



SEVENTH EDITION

# NEGOTIATION

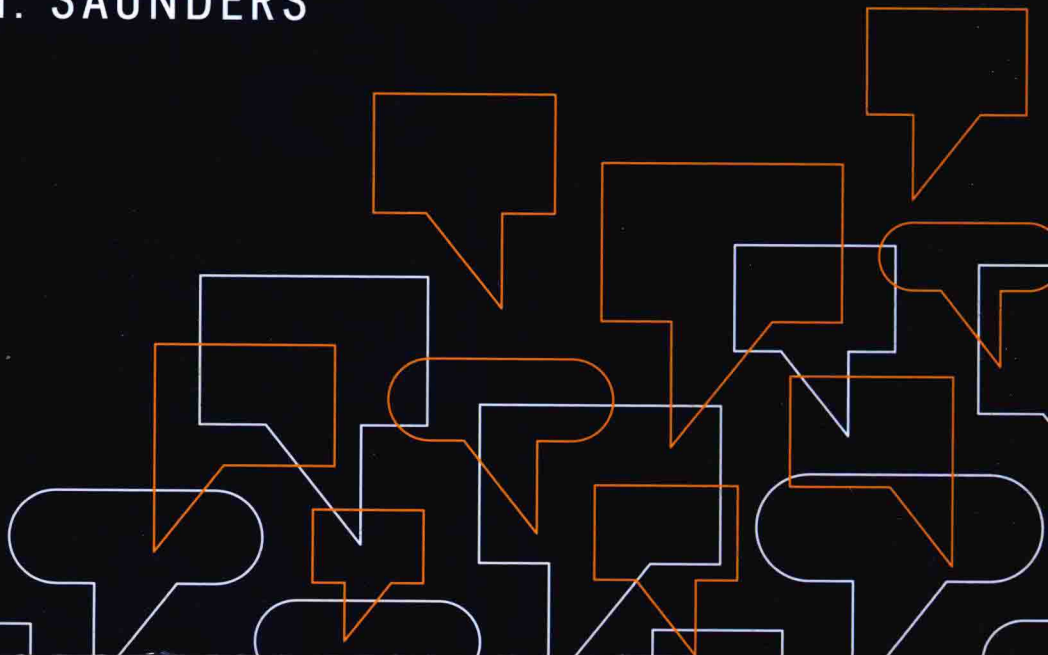
Readings, Exercises and Cases

ROY J. LEWICKI

BRUCE BARRY

DAVID M. SAUNDERS

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Education



# Negotiation

Readings, Exercises,  
and Cases

*Seventh Edition*

**Roy J. Lewicki**  
The Ohio State University

**Bruce Barry**  
Vanderbilt University

**David M. Saunders**  
Queen's University



NEGOTIATION: READINGS, EXERCISES, AND CASES, SEVENTH EDITION

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# Dedication

*We dedicate this book to all negotiation, mediation, and dispute resolution professionals who try to make the world a more peaceful and prosperous place.*

*And to John W. Minton (1946–2007): friend, colleague, and co-author.*

## About the Authors

**Roy J. Lewicki** is the Irving Abramowitz Memorial Professor of Business Ethics Emeritus and Professor of Management and Human Resources Emeritus at the Max M. Fisher College of Business, The Ohio State University. He has authored or edited 36 books, as well as numerous research articles and book chapters. Professor Lewicki has served as the president of the International Association for Conflict Management, and he received its Lifetime Achievement Award in 2013. He received the Academy of Management's Distinguished Educator Award in 2005 and was recognized as a Fellow of the Organizational Behavior Teaching Society for his contributions to the field of teaching in negotiation and dispute resolution.

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**David M. Saunders** has served as Dean of Queen's School of Business (QSB) since July 2003. Under Professor Saunders's strategic leadership, the School has experienced dramatic growth, including the addition of new and innovative MBA, professional masters, and executive education programs. To keep pace with this growth, he oversaw a significant expansion to Goodes Hall, the home of the School of Business, which opened in 2012. In support of QSB's mission to develop outstanding leaders with a global perspective, Professor Saunders has internationalized the School, adding 80 strategic partnerships with business schools around the globe. Professor Saunders is Chair of the EQUIS Awarding Body, the accreditation arm of the European Foundation for Management Development, and sits on the board of CEIBS, the China Europe International Business School.

People negotiate every day. During an average day, they may negotiate with

- the boss, regarding an unexpected work assignment;
- subordinates, regarding unexpected overtime;
- a supplier, about a problem with raw materials inventory management;
- a banker, over the terms of a business loan;
- a government official, regarding the compliance with environmental regulations;
- a real estate agent, over the lease on a new warehouse;
- his/her spouse, over who will walk the dog;
- his/her child, over who will walk the dog (still an issue after losing the previous negotiation);
- and the dog, once out, as to whether any “business” gets done.

In short, negotiation is a common, everyday activity that most people use to influence others and to achieve personal objectives. In fact, negotiation is not only common, but also essential to living an effective and satisfying life. We all need things—resources, information, cooperation, and support from others. Others have those needs as well, sometimes compatible with ours, sometimes not. Negotiation is a process by which we attempt to influence others to help us achieve our needs while at the same time taking their needs into account. It is a fundamental skill, not only for successful management but also for successful living.

In 1985, Roy Lewicki and Joseph Litterer published the first edition of this book. As they were preparing that volume, it was clear that the basic processes of negotiation had received only selective attention in both the academic and practitioner literature. Scholars of negotiation had generally restricted examination of these processes to basic theory development and laboratory research in social psychology, to a few books written for managers, and to an examination of negotiation in complex settings such as diplomacy and labor–management relations. Efforts to draw from the broader study of techniques for influence and persuasion, to integrate this work into a broader understanding of negotiation, or to apply this work to a broad spectrum of conflict and negotiation settings were only beginning to occur.

In the past thirty years, this world has changed significantly. There are several new practitioner organizations, such as the Society for Professionals in Dispute Resolution and the Association for Conflict Resolution, and academic professional associations such as the Conflict Management Division of the Academy of Management and the International Association for Conflict Management that have devoted themselves exclusively to facilitating research and teaching in the fields of negotiation and conflict management. There are several new journals (*Negotiation Journal*, *Negotiation and Conflict Management Research*, *International Journal of Conflict Management*, *International Negotiation*) that focus exclusively on research in these fields. Finally, through the generosity of the Hewlett Foundation, there are a number of university centers that have devoted themselves to enhancing the quality of teaching, research, and service in the negotiation and conflict management fields. Many schools now have several courses in negotiation and conflict

management—in schools of business, law, public policy, psychology, social work, education, and natural resources. Development has occurred in the practitioner side as well. Books, seminars, and training courses on negotiation and conflict management abound. And, finally, mediation has become an extremely popular process as an alternative to litigation for handling divorce, community disputes, and land-use conflicts. In pragmatic terms, all of this development means that as we assembled this seventh edition, we have had a much richer and more diverse pool of resources from which to sample. The net result for the student and instructor is a highly improved book of readings and exercises that contains many new articles, cases, and exercises, which represent the very best and most recent work on negotiation and the related topics of power, influence, and conflict management.

A brief overview of this book is in order. The Readings portion of the book is ordered into seven sections: (1) Negotiation Fundamentals, (2) Negotiation Subprocesses, (3) Negotiation Contexts, (4) Individual Differences, (5) Negotiation across Cultures, (6) Resolving Differences, and (7) Summary. The next section of the book presents a collection of role-play exercises, cases, and self-assessment questionnaires that can be used to teach about negotiation processes and subprocesses.

## New Features and Content Changes

For those readers familiar with the previous edition of this book, the most visible changes in the Seventh Edition are the addition, deletion, and updating of selected Readings, Exercises, Cases, and Questionnaires. We thank all users of the 6th edition who have provided us with feedback on various components of that edition. Changes for the Seventh Edition are as follows:


- Paralleling the change in the companion textbook, *Negotiation*, 7th edition, the readings on the topics of ethics were moved into Section 1. This change was implemented to strengthen the importance of ethics as a core topic in negotiator training and education.
- Every reading in the book was examined for quality, relevance, and datedness. Eight old readings were deleted and ten new ones were added.
- Similarly, every exercise has been examined, with errors corrected and numbers updated as necessary. Eight new exercises were added to the collection.
- One new case was added, and one very old case (Capital Mortgage Insurance Corporation A) was deleted.
- Two new questionnaires were added to the collection.
- Each of the exercises, cases, and questionnaires has an accompanying set of instructor materials, including role-play briefing materials, instructor notes, and debriefing notes. These resources are on a password-protected website, available from your McGraw-Hill representative to adopters of this book.
- The format of this book parallels the fundamental structure of our core textbook, *Negotiation*, 7th edition, published in early 2014. This Reader and the core text can be used together or separately. A shorter version of the text, *Essentials of Negotiation*, 6th edition, can also be used in conjunction with the Readings book, and will be available in early 2015.

Instructors who wish to use selected chapters of *Negotiation* or *Essentials*, and selected readings, exercises, cases, or questionnaires from this volume, should contact McGraw-Hill's CREATE service. Your chosen chapters and activities from any of these books (or other negotiation resource teaching materials) may be combined into a custom book for your course. We encourage instructors to contact their local McGraw-Hill Education representative, or visit the website at [www.mheducation.com](http://www.mheducation.com) or [www.mcgrawhillcreate.com](http://www.mcgrawhillcreate.com) for further information and instructions.

Instructors should also note that the authors and McGraw-Hill have partnered with *ExpertNegotiator.com*. ExpertNegotiator is a set of online tools that serve both student and instructor. Students are provided with a structured negotiation preparation template, keyed to the terminology used in the Lewicki et al. texts, to more thoroughly prepare for negotiation simulations. Instructors can use the software as a course management system to pair students for role-plays (including all role-plays in this *Readings* volume), collect and distribute role information, and provide students with feedback on their negotiation plans. Students access the software by purchasing it as a package price with any of the Lewicki et al. texts. For more information, contact the local McGraw-Hill Education representative, and explore the power of the software at [www.ExpertNegotiator.com](http://www.ExpertNegotiator.com).

## Support Materials

Instructional resources—including an Instructor's Manual, and extensive resource materials on teaching negotiation skills for new instructors—are available to accompany this volume on the text-specific website, [www.mhhe.com/lewickinegotiation](http://www.mhhe.com/lewickinegotiation)

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- Selected colleagues who have also “donated” their new exercises and cases to our collection (acknowledged on the new selected exercises).
- The work of John Minton, who helped shape the second, third, and fourth editions of this book, and who passed away in the fall of 2007.
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- Our families, who continue to provide us with the time, inspiration, and opportunities for continued learning about effective negotiation and the personal support required to sustain this project.

**Roy J. Lewicki**

**Bruce Barry**

**David M. Saunders**

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# Negotiation Fundamentals

## Reading 1.1

### **Three Approaches to Resolving Disputes: Interests, Rights, and Power**

*William L. Ury*

*Jeanne M. Brett*

*Stephen B. Goldberg*

It started with a pair of stolen boots. Miners usually leave their work clothes in baskets that they hoist to the ceiling of the bathhouse between work shifts. One night a miner discovered that his boots were gone.<sup>1</sup> He couldn't work without boots. Angry, he went to the shift boss and complained, "Goddammit, someone stole my boots! It ain't fair! Why should I lose a shift's pay and the price of a pair of boots because the company can't protect the property?"

"Hard luck!" the shift boss responded. "The company isn't responsible for personal property left on company premises. Read the mine regulations!"

The miner grumbled to himself, "I'll show them! If I can't work this shift, neither will anyone else!" He convinced a few buddies to walk out with him and, in union solidarity, all the others followed.

The superintendent of the mine told us later that he had replaced stolen boots for miners and that the shift boss should have done the same. "If the shift boss had said to the miner, 'I'll buy you a new pair and loan you some meanwhile,' we wouldn't have had a strike." The superintendent believed that his way of resolving the dispute was better than the shift boss's or the miner's. Was he right and, if so, why? In what ways are some dispute resolution procedures better than others?

In this [reading], we discuss three ways to resolve a dispute: reconciling the interests of the parties, determining who is right, and determining who is more powerful. We analyze the costs of disputing in terms of transaction costs, satisfaction with outcomes, effect on the relationship, and recurrence of disputes. We argue that, in general, reconciling interests costs less and yields more satisfactory results than determining who is right, which in turn costs less and satisfies more than determining who is more powerful. The goal of

*Source:* "Three Approaches to Resolving Disputes: Interests, Rights, and Power," from *Getting Disputes Resolved: Designing Systems to Cut the Cost of Conflict*, by William L. Ury, Jeanne M. Brett, and Stephen B. Goldberg, 1988, pp. 3–19. New York: Jossey-Bass, Inc., a subsidiary of John Wiley & Sons, Inc. Used with permission.

dispute systems design, therefore, is a system in which most disputes are resolved by reconciling interests.

## Three Ways to Resolve Disputes

### The Boots Dispute Dissected

A dispute begins when one person (or organization) makes a claim or demand on another who rejects it.<sup>2</sup> The claim may arise from a perceived injury or from a need or aspiration.<sup>3</sup> When the miner complained to the shift boss about the stolen boots, he was making a claim that the company should take responsibility and remedy his perceived injury. The shift boss's rejection of the claim turned it into a dispute. To resolve a dispute means to turn opposed positions—the claim and its rejection—into a single outcome.<sup>4</sup> The resolution of the boots dispute might have been a negotiated agreement, an arbitrator's ruling, or a decision by the miner to drop his claim or by the company to grant it.

In a dispute, people have certain interests at stake. Moreover, certain relevant standards or rights exist as guideposts toward a fair outcome. In addition, a certain balance of power exists between the parties. Interests, rights, and power then are three basic elements of any dispute. In resolving a dispute, the parties may choose to focus their attention on one or more of these basic factors. They may seek to (1) reconcile their underlying interests, (2) determine who is right, and/or (3) determine who is more powerful.

When he pressed his claim that the company should do something about his stolen boots, the miner focused on rights—"Why should I lose a shift's pay and the price of a pair of boots because the company can't protect the property?" When the shift boss responded by referring to mine regulations, he followed the miner's lead and continued to focus on who was right. The miner, frustrated in his attempt to win what he saw as justice, provoked a walkout—changing the focus to power. "I'll show them!" In other words, he would show the company how much power he and his fellow coal miners had—how dependent the company was on them for the production of coal.

The mine superintendent thought the focus should have been on interests. The miner had an interest in boots and a shift's pay, and the company had an interest in the miner working his assigned shift. Although rights were involved (there was a question of fairness) and power was involved (the miner had the power to cause a strike), the superintendent's emphasis was on each side's interests. He would have approached the stolen boots situation as a joint problem that the company could help solve.

### Reconciling Interests

Interests are needs, desires, concerns, fears—the things one cares about or wants. They underlie people's positions—the tangible items they *say* they want. A husband and wife quarrel about whether to spend money for a new car. The husband's underlying interest may not be the money or the car but the desire to impress his friends; the wife's interest may be transportation. The director of sales for an electronics company gets into a dispute with the director of manufacturing over the number of TV models to produce. The director of sales wants to produce more models. Her interest is in selling TV sets; more models mean more choice for consumers and hence increased sales. The director of manufacturing

wants to produce fewer models. His interest is in decreasing manufacturing costs; more models mean higher costs.

Reconciling such interests is not easy. It involves probing for deep-seated concerns, devising creative solutions, and making trade-offs and concessions where interests are opposed.<sup>5</sup> The most common procedure for doing this is *negotiation*, the act of back-and-forth communication intended to reach agreement. (A *procedure* is a pattern of interactive behavior directed toward resolving a dispute.) Another interests-based procedure is *mediation*, in which a third party assists the disputants in reaching agreement.

By no means do all negotiations (or mediations) focus on reconciling interests. Some negotiations focus on determining who is right, such as when two lawyers argue about whose case has the greater merit. Other negotiations focus on determining who is more powerful, such as when quarreling neighbors or nations exchange threats and counter-threats. Often negotiations involve a mix of all three—some attempts to satisfy interests, some discussion of rights, and some references to relative power. Negotiations that focus primarily on interests we call “interests-based,” in contrast to “rights-based” and “power-based” negotiations. Another term for interests-based negotiation is *problem-solving negotiation*, so called because it involves treating a dispute as a mutual problem to be solved by the parties.

Before disputants can effectively begin the process of reconciling interests, they may need to vent their emotions. Rarely are emotions absent from disputes. Emotions often generate disputes, and disputes, in turn, often generate emotions. Frustration underlay the miner's initial outburst to the shift boss; anger at the shift boss's response spurred him to provoke the strike.

Expressing underlying emotions can be instrumental in negotiating a resolution. Particularly in interpersonal disputes, hostility may diminish significantly if the aggrieved party vents her anger, resentment, and frustration in front of the blamed party, and the blamed party acknowledges the validity of such emotions or, going one step further, offers an apology.<sup>6</sup> With hostility reduced, resolving the dispute on the basis of interests becomes easier. Expressions of emotion have a special place in certain kinds of interests-based negotiation and mediation.

### Determining Who Is Right

Another way to resolve disputes is to rely on some independent standard with perceived legitimacy or fairness to determine who is right. As a shorthand for such independent standards, we use the term *rights*. Some rights are formalized in law or contract. Other rights are socially accepted standards of behavior, such as reciprocity, precedent, equality, and seniority.<sup>7</sup> In the boots dispute, for example, while the miner had no contractual right to new boots, he felt that standards of fairness called for the company to replace personal property stolen from its premises.

Rights are rarely clear. There are often different—and sometimes contradictory—standards that apply. Reaching agreement on rights, where the outcome will determine who gets what, can often be exceedingly difficult, frequently leading the parties to turn to a third party to determine who is right. The prototypical rights procedure is adjudication, in which disputants present evidence and arguments to a neutral third party who has the

power to hand down a binding decision. (In mediation, by contrast, the third party does not have the power to decide the dispute.) Public adjudication is provided by courts and administrative agencies. Private adjudication is provided by arbitrators.<sup>8</sup>

### **Determining Who Is More Powerful**

A third way to resolve a dispute is on the basis of power. We define power, somewhat narrowly, as the ability to coerce someone to do something he would not otherwise do. Exercising power typically means imposing costs on the other side or threatening to do so. In striking, the miners exercised power by imposing economic costs on the company. The exercise of power takes two common forms: acts of aggression, such as sabotage or physical attack, and withholding the benefits that derive from a relationship, as when employees withhold their labor in a strike.

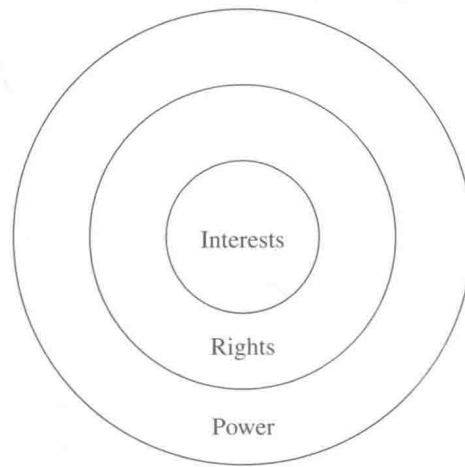
In relationships of mutual dependence, such as between labor and management or within an organization or a family, the questions of who is more powerful turns on who is less dependent on the other.<sup>9</sup> If a company needs the employees' work more than employees need the company's pay, the company is more dependent and hence less powerful. How dependent one is turns on how satisfactory the alternatives are for satisfying one's interests. The better the alternative, the less dependent one is. If it is easier for the company to replace striking employees than it is for striking employees to find new jobs, the company is less dependent and thereby more powerful. In addition to strikes, power procedures include behaviors that range from insults and ridicule to beatings and warfare. All have in common the intent to coerce the other side to settle on terms more satisfactory to the wielder of power. Power procedures are of two types: power-based negotiation, typified by an exchange of threats, and power contests, in which the parties take actions to determine who will prevail.

Determining who is the more powerful party without a decisive and potentially destructive power contest is difficult because power is ultimately a matter of perceptions. Despite objective indicators of power, such as financial resources, parties' perceptions of their own and each other's power often do not coincide. Moreover, each side's perception of the other's power may fail to take into account the possibility that the other will invest greater resources in the contest than expected out of fear that a change in the perceived distribution of power will affect the outcomes of future disputes.

### **Interrelationship among Interests, Rights, and Power**

The relationship among interests, rights, and power can be pictured as a circle within a circle within a circle (as in Figure 1). The innermost circle represents interests; the middle, rights; and the outer, power. The reconciliation of interests takes place within the context of the parties' rights and power. The likely outcome of a dispute if taken to court or to a strike, for instance, helps define the bargaining range within which a resolution can be found. Similarly, the determination of rights takes place within the context of power. One party, for instance, may win a judgment in court, but unless the judgment can be enforced, the dispute will continue. Thus, in the process of resolving a dispute, the focus may shift from interests to rights to power and back again.



**FIGURE 1** | Interrelationships among Interests, Rights, and Power

### Lumping It and Avoidance

Not all disputes end with a resolution. Often one or more parties simply decide to withdraw from the dispute. Withdrawal takes two forms. One party may decide to “lump it,” dropping her claim or giving in to the other’s claim because she believes pursuing the dispute is not in her interest, or because she concludes she does not have the power to resolve it to her satisfaction. The miner would have been lumping his claim if he had said to himself, “I strongly disagree with management’s decision not to reimburse me for my boots, but I’m not going to do anything about it.” A second form of withdrawal is avoidance. One party (or both) may decide to withdraw from the relationship, or at least to curtail it significantly.<sup>10</sup> Examples of avoidance include quitting the organization, divorce, leaving the neighborhood, and staying out of the other person’s way.

Both avoidance and lumping it may occur in conjunction with particular dispute resolution procedures. Many power contests involve threatening avoidance—such as threatening divorce—or actually engaging in it temporarily to impose costs on the other side—such as in a strike or breaking off of diplomatic relations. Many power contests end with the loser lumping her claim or her objection to the other’s claim. Others end with the loser engaging in avoidance: leaving or keeping her distance from the winner. Similarly, much negotiation ends with one side deciding to lump it instead of pursuing the claim. Or, rather than take a dispute to court or engage in coercive actions, one party (or both) may decide to break off the relationship altogether. This is common in social contexts where the disputant perceives satisfactory alternatives to the relationship.

Lumping it and avoidance may also occur before a claim has been made, thus forestalling a dispute. Faced with the problem of stolen boots, the miner might have decided to lump it and not make a claim for the boots. More drastically, in a fit of exasperation, he might have walked off the job and never returned.