Negotiation

Decision-Making and Communication Strategies That Deliver Results

NEGO T I A TI O N S T R A T E G Y

Create Accountability, Improve Negotiations

The need to justify negotiation decisions can boost results.

BY JENNIFER S. LEHNER AND KATHERINE SHRQK

In workplaces across the country, concerns about accountability loom large. Shareholders ask corporate boards to hold executives accountable for performance. Prosecutors seek to hold accounting firms accountable for the accuracy of their audits. Politicians cry for accountability for their opponents' alleged misdeeds. In organizations, demands for accountability often play out at the level of negotiations: Who should answer to whom, and for what? Consider what can happen when a negotiator lacks accountability guidelines. Steve, the CEO of a small corporation, was disappointed with his company's operations efficiency. He decided to recruit the COO from a more successful rival in his industry and took his plan to his company's board of directors. Doubtful that he could lure away the COO, the board advised Steve to make a very conservative offer but did not place any limits on his discretion as a negotiator.

Steve allowed the news of his recruiting effort to spread through his company, figuring such rumors could only help morale. After all, he felt he had an excellent chance of succeeding in his effort. Unbeknownst to the board, Steve had gone to the same small college as Joe, the COO he was attempting to recruit, and they lived in the same town.

But two weeks later, to Steve's shock and dismay, Joe flatly refused his offer. In a moment of weakness, Steve offered an exorbitant salary and benefits package, but Joe still refused. Steve was surprised when Joe explained that he was looking forward to setting new earnings records at his own company at the close of the fiscal year.

Soon after Joe's refusal, Steve's current COO turned in his resignation. The COO had heard the rumors of his replacement and found another job. Now the company faced a year-end push to get products out the door without a COO. Steve's overconfidence in his ability to recruit Joe left him in a worse postnegotiation position than when he started.

What might have averted this mishap? Stronger accountability. If the board of directors had made Steve accountable for devising a recruitment and negotiation strategy, the superficiality of his prenegotiation information could have been revealed. Steve probably would not have made the mistake of offering the current COO before finding someone else to fill the job. And he might have reached a deal that let Joe stay at his current company through the end of the year.

In its broadest sense, accountability is the implicit or continued on page 2
Accountability and Negotiation: an overview

Based on the current research, the following is a summary of the information you need to set up an optimal accountability system for negotiators in your organization:

- Require your subordinates to justify their negotiation strategy to you in advance.
- Hold negotiators accountable for the process they've outlined—not just their ultimate goal.
- To decrease the impact of irrelevant information, encourage negotiators to list ahead of time the most important kinds of information they should gather—and to refer often to their list during negotiations.
- In one-issue negotiations, encourage competition by promising high-stakes rewards.
- In multi-issue negotiations, encourage cooperation by rewarding long-term relationships and creative solutions.
- Downplay partisanship by emphasizing the value of objectivity.
- To decrease the stress of accountability, hold teams of negotiators responsible for their decisions.

"Thought exercises" prompt negotiators not only to anticipate the demands of others, but to devise creative solutions that can benefit everyone involved. For example, Steve could have held a mock negotiation in which a colleague or friend played his role, while he took on Joe's role.

In addition, when negotiators expect to interact cooperatively with each other in the future, they become less contentious and accountable outcomes improve their outcomes. For this reason, you and your company should encourage employees to view negotiations as long-term relationships rather than one-shot interactions. Steve might have succeeded in hiring Joe had he thought more about Joe's long-term interests rather than his own desire for a quick fix.

In mind of these observations, it is most effective at improving judgment and decision making when it encourages negotiators to consider an issue from multiple perspectives. When a negotiation involves more than one issue (as most do), both sides can create value by integrating their interests. In such cases, you will not be best served by the high degree of contentiousness that a predecision, high-stakes accountability system can inspire. (See the sidebar "When to Encourage Competition" for an exception to this general rule.)

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5. Reward objectivity, not partisanship

In a series of studies, professor Leigh Thompson of Northwestern University’s Kellogg School of Management showed that accountable negotiators shift their goals according to the views of their constituents. When they believe they will be rewarded for their objectivity, accountable negotiators are better able to perceive mutually compatible interests than are unaccountable bargainers. By contrast, when they believe they will be rewarded for their partisanship, accountable bargainers are less able to see compatible interests than are unaccountable participants.

The lesson: When setting up an accountability system, seek to reward negotiators for objective assessments — and discourage their attempts to please you and other constituents. A negotiator needs to know that she will be rewarded for accuracy even if her proposed negotiation plan differs from her boss’s uninformed view of how talks should proceed.

6. Promote teamwork

Individual negotiators become especially contentious when facing pressure to obtain a specific outcome while lacking the resources to accomplish this goal, professor Kathleen O’Conner of Cornell University has found.

Interestingly, when an entire negotiating team, rather than just an individual negotiator, is held accountable for a specific goal, contentious behavior diminishes. According to O’Connor, when teams negotiate a difficult resolution, accountability are distributed over the entire team, no single person bears the burden of accountability alone.

For this reason, try to preempt contentiousness by implementing a group accountability design. That is, tell a finding the right mediator — someone who will be satisfactory to both sides — to settle your disputes.

Mediation expertise is what you need

Since your dispute involves alleged chemical changes in an Aldadin product, your colleague advises you to contact the chemistry department of the local university. You end up speaking with Professor A. This expert chemist has never served as a mediator but has worked in the cosmetics industry and is certain that he can help you and Reauget resolve your dispute by determining which company is to blame for the product breakdown.

You also learn of a local dispute-resolution firm that provides expert professional mediators. The president of this firm tells you that none of her mediators has ever handled a dispute involving a product’s chemical properties.

Whom should you propose to Reauget as a mediator: Professor A, the expert chemist and novice mediator, or an expert mediator with no experience in chemistry or cosmetics?

You can be forgiven for thinking that, when it comes to dispute resolution, technical expertise trumps mediation experience. In fact, this reasoning is faulty. Suppose that you went ahead and hired Professor A to resolve your dispute. If Professor A provides a product breakdown, Reauget is likely to conclude that Professor A isn’t as able a chemist as he is supposed to be. If Professor A tells Aldadin that it is at fault, Aldadin will probably come to the same conclusion as Reauget: his opinion is not binding, the two companies will be back where they started — each convinced that it is right and the other is wrong.

It’s the case that when two people or organizations try to resolve a dispute by determining who is right, they get stuck. That’s why so many disputes end up in court.

Focus on interests, not rights

There is a better way to resolve your dispute: by hiring an expert mediator who focuses not on who is right but on interests — the needs, desires, or concerns that underlie each side’s positions. If you ask why this dispute is important to you, your answer will reveal your interests. Similarly, Reauget’s answer to this question will reveal his interests.

As a simple illustration, imagine that two administra-

cive assistants with adjoining desks disagree about whether the window behind them should be open or closed. One claims that she has the right to decide because she has seniority, while the other insists he should get his way because he conceded to the senior colleague in a disagree- about lighting. The office manager asks both to explain their preferences. The senior employee says that the draft from the open window gives her a stuffy nose. Her colleague says that without fresh air, he gets sleepy. Suddenly, agreement is easy: the office manager opens a window in the adjoining storeroom, and the two assistants have fresh air with no draft. Acting as an interest-based mediator, the office manager probed for the interests underlying the assistants’ positions. When the positions of disputing parties cannot be reconciled, a focus on interests often will lead to a mutually satisfactory outcome.

But can a focus on interests be applied to complex business disputes? From my own experience as a mediator, I’ve learned that an mediator who initially knows little or noth- ing about the underlying technical issues often can resolve the most complex disputes. Why? In the first place, a good interest-based mediator will be a fast learner, capable of quickly picking up the technical knowledge necessary to discuss the proper. More important, an interest-based mediator doesn’t need to fully understand the technical aspects of a problem to assess why the dispute is important to each party and which solutions each party might accept.

By beginning with this knowledge and eventually exchang- ing settlement proposals, the interest-based mediator can help parties resolve the most complex technical problems.

Choosing the “right” mediator

When choosing a mediator, keep in mind that you need not accept the proposals that he makes. In other words, you have total power to prevent mediation from leading to an undesirable outcome. As a result, the only risk of media-

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**CONFLICT RESOLUTION**

**Beyond Blame: Choosing a Mediator**

It’s all too easy to resort to finger pointing when a deal goes sour.

With the help of a mediator, both sides can move forward.

By STEPHEN R. GOLDBERG

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When a negotiation escalates into a dispute, most man- agers understand the value of seeking out a mediator for professional advice with the matter. The question of whom to hire, however, is less clear-cut. What type of expertise should your mediator have, and where should you look for him?

To illustrate this dilemma, imagine that you’re the vice president of research and development for Aldadin, a small pharmaceutical firm specializing in product development for the cosmetics industry. Recently, Aldadin made its first sale to Reauget, a large, successful cosmetics company. Reauget planned to market Urban Beauty, a cream for counteracting the effects of pollution on the skin. Shortly after the initial production run, however, Reauget discovered that Urban Beauty underwent significant chemical changes in the bottle, taking on an unpleasant odor that