatory authorities in each of the 13 states served by the companies. To avoid having to undergo politically charged negotiations at 13 different tables, the parties changed the game by creating a functionally equivalent structure in which Bell Atlantic was the nominal acquirer.

Indeed, it can be necessary to change the process, rather than the substance, of a negotiation. For example, two partners seeking to terminate their relationship may have difficulty determining exactly who gets what. But they may instead be able to agree to a special mechanism like the “Texas shoot-out” in which one side names a price at which it would be either a buyer (of the other’s shares) or a seller (of its own shares) and the other side must respond. Often, changing the form of a negotiation by bringing in a skilled third-party mediator creates value. For example, two intensive mediation efforts by outside parties helped to finally thaw the frozen negotiations between Microsoft and the Justice Department. Many fundamentally different variants of mediation, arbitration, and other special mechanisms exist, but all are options to change the game itself rather than efforts to negotiate more effectively by purely interpersonal means.

**Implementing a 3-D Negotiation Strategy**

Sophisticated negotiators act in all three dimensions to create and claim value. While 3-D negotiators should play the existing game well, as tacticians and deal designers, they should also act as entrepreneurs, seeking to create a more favorable target game. They can do so by scanning widely to identify possible elements of a more favorable setup; “mapping backward” from the most promising structure for the deal to the current setup; and managing and framing the flow of information to improve their odds of getting to yes.
Scan widely. To act outside the box, one must first look outside the box. By searching beyond the immediate deal on the table for elements of a potential value net, 3-D negotiators can retrain their focus on complementary I capabilities and valuations that other players might add. Useful game-changing questions include: Who outside the existing deal might most value an aspect of it? Who might minimize the costs of production, distribution, risk bearing, and so on? Who might supply a piece missing from the current process? Which issues promise mutual advantage? What devices might bring such potential value-creating parties and issues into the deal? And at what point does complexity or conflict of interest between parties call for shrinking the scope of the negotiation? Scanning beyond the current game to claim value normally focuses on a parallel set of questions: Are there additional bidders or parties who could favorably alter BATNAs in other ways? Can certain issues be linked for leverage?

Such scanning should result in a map of all the actual and potential parties (including other interested groups within an organization, if necessary). You need to assess their actual and potential interests and BATNAs, as well as the difficulty and cost of gaining agreement with each party and the value of having its support. Your map should also identify the crucial relationships among the parties: who influences whom, who tends to defer to whom, who owes what to whom, who would find it costly to oppose an emerging agreement with key parties on board, and so on.

The founders of new ventures almost always need to scan widely in order to construct the most promising sequence of deals that lead to a self-sustaining company. Consider the situation WebTV 1 Networks founder Steve Perlman faced in the early and mid-1990s. He had obtained seed funding, developed the technology to bring the Web to ordinary television sets, created a prototype, and hired his core team. Running desperately low on cash, Perlman scanned widely and discovered an array of potential negotiating partners—ISPs, VCs, angel investors, industrial partners, consumer electronics businesses, content providers, manufacturers, wholesale and retail distribution channels, foreign partners, and the like. He needed to engage in 3-D analysis to determine the right subset of potential partners to create the most promising deals to build his company.

Map backward and sequence. It is helpful to think of the logic of backward mapping as being similar to the logic of project management. In deciding how to undertake a complex project, you start with the end point and work back to the present to develop a time line and critical path. In negotiation, however, the completed “project” should be a set of value-creating, sustainable agreements among a supportive coalition of parties.

For instance, when Perlman’s WebTV was almost out of money, it might have seemed obvious that he should approach venture capital firms first. However, because VCs were deeply skeptical of consumer-electronics deals at that time, Perlman mapped backward from his VC target. He reasoned that a VC would find WebTV more appealing if a prominent consumer-electronics company were already on board, so Perlman embarked on a sequential strategy. After his first choice, Sony, turned him down, Perlman kept reasoning backward from his target. Finally, he was able to get Phillips on board. He then used Phillips to reopen and forge a complementary deal with Sony. Next he negotiated new venture money—at a far higher valuation—since both Sony and Phillips had signed on. With new money in the tank, it was fairly straightforward to thread a path of supporting agreements through manufacturers, wholesale and retail distribution channels, content providers, ISPs, and alliance partners abroad.

As the WebTV case suggests, a common problem for a would-be coalition builder is that
approaching the most difficult—and perhaps most critical—party offers slim chances for a deal, either at all or on desirable terms. To improve the odds of getting to yes, figure out which partners you would ideally like to have on board when you initiate negotiations with the target party. As the answer to this question becomes clear, you have identified the penultimate stage. Continue mapping backward until you have found the most promising sequence of discussions. Consider the successful sequencing tactics of Bill Daley, President Clinton’s strategist for securing congressional approval of the North American Free Trade Agreement as reported in a 1993 New Yorker article: “News might arrive that a representative who had been leaning toward yes had come out as a no. ‘Weenie,’ [Daley would] say. When he heard the bad news, he did not take it personally. . . . He’d take more calls. ‘Can we find the guy who can deliver the guy? We have to call the guy who calls the guy who calls the guy.’”

Beyond pure sequencing, the 3-D negotiator can use the scope of the negotiation—how elements are added, subtracted, combined, or separated—to influence the chances of bringing each party on board. Issues can be added to make a deal more attractive (as Microsoft did with AOL) or a BATNA less attractive (as happened to the Swiss banks). And by not bringing on board a party to whom others have antipathy, negotiators can increase the probability of their success. That’s what James Baker did when building the first Gulf War coalition; by omitting Israel from explicit membership in the group, he was able to attract moderate Arab states.

**Manage the information flow.** Some negotiations are best approached by gathering all affected parties together, fully sharing information, and brainstorming a solution to the shared problem. Frequently, however, vital 3-D questions involve deciding which stages of the process should be public or private as well as how information from one stage should spill over to or be framed at other stages.

A wry story illustrates the potential of such choices to set up a linked series of negotiations. A prominent diplomat once decided to help a charming and capable young man of very modest background from Eastern Europe. Approaching the chairman of the state bank, the statesman indicated that “a gifted and ambitious young man, soon to be the son-in-law of Baron Rothschild,” was seeking a fast-track position in banking. Shortly thereafter, in a separate conversation with the baron, whom he knew to be searching for a suitable match for his daughter, the statesman enthusiastically described a “handsome, very capable young man who was making a stellar ascent at the state bank.” When later introduced to the young swain, the dutiful daughter found him charming, with enviable talents and prospects, and acceptable to her father. When she said yes, the three-way deal allegedly went through—to everyone’s ultimate satisfaction.

Setting aside the dubious factual base and ethics of this negotiation, notice how the diplomat’s 3-D actions set up the most promising game for his purposes. By separating and sequencing the stages of the process, as well as opportunistically framing his message at each juncture, the statesman created a situation that fostered an otherwise most unlikely outcome. Of course, had the banker, the baron, the daughter, and the young man been initially thrown together in a face-to-face meeting, it is doubtful that even the statesman’s suave 1-D approach could have closed the deal.

Analogously, potential investors should be wary of the common tactic of separating deals to close both: for instance, getting investor A to commit funds based on the commitment of “savvy investor” B, when B has indeed committed, but only on the informal (and wrong) understanding that “reputable investor” A has unconditionally agreed to do so.

Negotiations to assemble land for a real estate project offer another good example of the importance of staging the release of information. Early
knowledge of a developer’s plans can be quite valuable to landowners in the target area. Since landowners may use this knowledge to extract maximum price concessions in later stages of assembly, the need for secrecy and separation of the individual negotiations is usually obvious. Indeed, the choice of which parcel to buy first, second, and so on, may depend on the relative odds that a given purchase will leak the developer’s intentions as well as whether the parcels already obtained would permit some version of the project to go ahead, or whether they would be useless without a later acquisition.

Indeed, a 3-D player’s ability to determine whether a related negotiation happens before or after his own—as well as whether the results become public—can greatly influence the outcome. For example, according to a 1985 article in *International Studies Quarterly*, while the United States was in separate talks with Japan, Hong Kong, and Korea over textile trade agreements, a Korean negotiator told the U.S. representatives, “We’ll ask Hong Kong to go first, then see what they get.” The Koreans apparently regarded Hong Kong officials as highly skilled negotiators, with better language skills for dealing with the Americans. An observer reports that, “After waiting for Hong Kong and Japan to go first, Seoul asked for the features they had secured and then also held out for a bit more.” In essence, the order chosen by the Americans (as encouraged by the Koreans) revealed information about the U.S. approach that was of great value to the Koreans. One wonders whether the Americans should have rethought the sequence and started with Seoul.

That negotiators should be good listeners, persuaders, and tacticians is a given. But beyond perfecting these 1-D skills, negotiators should also be innovative 2-D deal designers who have mastered the principles for crafting value-creating agreements. And the third, often-missing dimension—actions taken to change the scope and sequence of the game itself—can be crucial to a negotiation that would otherwise be completely out of tactical reach.

Negotiators must take care to keep sophisticated 3-D moves from blurring into the unethical and manipulative. Yet without 3-D actions, coalitions vital to many worthy initiatives could never have been built.

To create and claim value for the long term, great negotiators should be at home in all three dimensions. To do anything less is to risk playing a one- or two-dimensional strategy in a three-dimensional world.

**Thinking Further 4.2**

1. What are the three dimensions in 3-D negotiation? What implementation strategies do the authors suggest? Would these strategies be helpful in negotiating salary and benefits for a job? Why or why not?

2. Describe one or two personal situations in which you believe knowing how to use 3-D negotiating effectively would be beneficial to you.