

Chapter 14

Conflict and Negotiation

(Click on the title while connected to the Internet for online video teaching notes)

LEARNING OBJECTIVES (ppt14-1)

After studying this chapter, students should be able to:

1. Define *conflict*.
2. Differentiate between the traditional, human relations, and interactionist views of conflict.
3. Outline the conflict process.
4. Define *negotiation*.
5. Contrast distributive and integrative bargaining.
6. Apply the five steps of the negotiation process.
7. Show how individual differences influence negotiations.
8. Assess the roles and functions of third-party negotiations.
9. Describe cultural differences in negotiations.

INSTRUCTOR RESOURCES

Text Exercises

- Myth or Science? When Selling in an Auction, Start the Bidding High
- International OB: Negotiating Emotions Across Cultures
- An Ethical Choice: Sharing Your Salary
- Point/CounterPoint: Conflict Benefits Organizations
- Questions for Review
- Experiential Exercise: A Negotiation Role Play
- Ethical Dilemma: Is It Ethical to Lie During Negotiations?

Text Cases

- Case Incident 1: David Out-Negotiating Goliath: Apotex and Bristol-Myers Squibb
- Case Incident 2: Mediation: Master Solution to Employment Disputes?

Instructor's Choice

This section presents an exercise that is NOT found in the student's textbook. Instructor's Choice reinforces the text's emphasis through various activities. Some Instructor's Choice activities are centered on debates, group exercises, Internet research, and student experiences. Some can be used in-class in their

entirety, while others require some additional work on the student's part. The course instructor may choose to use these at anytime throughout the class—some may be more effective as icebreakers, while some may be used to pull together various concepts covered in the chapter.



WEB EXERCISES

At the end of each chapter of this Instructor's Manual, you will find suggested exercises and ideas for researching the WWW on OB topics. The exercises "Exploring OB Topics on the Web" are set up so that you can simply photocopy the pages, distribute them to your class, and make assignments accordingly. You may want to assign the exercises as an out-of-class activity or as lab activities with your class.

SUMMARY AND IMPLICATIONS FOR MANAGERS

While many people assume conflict lowers group and organizational performance, this assumption is frequently incorrect. Conflict can be either constructive or destructive to the functioning of a group or unit. As shown in Exhibit 14-8, levels of conflict can be either too high or too low. Either extreme hinders performance. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released, and initiates the seeds of change, without being disruptive or preventing coordination of activities.

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

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

- and to allow employees to develop by learning from mistakes.
- Use *compromise* when goals are important but not worth the effort of potential disruption of more assertive approaches, when opponents with equal power are committed to mutually exclusive goals, to achieve temporary settlements to complex issues, to arrive at expedient solutions under time pressure, and as a backup when collaboration or competition is unsuccessful.

Negotiation is an ongoing activity in groups and organizations. Distributive bargaining can resolve disputes, but it often negatively affects the satisfaction of one or more negotiators because it is focused on the short term and because it is confrontational. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and that build lasting relationships. When engaged in negotiation, make sure you set aggressive goals and try to find creative ways to achieve the goals of both parties, especially when you value the long-term relationship with the other party. That doesn't mean sacrificing your self-interest; rather, it means trying to find creative solutions that give both parties what they really want.

This chapter begins with a discussion of a European development in labor negotiations: kidnapping the boss. The concept of workers taking hostages to further their leverage in demands is not seen as illegal, according to one sociologist. Although the technique is spreading, it did not seem to work well in the cited Caterpillar incident.

BRIEF CHAPTER OUTLINE

- I. A Definition of Conflict (ppt14-2)
 - A. There are several common themes which underlie most definitions:
 1. The parties to it must perceive conflict.
 2. Commonalties in the definitions are opposition or incompatibility and some form of interaction.
 - B. We define conflict as “a process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.”
- II. Transitions in Conflict Thought (ppt14-3)
 - A. The Traditional View
 1. The early approach to conflict assumed all conflict was bad and to be avoided.
 2. It was viewed negatively and discussed with such terms as *violence*, *destruction*, and *irrationality* to reinforce its negative connotation.
 3. Conflict was a dysfunctional outcome resulting from poor communication, a lack of openness and trust between people, and the failure of managers to be responsive to the needs and aspirations of their employees.
 4. The view that all conflict is bad certainly offers a simple approach to looking at the behavior of people who create conflict.
 - B. The Interactionist View (ppt14-4)
 1. The interactionist view of conflict encourages conflict on the grounds that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static, apathetic, and unresponsive to needs for change and innovation.
 2. Not all conflicts are good. (ppt14-5)
 3. Task conflict relates to the content and goals of the work. (ppt14-6)
 4. Process conflict relates to how the work gets done. (ppt14-7)
 5. Meanings
 - a. This means task conflicts relate positively to creativity and innovation, but they are not related to routine task performance.
 - b. Groups performing routine tasks that don't require creativity won't benefit from task conflict.
 - c. If the group is already engaged in active discussion of ideas in a nonconfrontational way, adding conflict will not help generate more ideas.
 - d. Task conflict is also related to these positive outcomes only when all members share the same goals and have high levels of trust.
 - C. Resolution-Focused View of Conflict
 1. Researchers, including those who had strongly advocated the interactionist view, have begun to recognize some problems with encouraging conflict.
 2. Studies of conflict in laboratories also fail to take account of the reductions in trust and cooperation that occur even with relationship conflicts. Longer-term studies show that all conflicts reduce trust, respect, and cohesion in groups, which reduces their long-term viability.
 3. In sum, the traditional view took a shortsighted view in assuming all conflict should be eliminated.
 4. The interactionist view that conflict can stimulate active discussion without spilling over into negative, disruptive emotions is incomplete.
- III. The Conflict Process
 - A. Stage I: Potential Opposition or Incompatibility (ppt14-8)
 1. Communication

- a. Communication as a source of conflict represents those opposing forces that arise from semantic difficulties, misunderstandings, and “noise” in the communication channels.
2. Structure
 - a. The term structure includes variables such as size, degree of specialization, jurisdictional clarity, member-goal compatibility, leadership styles, reward systems, and the degree of dependence.
 - b. Size and specialization act as forces to stimulate conflict.
3. Personal Variables
 - a. Include individual value systems and personality characteristics. Certain personality types lead to potential conflict.
 - b. Most important is differing value systems. Value differences are the best explanation for differences of opinion on various matters.
- B. Stage II: Cognition and Personalization (ppt14-9)
 1. Antecedent conditions lead to conflict only when the parties are affected by and aware of it.
 2. Conflict is personalized when it is felt and when individuals become emotionally involved.
 3. This stage is where conflict issues tend to be defined and this definition delineates the possible settlements.
- C. Stage III: Intentions (ppt14-10)
 1. Introduction (Exhibit 14-2)
 - a. Intentions are decisions to act in a given way.
 - b. One author’s effort to identify the primary conflict-handling intentions is represented in Exhibit 14–2 is along two dimensions:
 - i. Cooperativeness—“the degree to which one party attempts to satisfy the other party’s concerns.”
 - ii. Assertiveness—“the degree to which one party attempts to satisfy his or her own concerns.”
 2. Five conflict-handling intentions can be identified:
 - a. Competing
 - b. Collaborating
 - c. Avoiding
 - d. Accommodating
 - e. Compromising
 3. Intentions provide general guidelines for parties in a conflict situation. They define each party’s purpose, but they are not fixed.
 - a. They might change because of reconceptualization or because of an emotional reaction.
 - b. However, individuals have preferences among the five conflict-handling intentions.
- D. Stage IV: Behavior (Exhibit 14-3) (ppt14-11)
 1. Stage IV is where conflicts become visible. The behavior stage includes the statements, actions, and reactions made by the conflicting parties. These conflict behaviors are usually overt attempts to implement each party’s intentions.
 2. Stage IV is a dynamic process of interaction; conflicts exist somewhere along a continuum.
 3. Exhibit 14–4 lists the major resolution and stimulation techniques. (ppt14-12)
- E. Stage V: Outcomes (ppt14-13)
 1. Introduction
 - a. Outcomes may be functional—improving group performance, or dysfunctional in hindering it. (Exhibit 14-1)
 2. Functional Outcomes

- a. How might conflict act as a force to increase group performance?
 - i. Conflict is constructive when it:
 - (a) Improves the quality of decisions.
 - (b) Stimulates creativity and innovation.
 - (c) Encourages interest and curiosity.
 - (d) Provides the medium through which problems can be aired and tensions released.
 - (e) Fosters an environment of self-evaluation and change.
 - b. The evidence suggests that conflict can improve the quality of decision making.
 - i. Conflict is an antidote for groupthink.
 - ii. Conflict challenges the status quo, furthers the creation of new ideas, promotes reassessment of group goals and activities, and increases the probability that the group will respond to change.
 - iii. Research studies in diverse settings confirm the functionality of conflict.
 - iv. When groups analyzed decisions that had been made by the individual members of that group, the average improvement among the high-conflict groups was 73 percent greater than was that of those groups characterized by low-conflict conditions.
 - v. Increasing cultural diversity of the workforce should provide benefits to organizations.
 - c. Similarly, studies of professionals—systems analysts and research and development scientists—support the constructive value of conflict.
3. Dysfunctional Outcomes
 - a. The destructive consequences of conflict on the performance of a group or an organization are generally well known:
 - i. Uncontrolled opposition breeds discontent,
 - ii. Which acts to dissolve common ties and
 - iii. Eventually leads to the destruction of the group.
 - b. A substantial body of literature documents how dysfunctional conflicts can reduce group effectiveness.
 - i. Among the more undesirable consequences are hampered communication, reductions in group cohesiveness, and subordination of group goals to the primacy of infighting among members.
 - ii. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and reduce trust.
 - iii. When active discussions turn into open conflicts between members, information sharing between members has been shown to decrease significantly.
 - iv. At the extreme, conflict can bring group functioning to a halt and threaten the group's survival.
 - c. One of New York's best-known law firms, Shea & Gould, closed down solely because the 80 partners just couldn't get along.
 - i. As one legal consultant familiar with the organization said, "This was a firm that had basic and principled differences among the partners that were basically irreconcilable."
 - ii. That same consultant also addressed the partners at their last meeting: "You don't have an economic problem," he said. "You have a personality problem. You hate each other!"
4. Managing Functional Conflict
 - a. If managers recognize that in some situations conflict can be beneficial, what can they do to manage conflict effectively in their organizations?
 - b. There seems to be general agreement that managing functional conflict is

- a tough job, particularly in large U.S. corporations.
- c. Such anticonflict cultures may have been tolerable in the past but are not in today's fiercely competitive global economy.
- d. Organizations that don't encourage and support dissent may find their survival threatened.
- e. One common ingredient in organizations that successfully manage functional conflict is that they reward dissent and punish conflict avoiders.
- f. Groups that resolve conflicts successfully discuss differences of opinion openly and are prepared to manage conflict when it arises.

IV. Negotiation (ppt14-14)

A. Introduction

1. Negotiation is a "process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them." We use the terms negotiation and bargaining interchangeably.
2. Negotiation permeates the interactions of almost everyone in groups and organizations.

B. Bargaining Strategies (ppt14-15)

1. Distributive Strategies

- a. Two general approaches to negotiation: (Exhibit 14-5)
 - i. Distributive bargaining
 - ii. Integrative bargaining
- b. An example of distributive bargaining is buying a car:
 - i. You go out to see the car. It is great and you want it.
 - ii. The owner tells you the asking price. You do not want to pay that much.
 - iii. The two of you then negotiate over the price.
 - iv. Its most identifying feature is that it operates under zero-sum conditions.
- c. The most widely cited example of distributive bargaining is in labor-management negotiations over wages.
- d. The essence of distributive bargaining is depicted in Exhibit 14-6.
- e. When engaged in distributive bargaining, research consistently shows one of the best things you can do is make the first offer, and make it an aggressive one.
- f. Another distributive bargaining tactic is revealing a deadline.

2. Integrative Bargaining

- a. An example: A sales rep calls in the order and is told that the firm cannot approve credit to this customer because of a past slow-pay record.
- b. In terms of intra-organizational behavior, all things being equal, integrative bargaining is preferable to distributive bargaining.
- c. Why do we not see more integrative bargaining in organizations? The answer lies in the conditions necessary for this type of negotiation to succeed.
- d. Finally, you should realize that compromise may be your worst enemy in negotiating a win-win agreement.

C. The Negotiation Process (ppt14-16)

1. Preparation and Planning

- a. Do your homework.
 - i. What is the nature of the conflict?
 - ii. What is the history leading up to this negotiation?
 - iii. Who is involved, and what are their perceptions of the conflict?
 - iv. What do you want from the negotiation?
 - v. What are your goals?

- b. You also want to prepare an assessment of what you think the other party to your negotiation's goals are.
 - c. When you can anticipate your opponent's position, you are better equipped to counter his or her arguments with the facts and figures that support your position.
 - d. Once you have gathered your information, use it to develop a strategy.
2. Definition of Ground Rules
 - a. Who will do the negotiating? Where will it take place? What time constraints, if any, will apply?
 - b. To what issues will negotiation be limited? Will there be a specific procedure to follow if an impasse is reached?
 3. Clarification and Justification
 - a. When initial positions have been exchanged, explain, amplify, clarify, bolster, and justify your original demands.
 - b. This need not be confrontational.
 4. Bargaining and Problem Solving
 - a. The essence of the negotiation process is the actual give-and-take in trying to hash out an agreement.
 - b. Concessions will undoubtedly need to be made by both parties.
 5. Closure and Implementation
 - a. The final step—formalizing the agreement that has been worked out and developing any procedures that are necessary for implementation and monitoring
 - b. Major negotiations will require hammering out the specifics in a formal contract.
- D. Individual Differences in Negotiation Effectiveness (ppt14-17)
1. Personality Traits in Negotiation
 - a. Can you predict an opponent's negotiating tactics if you know something about his/her personality? The evidence says "sort of."
 - b. Negotiators who are agreeable or extraverted are not very successful in distributive bargaining.
 - c. Research also suggests intelligence predicts negotiation effectiveness, but, as with personality, the effects aren't especially strong.
 - i. In a sense, these weak links are good news because they mean you're not severely disadvantaged, even if you're an agreeable extrovert, when it comes time to negotiate.
 - ii. We all can learn to be better negotiators.
 - iii. In fact, people who think so are more likely to do well in negotiations because they persist in their efforts even in the face of temporary setbacks.
 2. Moods/Emotions in Negotiation
 - a. Moods and emotions influence negotiation, but the way they do appears to depend on the type of negotiation.
 3. Gender Differences in Negotiations
 - a. Men and women do not negotiate differently.
 - b. A popular stereotype is that women are more cooperative, pleasant, and relationship-oriented in negotiations than are men. The evidence does not support this.
 - c. Low-power managers, regardless of gender, attempt to placate their opponents and to use softly persuasive tactics rather than direct confrontation and threats.
- E. Third-Party Negotiations (ppt14-18)
1. When individuals or group representatives reach a stalemate and are unable to resolve their differences through direct negotiations, they may turn to a third party.

2. A mediator is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, and the like.
3. An arbitrator is “a third party with the authority to dictate an agreement.”
4. A conciliator is “a trusted third party who provides an informal communication link among parties.”
5. A consultant is “a skilled and impartial third party who attempts to facilitate problem solving through communication and analysis, aided by his or her knowledge of conflict management.”

V. Global Implications (ppt14-19)

A. Conflict and Culture

1. Research suggests that differences across countries in conflict resolution strategies may be based on collectivistic tendencies and motives.
2. Collectivist cultures see people as deeply embedded in social situations, whereas individualist cultures see people as autonomous.
3. Another study revealed that whereas U.S. managers were more likely to use competing tactics in the face of conflicts, compromising and avoiding are the most preferred methods of conflict management in China.

B. Cultural Differences in Negotiations

1. Compared to the research on conflict, there is more research on how negotiating styles vary across national cultures.
 - a. One study compared U.S. and Japanese negotiators and found the generally conflict-avoidant Japanese negotiators tended to communicate indirectly and adapt their behaviors to the situation.
 - b. A follow-up study showed that whereas among U.S. managers making early offers led to the anchoring effect we noted when discussing distributive negotiation, for Japanese negotiators early offers led to more information sharing and better integrative outcomes.
 - c. In another study, managers with high levels of economic power from Hong Kong, which is a high power-distance country, were more cooperative in negotiations over a shared resource than German and U.S. managers, who were lower in power distance.
 - d. Another study looked at verbal and nonverbal negotiation tactics exhibited by North Americans, Japanese, and Brazilians during half-hour bargaining sessions.

VI. Summary and Implications for Managers (ppt14-20)

- A. While many people assume conflict lowers group and organizational performance, this assumption is frequently incorrect.
- B. Conflict can be either constructive or destructive to the functioning of a group or unit. As shown in Exhibit 14-8, levels of conflict can be either too high or too low. Either extreme hinders performance.
- C. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released, and initiates the seeds of change, without being disruptive or preventing coordination of activities.
- D. What advice can we give managers faced with excessive conflict and the need to reduce it?
 1. Don't assume one conflict-handling intention will always be best!
 2. Select an intention appropriate for the situation. Here are some guidelines:
 - a. Use *competition* when quick, decisive action is vital (in emergencies), on important issues, when unpopular actions need to be implemented (in cost cutting, enforcement of unpopular rules, discipline), on issues vital to the organization's welfare when you know you're right, and against people who take advantage of noncompetitive behavior.
 - b. Use *collaboration* to find an integrative solution when both sets of

- concerns are too important to be compromised, when your objective is to learn, when you want to merge insights from people with different perspectives or gain commitment by incorporating concerns into a consensus, and when you need to work through feelings that have interfered with a relationship.
- c. Use *avoidance* when an issue is trivial or symptomatic of other issues, when more important issues are pressing, when you perceive no chance of satisfying your concerns, when potential disruption outweighs the benefits of resolution, to let people cool down and regain perspective, when gathering information supersedes immediate decision, and when others can resolve the conflict more effectively.
 - d. Use *accommodation* when you find you're wrong and to allow a better position to be heard, to learn, to show your reasonableness, when issues are more important to others than to yourself and to satisfy others and maintain cooperation, to build social credits for later issues, to minimize loss when you are outmatched and losing, when harmony and stability are especially important, and to allow employees to develop by learning from mistakes.
 - e. Use *compromise* when goals are important but not worth the effort of potential disruption of more assertive approaches, when opponents with equal power are committed to mutually exclusive goals, to achieve temporary settlements to complex issues, to arrive at expedient solutions under time pressure, and as a backup when collaboration or competition is unsuccessful.
3. Negotiation is an ongoing activity in groups and organizations.
- a. Distributive bargaining can resolve disputes, but it often negatively affects the satisfaction of one or more negotiators because it is focused on the short term and because it is confrontational.
 - b. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and that build lasting relationships.
 - c. When engaged in negotiation, make sure you set aggressive goals and try to find creative ways to achieve the goals of both parties, especially when you value the long-term relationship with the other party.
 - d. That doesn't mean sacrificing your self-interest; rather, it means trying to find creative solutions that give both parties what they really want.

EXPANDED CHAPTER OUTLINE

- I. A Definition of Conflict
 - A. There are several common themes which underlie most definitions:
 1. The parties to it must perceive conflict.
 2. Commonalities in the definitions are opposition or incompatibility and some form of interaction.
 - B. We define conflict as “a process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.”
 1. This describes that point when an interaction “crosses over” to become an inter-party conflict.
 2. It encompasses the wide range of conflicts that people experience in organizations.
- II. Transitions in Conflict Thought
 - A. The Traditional View
 1. The early approach to conflict assumed all conflict was bad and to be avoided.
 2. It was viewed negatively and discussed with such terms as *violence*, *destruction*, and *irrationality* to reinforce its negative connotation.
 3. This traditional view of conflict was consistent with attitudes about group behavior that prevailed in the 1930s and 1940s.
 4. Conflict was a dysfunctional outcome resulting from poor communication, a lack of openness and trust between people, and the failure of managers to be responsive to the needs and aspirations of their employees.
 5. The view that all conflict is bad certainly offers a simple approach to looking at the behavior of people who create conflict.
 6. We need merely direct our attention to the causes of conflict and correct those malfunctions to improve group and organizational performance.
 7. This view of conflict fell out of favor for a long time as researchers came to realize that some level of conflict was inevitable.
 - B. The Interactionist View
 1. The interactionist view of conflict encourages conflict on the grounds that a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static, apathetic, and unresponsive to needs for change and innovation.
 2. Not all conflicts are good.
 - a. Functional, constructive forms of conflict support the goals of the group and improve its performance.
 - b. Conflicts that hinder group performance are dysfunctional or destructive forms of conflict.
 - c. What differentiates functional from dysfunctional conflict? You need to look at the type of conflict.
 3. Task conflict relates to the content and goals of the work.
 - a. Recent reviews have shown that task conflicts are usually just as disruptive as relationship conflicts.
 - b. Relationship conflict focuses on interpersonal relationships.
 - c. Studies demonstrate that relationship conflicts are almost always dysfunctional.
 - d. It appears that the friction and interpersonal hostilities inherent in relationship conflicts increase personality clashes and decrease mutual understanding, which hinders the completion of organizational tasks.
 4. Process conflict relates to how the work gets done.

- a. Low levels of process conflict and low to moderate levels of task conflict can be functional, but only in very specific cases.
- b. For process conflict to be productive, it must be kept low.
- c. Intense arguments create uncertainty.
- 5. Meanings
 - a. This means task conflicts relate positively to creativity and innovation, but they are not related to routine task performance.
 - b. Groups performing routine tasks that don't require creativity won't benefit from task conflict.
 - c. If the group is already engaged in active discussion of ideas in a nonconfrontational way, adding conflict will not help generate more ideas.
 - d. Task conflict is also related to these positive outcomes only when all members share the same goals and have high levels of trust.
- C. Resolution-Focused View of Conflict
 - 1. Researchers, including those who had strongly advocated the interactionist view, have begun to recognize some problems with encouraging conflict.
 - a. There are some very specific cases in which conflict can be beneficial.
 - b. However, workplace conflicts are not productive, they take time away from job tasks or interacting with customers, and hurt feelings and anger often linger after conflicts appear to be over.
 - c. People seldom can wall off their feelings into neat categories of "task" or "relationship" disagreements, so task conflicts sometimes escalate into relationship conflicts.
 - d. Conflicts produce stress, which may lead people to become more close-minded and adversarial.
 - 2. Studies of conflict in laboratories also fail to take account of the reductions in trust and cooperation that occur even with relationship conflicts. Longer-term studies show that all conflicts reduce trust, respect, and cohesion in groups, which reduces their long-term viability.
 - a. In light of these findings, researchers have started to focus more on managing the whole context in which conflicts occur, both before and after the behavioral stage of conflict occurs.
 - b. A growing body of research suggests we can minimize the negative effects of conflict by focusing on preparing people for conflicts, developing resolution strategies, and facilitating open discussion.
 - 3. In sum, the traditional view took a shortsighted view in assuming all conflict should be eliminated.
 - 4. The interactionist view that conflict can stimulate active discussion without spilling over into negative, disruptive emotions is incomplete.
 - a. The managed conflict perspective does recognize that conflict is probably inevitable in most organizations, and it focuses more on productive conflict resolution.
 - b. The research pendulum has swung from eliminating conflict, to encouraging limited levels of conflict, and now to finding constructive methods for resolving conflicts productively so their disruptive influence can be minimized.

III. The Conflict Process

A. Stage I: Potential Opposition or Incompatibility

1. Communication

- a. Communication as a source of conflict represents those opposing forces that arise from semantic difficulties, misunderstandings, and "noise" in the communication channels.

- b. Differing word connotations, jargon, insufficient exchange of information, and noise in the communication channel are all barriers to communication and potential antecedents to conflict.
 - c. Semantic difficulties are a result of differences in training, selective perception, and inadequate information.
 - d. The potential for conflict increases when either too little or too much communication takes place.
 - e. The channel chosen for communicating can have an influence on stimulating opposition.
2. Structure
 - a. The term structure includes variables such as size, degree of specialization, jurisdictional clarity, member-goal compatibility, leadership styles, reward systems, and the degree of dependence.
 - b. Size and specialization act as forces to stimulate conflict.
 - i. The larger the group and more specialized its activities, the greater the likelihood of conflict.
 - c. The potential for conflict is greatest where group members are younger and turnover is high.
 - d. The greater the ambiguity in responsibility for actions lies, the greater the potential for conflict.
 - e. The diversity of goals among groups is a major source of conflict.
 - f. A close style of leadership increases conflict potential.
 - g. Too much reliance on participation may also stimulate conflict.
 - h. Reward systems, too, are found to create conflict when one member's gain is at another's expense.
 - i. Finally, if a group is dependent on another group, opposing forces are stimulated.
 3. Personal Variables
 - a. Include individual value systems and personality characteristics. Certain personality types lead to potential conflict.
 - b. Most important is differing value systems. Value differences are the best explanation for differences of opinion on various matters.
- B. Stage II: Cognition and Personalization
1. Antecedent conditions lead to conflict only when the parties are affected by and aware of it.
 2. Conflict is personalized when it is felt and when individuals become emotionally involved.
 3. This stage is where conflict issues tend to be defined and this definition delineates the possible settlements.
 4. Second, emotions play a major role in shaping perceptions.
 5. Negative emotions produce oversimplification of issues, reductions in trust, and negative interpretations of the other party's behavior.
 6. Positive feelings increase the tendency to see potential relationships among the elements of a problem, to take a broader view of the situation, and to develop more innovative solutions.
- C. Stage III: Intentions
1. Introduction (Exhibit 14-2)
 - a. Intentions are decisions to act in a given way.
 - b. Why are intentions separated out as a distinct stage? Merely one party attributing the wrong intentions to the other escalates a lot of conflicts.
 - c. One author's effort to identify the primary conflict-handling intentions is represented in Exhibit 14-2 along two dimensions:
 - i. Cooperativeness—"the degree to which one party attempts to satisfy the other party's concerns."

- ii. Assertiveness—“the degree to which one party attempts to satisfy his or her own concerns.”
- 2. Five conflict-handling intentions can be identified: competing, collaborating, avoiding, accommodating, and compromising.
 - a. Competing
 - i. When one person seeks to satisfy his or her own interests, regardless of the impact on the other parties to the conflict
 - b. Collaborating
 - i. When the parties to conflict each desire to fully satisfy the concerns of all parties. The intention is to solve the problem by clarifying differences rather than by accommodating.
 - c. Avoiding
 - i. A person may recognize that a conflict exists and want to withdraw from it or suppress it.
 - d. Accommodating
 - i. When one party seeks to appease an opponent, that party is willing to be self-sacrificing.
 - e. Compromising
 - i. When each party to the conflict seeks to give up something, sharing occurs, resulting in a compromised outcome. There is no clear winner or loser, and the solution provides incomplete satisfaction of both parties’ concerns.
- 3. Intentions provide general guidelines for parties in a conflict situation. They define each party’s purpose, but they are not fixed.
 - a. They might change because of reconceptualization or because of an emotional reaction.
 - b. However, individuals have preferences among the five conflict-handling intentions.
 - c. It may be more appropriate to view the five conflict-handling intentions as relatively fixed rather than as a set of options from which individuals choose to fit an appropriate situation.
- D. Stage IV: Behavior (Exhibit 14-3)
 - 1. Stage IV is where conflicts become visible. The behavior stage includes the statements, actions, and reactions made by the conflicting parties. These conflict behaviors are usually overt attempts to implement each party’s intentions.
 - 2. Stage IV is a dynamic process of interaction; conflicts exist somewhere along a continuum.
 - 3. At the lower part of the continuum, conflicts are characterized by subtle, indirect, and highly controlled forms of tension.
 - 4. Conflict intensities escalate as they move upward along the continuum until they become highly destructive.
 - 5. Functional conflicts are typically confined to the lower range of the continuum.
 - 6. Exhibit 14-4 lists the major resolution and stimulation techniques.
- E. Stage V: Outcomes
 - 1. Introduction
 - a. Outcomes may be functional—improving group performance, or dysfunctional in hindering it. (Exhibit 14-1)
 - 2. Functional Outcomes
 - a. How might conflict act as a force to increase group performance?
 - i. Conflict is constructive when it:
 - (a) Improves the quality of decisions
 - (b) Stimulates creativity and innovation
 - (c) Encourages interest and curiosity

- (d) Provides the medium through which problems can be aired and tensions released
 - (e) Fosters an environment of self-evaluation and change
 - b. The evidence suggests that conflict can improve the quality of decision making.
 - i. Conflict is an antidote for groupthink.
 - ii. Conflict challenges the status quo, furthers the creation of new ideas, promotes reassessment of group goals and activities, and increases the probability that the group will respond to change.
 - iii. Research studies in diverse settings confirm the functionality of conflict.
 - iv. When groups analyzed decisions that had been made by the individual members of that group, the average improvement among the high-conflict groups was 73 percent greater than was that of those groups characterized by low-conflict conditions.
 - v. Increasing cultural diversity of the workforce should provide benefits to organizations.
 - (a) Heterogeneity among group and organization members can increase creativity, improve the quality of decisions, and facilitate change by enhancing member flexibility.
 - (b) The ethnically diverse groups produced more effective and more feasible ideas and higher quality, unique ideas than those produced by the all-Anglo group.
 - c. Similarly, studies of professionals—systems analysts and research and development scientists—support the constructive value of conflict.
 - i. An investigation of 22 teams of systems analysts found that the more incompatible groups were likely to be more productive.
 - ii. Research and development scientists have been found to be most productive where there is a certain amount of intellectual conflict.
- 3. Dysfunctional Outcomes
 - a. The destructive consequences of conflict on the performance of a group or an organization are generally well known:
 - i. Uncontrolled opposition breeds discontent,
 - ii. Which acts to dissolve common ties and
 - iii. Eventually leads to the destruction of the group.
 - b. A substantial body of literature documents how dysfunctional conflicts can reduce group effectiveness.
 - i. Among the more undesirable consequences are hampered communication, reductions in group cohesiveness, and subordination of group goals to the primacy of infighting among members.
 - ii. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and reduce trust.
 - iii. When active discussions turn into open conflicts between members, information sharing between members has been shown to decrease significantly.
 - iv. At the extreme, conflict can bring group functioning to a halt and threaten the group's survival.
 - v. We noted that diversity can usually improve group performance and decision making.
 - (a) However, if differences of opinion open up along demographic fault lines, harmful conflicts result and information sharing decreases.

- (b) For example, if differences of opinion in a gender-diverse team line up so that men all hold one opinion and women hold another, group members tend to stop listening to one another.
 - (c) They fall into in-group favoritism and won't take the other side's point of view into consideration.
 - (d) Managers in this situation need to pay special attention to these fault lines and emphasize the shared goals of the team. The demise of an organization as a result of too much conflict isn't as unusual as you might think.
- c. One of New York's best-known law firms, Shea & Gould, closed down solely because the 80 partners just couldn't get along.
- i. As one legal consultant familiar with the organization said, "This was a firm that had basic and principled differences among the partners that were basically irreconcilable."
 - ii. That same consultant also addressed the partners at their last meeting: "You don't have an economic problem," he said. "You have a personality problem. You hate each other!"
4. Managing Functional Conflict
- a. If managers recognize that in some situations conflict can be beneficial, what can they do to manage conflict effectively in their organizations?
 - b. There seems to be general agreement that managing functional conflict is a tough job, particularly in large U.S. corporations.
 - i. As one consultant put it, "A high proportion of people who get to the top are conflict avoiders."
 - (a) They don't like hearing negatives; they don't like saying or thinking negative things.
 - (b) They frequently make it up the ladder in part because they don't irritate people on the way up."
 - ii. Another suggests at least 7 of 10 people in U.S. business hush up when their opinions are at odds with those of their superiors, allowing bosses to make mistakes even when they know better.
 - c. Such anticonflict cultures may have been tolerable in the past but are not in today's fiercely competitive global economy.
 - d. Organizations that don't encourage and support dissent may find their survival threatened.
 - e. One common ingredient in organizations that successfully manage functional conflict is that they reward dissent and punish conflict avoiders.
 - i. It takes discipline and patience to accept news you don't wish to hear (from dissenters) and to force avoiders to speak up.
 - ii. Former Chrysler CEO Bob Nardelli was famous for subjecting dissenters to tirades and tight-lipped sarcasm, whereas Ford CEO Alan Mulally is noted for his patience in seeking to make Ford's culture more creative, flexible, and less bureaucratic.
 - iii. Often, we perceive that dissenters are slowing progress toward a goal—which may be true, but in so doing they are asking the important question about whether the goal is the right one to pursue.
 - f. Groups that resolve conflicts successfully discuss differences of opinion openly and are prepared to manage conflict when it arises.
 - i. The most disruptive conflicts are those that are never addressed directly. An open discussion makes it much easier to develop a shared perception of the problems at hand; it also allows groups to work toward a mutually acceptable solution.
 - ii. Managers need to emphasize shared interests in resolving conflicts,

so groups that disagree with one another don't become too entrenched in their points of view and start to take the conflicts personally.

- iii. Groups with cooperative conflict styles and a strong underlying identification to the overall group goals are more effective than groups with a more competitive style.

IV. Negotiation

A. Introduction

1. Negotiation is a "process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them." We use the terms negotiation and bargaining interchangeably.
2. Negotiation permeates the interactions of almost everyone in groups and organizations.
 - a. For example, labor bargains with management.
 - b. Not so obvious, however, managers negotiate with employees, peers, and bosses.
 - c. Salespeople negotiate with customers.
 - d. Purchasing agents negotiate with suppliers.
 - e. A worker agrees to answer a colleague's phone for a few minutes in exchange for some past or future benefit.

B. Bargaining Strategies

1. Distributive Strategies
 - a. Two general approaches to negotiation: (Exhibit 14-5)
 - i. Distributive bargaining
 - ii. Integrative bargaining
 - b. An example of distributive bargaining is buying a car:
 - i. You go out to see the car. It is great and you want it.
 - ii. The owner tells you the asking price. You do not want to pay that much.
 - iii. The two of you then negotiate over the price.
 - iv. Its most identifying feature is that it operates under zero-sum conditions.
 - c. The most widely cited example of distributive bargaining is in labor-management negotiations over wages.
 - d. The essence of distributive bargaining is depicted in Exhibit 14-6.
 - i. Parties A and B represent two negotiators.
 - ii. Each has a target point that defines what he or she would like to achieve.
 - iii. Each also has a resistance point, which marks the lowest outcome that is acceptable.
 - iv. The area between these two points makes up each one's aspiration range.
 - v. As long as there is some overlap between A and B's aspiration ranges, there exists a settlement range where each one's aspirations can be met.
 - e. When engaged in distributive bargaining, research consistently shows one of the best things you can do is make the first offer, and make it an aggressive one.
 - i. One reason for this is that making the first offer shows power; individuals in power are much more likely to make initial offers, speak first at meetings, and thereby gain the advantage.
 - ii. Another reason, the anchoring bias, was mentioned in Chapter 6. People tend to fixate on initial information.

- iii. A savvy negotiator sets an anchor with the initial offer, and scores of negotiation studies show that such anchors greatly favor the person who sets it.
- f. Another distributive bargaining tactic is revealing a deadline.
 - i. Negotiators who reveal deadlines speed concessions from their negotiating counterparts, making them reconsider their position.
 - ii. And although negotiators don't *think* this tactic works, in reality, negotiators who reveal deadlines do better.
- 2. Integrative Bargaining
 - a. An example: A sales rep calls in the order and is told that the firm cannot approve credit to this customer because of a past slow-pay record.
 - i. The next day, the sales rep and the firm's credit manager meet to discuss the problem. They want to make the sale, but do not want to get stuck with uncollectible debt.
 - ii. The two openly review their options.
 - iii. After considerable discussion, they agree on a solution that meets both their needs.
 - iv. The sale will go through with a bank guarantee that will ensure payment if not made in 60 days.
 - v. This example operates under the assumption that there exists one or more settlements that can create a win-win solution.
 - b. In terms of intra-organizational behavior, all things being equal, integrative bargaining is preferable to distributive bargaining.
 - i. Because integrative bargaining builds long-term relationships and facilitates working together in the future, it bonds negotiators and allows each to leave the bargaining table feeling victorious.
 - ii. Distributive bargaining, on the other hand, leaves one party a loser. It tends to build animosities and deepens divisions.
 - c. Why do we not see more integrative bargaining in organizations? The answer lies in the conditions necessary for this type of negotiation to succeed.
 - i. Parties who are open with information and candid about their concerns
 - ii. A sensitivity by both parties to the other's needs
 - iii. The ability to trust one another
 - iv. A willingness by both parties to maintain flexibility
 - d. Finally, you should realize that compromise may be your worst enemy in negotiating a win-win agreement.
 - i. The reason is that compromising reduces the pressure to bargain integratively.
 - ii. After all, if you or your opponent caves in easily, it doesn't require anyone to be creative to reach a settlement. Thus, people end up settling for less than they could have obtained if they had been forced to consider the other party's interests, trade off issues, and be creative.
 - iii. Think of the classic example in which two sisters are arguing over who gets an orange.
 - (a) Unknown to them, one sister wants the orange to drink the juice, whereas the other wants the orange peel to bake a cake.
 - (b) If one sister simply capitulates and gives the other sister the orange, they will not be forced to explore their reasons for wanting the orange, and thus they will never find the win-win solution:
 - (c) They could *each* have the orange because they want different parts of it!

- C. The Negotiation Process
1. Preparation and Planning
 - a. Do your homework.
 - i. What is the nature of the conflict?
 - ii. What is the history leading up to this negotiation?
 - iii. Who is involved, and what are their perceptions of the conflict?
 - iv. What do you want from the negotiation?
 - v. What are your goals?
 - b. You also want to prepare an assessment of what you think the other party to your negotiation's goals are.
 - c. When you can anticipate your opponent's position, you are better equipped to counter his or her arguments with the facts and figures that support your position.
 - d. Once you have gathered your information, use it to develop a strategy.
 - i. Determine your and the other side's Best Alternative to a Negotiated Agreement (BATNA).
 - ii. Your BATNA determines the lowest value acceptable to you for a negotiated agreement.
 - iii. Any offer you receive that is higher than your BATNA is better than an impasse.
 2. Definition of Ground Rules
 - a. Who will do the negotiating? Where will it take place? What time constraints, if any, will apply?
 - b. To what issues will negotiation be limited? Will there be a specific procedure to follow if an impasse is reached?
 - c. During this phase, the parties will also exchange their initial proposals or demands.
 3. Clarification and Justification
 - a. When initial positions have been exchanged, explain, amplify, clarify, bolster, and justify your original demands.
 - b. This need not be confrontational.
 - c. You might want to provide the other party with any documentation that helps support your position.
 4. Bargaining and Problem Solving
 - a. The essence of the negotiation process is the actual give-and-take in trying to hash out an agreement.
 - b. Concessions will undoubtedly need to be made by both parties.
 5. Closure and Implementation
 - a. The final step—formalizing the agreement that has been worked out and developing any procedures that are necessary for implementation and monitoring
 - b. Major negotiations will require hammering out the specifics in a formal contract.
 - c. For most cases, however, closure of the negotiation process is nothing more formal than a handshake.
- D. Individual Differences in Negotiation Effectiveness
1. Personality Traits in Negotiation
 - a. Can you predict an opponent's negotiating tactics if you know something about his/her personality? The evidence says "sort of."
 - b. Negotiators who are agreeable or extraverted are not very successful in distributive bargaining.
 - i. Extraverts are outgoing and friendly, they tend to share more information than they should.
 - ii. And agreeable people are more interested in finding ways to cooperate rather than to butt heads.

- iii. These traits, while slightly helpful in integrative negotiations, are liabilities when interests are opposed.
 - iv. So the best distributive bargainer appears to be a disagreeable introvert—someone more interested in his or her own outcomes than in pleasing the other party and having a pleasant social exchange.
 - v. People who are highly interested in having positive relationships with other people, and who are not very concerned about their own outcomes, are especially poor negotiators. These people tend to be very anxious about disagreements and plan to give in quickly to avoid unpleasant conflicts even before negotiations start.
 - c. Research also suggests intelligence predicts negotiation effectiveness, but, as with personality, the effects aren't especially strong.
 - i. In a sense, these weak links are good news because they mean you're not severely disadvantaged, even if you're an agreeable extrovert, when it comes time to negotiate.
 - ii. We all can learn to be better negotiators.
 - iii. In fact, people who think so are more likely to do well in negotiations because they persist in their efforts even in the face of temporary setbacks.
2. Moods/Emotions in Negotiation
- a. Moods and emotions influence negotiation, but the way they do appears to depend on the type of negotiation.
 - i. In distributive negotiations, it appears that negotiators in a position of power or equal status who show anger negotiate better outcomes because their anger induces concessions from their opponents.
 - (a) This appears to hold true even when the negotiators are instructed to show anger despite not being truly angry.
 - ii. On the other hand, for those in a less powerful position, displaying anger leads to worse outcomes.
 - (a) So if you're a boss negotiating with a peer or a subordinate, displaying anger may help you, but if you're an employee negotiating with a boss, it might hurt you.
 - iii. In integrative negotiations, in contrast, positive moods and emotions appear to lead to more integrative agreements (higher levels of joint gain). This may happen because, as we noted in Chapter 4, positive mood is related to creativity.
3. Gender Differences in Negotiations
- a. Men and women do not negotiate differently.
 - b. A popular stereotype is that women are more cooperative, pleasant, and relationship-oriented in negotiations than are men. The evidence does not support this.
 - c. Comparisons between experienced male and female managers find women are:
 - i. Neither worse nor better negotiators
 - ii. Neither more cooperative nor open to the other
 - iii. Neither more nor less persuasive nor threatening than are men
 - d. The belief that women are "nicer" is probably due to confusing gender and the lack of power typically held by women.
 - e. Low-power managers, regardless of gender, attempt to placate their opponents and to use softly persuasive tactics rather than direct confrontation and threats.
 - f. Women's attitudes toward negotiation and toward themselves appear to be different from men's.

- g. Managerial women demonstrate less confidence in anticipation of negotiating and are less satisfied with their performance despite achieving similar outcomes as men.
 - h. Women may unduly penalize themselves by failing to engage in negotiations when such action would be in their best interests.
- E. Third-Party Negotiations
1. When individuals or group representatives reach a stalemate and are unable to resolve their differences through direct negotiations, they may turn to a third party.
 2. A mediator is a neutral third party who facilitates a negotiated solution by using reasoning and persuasion, suggesting alternatives, and the like.
 - a. They are widely used in labor-management negotiations and in civil court disputes.
 - b. Their settlement rate is approximately 60 percent, with negotiator satisfaction at about 75 percent.
 - c. The key to success—the conflicting parties must be motivated to bargain and resolve their conflict, intensity cannot be too high, and the mediator must be perceived as neutral and noncoercive.
 3. An arbitrator is “a third party with the authority to dictate an agreement.”
 - a. It can be voluntary (requested) or compulsory (forced on the parties by law or contract).
 - b. The authority of the arbitrator varies according to the rules set by the negotiators.
 - c. The arbitrator might be limited to choosing one of the negotiator’s last offers or to suggesting an agreement point that is nonbinding, or free to choose and make any judgment.
 - d. The big plus of arbitration over mediation is that it always results in a settlement.
 - e. Any negative depends on how “heavy-handed” the arbitrator appears.
 4. A conciliator is “a trusted third party who provides an informal communication link among parties.”
 - a. This role was made famous by Robert Duval in the first Godfather film.
 - b. Conciliation is used extensively in international, labor, family, and community disputes.
 - c. Comparing its effectiveness to mediation has proven difficult.
 - d. Conciliators engage in fact finding, interpreting messages, and persuading disputants to develop agreements.
 5. A consultant is “a skilled and impartial third party who attempts to facilitate problem solving through communication and analysis, aided by his or her knowledge of conflict management.”
 - a. In contrast to the previous roles, the consultant’s role is to improve relations between the conflicting parties so that they can reach a settlement themselves.
 - b. This approach has a longer-term focus: to build new and positive perceptions and attitudes between the conflicting parties.

V. Global Implications

A. Conflict and culture

1. Research suggests that differences across countries in conflict resolution strategies may be based on collectivistic tendencies and motives.
2. Collectivist cultures see people as deeply embedded in social situations, whereas individualist cultures see people as autonomous.
 - a. As a result, collectivists are more likely to seek to preserve relationships and promote the good of the group as a whole than individualists.

- b. To preserve peaceful relationships, collectivists will avoid direct expression of conflicts, preferring to use more indirect methods for resolving differences of opinion.
 - c. Collectivists may also be more interested in demonstrations of concern and working through third parties to resolve disputes, whereas individualists will be more likely to confront differences of opinion directly and openly.
 - d. Some research does support this theory. Compared to collectivist Japanese negotiators, their more individualist U.S. counterparts are more likely to see offers from their counterparts as unfair and to reject them.
 3. Another study revealed that whereas U.S. managers were more likely to use competing tactics in the face of conflicts, compromising and avoiding are the most preferred methods of conflict management in China.
 - a. Interview data, however, suggests top management teams in Chinese high-technology firms preferred integration even more than compromising and avoiding.
- B. Cultural Differences in Negotiations
 1. Compared to the research on conflict, there is more research on how negotiating styles vary across national cultures.
 - a. One study compared U.S. and Japanese negotiators and found the generally conflict-avoidant Japanese negotiators tended to communicate indirectly and adapt their behaviors to the situation.
 - b. A follow-up study showed that whereas among U.S. managers making early offers led to the anchoring effect we noted when discussing distributive negotiation, for Japanese negotiators early offers led to more information sharing and better integrative outcomes.
 - c. In another study, managers with high levels of economic power from Hong Kong, which is a high power-distance country, were more cooperative in negotiations over a shared resource than German and U.S. managers, who were lower in power distance.
 - i. This suggests that in high power distance countries, those in positions of power might exercise more restraint.
 - d. Another study looked at verbal and nonverbal negotiation tactics exhibited by North Americans, Japanese, and Brazilians during half-hour bargaining sessions.
 - i. The Brazilians on average said “no” 83 times, compared to 5 times for the Japanese and 9 times for the North Americans.
 - ii. The Japanese displayed more than 5 periods of silence lasting longer than 10 seconds during the 30-minute sessions.
 - iii. North Americans averaged 3.5 such periods; the Brazilians had none. The Japanese and North Americans interrupted their opponent about the same number of times, but the Brazilians interrupted 2.5 to 3 times more often than either.
 - iv. Finally, the Japanese and the North Americans had no physical contact with their opponents during negotiations except for handshaking, but the Brazilians touched each other almost 5 times every half hour.

VI. Summary and Implications for Managers

- A. While many people assume conflict lowers group and organizational performance, this assumption is frequently incorrect.
- B. Conflict can be either constructive or destructive to the functioning of a group or unit. As shown in Exhibit 14-8, levels of conflict can be either too high or too low. Either extreme hinders performance.

- C. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released, and initiates the seeds of change, without being disruptive or preventing coordination of activities.
- D. What advice can we give managers faced with excessive conflict and the need to reduce it?
1. Don't assume one conflict-handling intention will always be best!
 2. Select an intention appropriate for the situation. Here are some guidelines:
 - a. Use *competition* when quick, decisive action is vital (in emergencies), on important issues, when unpopular actions need to be implemented (in cost cutting, enforcement of unpopular rules, discipline), on issues vital to the organization's welfare when you know you're right, and against people who take advantage of noncompetitive behavior.
 - b. Use *collaboration* to find an integrative solution when both sets of concerns are too important to be compromised, when your objective is to learn, when you want to merge insights from people with different perspectives or gain commitment by incorporating concerns into a consensus, and when you need to work through feelings that have interfered with a relationship.
 - c. Use *avoidance* when an issue is trivial or symptomatic of other issues, when more important issues are pressing, when you perceive no chance of satisfying your concerns, when potential disruption outweighs the benefits of resolution, to let people cool down and regain perspective, when gathering information supersedes immediate decision, and when others can resolve the conflict more effectively.
 - d. Use *accommodation* when you find you're wrong and to allow a better position to be heard, to learn, to show your reasonableness, when issues are more important to others than to yourself and to satisfy others and maintain cooperation, to build social credits for later issues, to minimize loss when you are outmatched and losing, when harmony and stability are especially important, and to allow employees to develop by learning from mistakes.
 - e. Use *compromise* when goals are important but not worth the effort of potential disruption of more assertive approaches, when opponents with equal power are committed to mutually exclusive goals, to achieve temporary settlements to complex issues, to arrive at expedient solutions under time pressure, and as a backup when collaboration or competition is unsuccessful.
 3. Negotiation is an ongoing activity in groups and organizations.
 - a. Distributive bargaining can resolve disputes, but it often negatively affects the satisfaction of one or more negotiators because it is focused on the short term and because it is confrontational.
 - b. Integrative bargaining, in contrast, tends to provide outcomes that satisfy all parties and that build lasting relationships.
 - c. When engaged in negotiation, make sure you set aggressive goals and try to find creative ways to achieve the goals of both parties, especially when you value the long-term relationship with the other party.
 - d. That doesn't mean sacrificing your self-interest; rather, it means trying to find creative solutions that give both parties what they really want.

Myth or Science?

When Selling in an Auction, Start the Bidding High

This statement is false. That might surprise you, given that the anchoring bias seems to suggest I should set the initial bid as high as possible. In auctions, however, this would be a mistake. In fact, the opposite strategy is better.

Analyzing auction results on eBay, a group of researchers found that lower starting bids generated higher final prices. As just one example, Nikon digital cameras with ridiculously low starting bids (one penny) sold for an average of \$312, whereas those with higher starting prices went for an average of \$204.

What explains such a counterintuitive result? The researchers found that low starting bids attract more bidders, and this increased traffic generates more competing bidders, so in the end the price is higher. Although this may seem irrational, negotiation and bidding behavior aren't always rational, and as you've probably experienced firsthand, once you start bidding for something, you want to win, forgetting that for many auctions the one with the highest bid is often the loser (the so-called winner's curse).

If you're thinking of participating in an auction, we have a couple of other myths to dispel here. First, some buyers think sealed-bid auctions—where bidders submit a single bid in a concealed fashion—present an opportunity to get a “steal” because a price war can't develop among bidders. Evidence routinely indicates, however, that sealed-bid auctions are bad for the winning bidder (and thus good for the seller) because the winning bid is higher than would otherwise be the case. Second, buyers sometimes think jumping bids—placing a bid higher than the auctioneer is asking—is smart strategy because it drives away competing bidders early in the game. Again, this is a myth. Evidence indicates bid jumping is good at causing other bidders to follow suit, thus increasing the value of the winning bid.

Sources: Based on G. Ku, A. D. Galinsky, and J. K. Murnighan, “Starting Low but Ending High: A Reversal of the Anchoring Effect in Auctions,” *Journal of Personality and Social Psychology* 90 (June 2006), pp. 975–986; K. Sherstyuk, “A Comparison of First Price Multi-Object Auctions,” *Experimental Economics* 12, no. 1 (2009), pp. 42–64; and R. M. Isaac, T. C. Salmon, and A. Zillante, “A Theory of Jump Bidding in Ascending Auctions,” *Journal of Economic Behavior & Organization* 62, no. 1 (2007), pp. 144–164.

Class Exercise

1. Divide students into teams of three to five each.
2. Ask students to access <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1676/F-198web.pdf>
3. Have each team role play a negotiating side in preparing a contract between a music distributor and a music publisher to place music on the Internet-based music stores.
4. Have the groups prepare briefs on each of the issues in the online paper and how they would approach successfully fulfilling them.
5. Have each group report to the class the results of its analysis and recommendation for meeting the issues.