



ESSENTIALS of Negotiation

fifth edition

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Essentials of Negotiation

Fifth edition

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ESSENTIALS OF NEGOTIATION, FIFTH 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 and Professor of Management and Human Resources at the Max. M. Fisher College of Business, The Ohio State University. He has authored or edited 32 books, as well as numerous research articles. Professor Lewicki has served as the president of the International Association for Conflict Management. He received the Academy of Management's Distinguished Educator Award in 2005 and the David Bradford Outstanding Educator award from the Organizational Behavior Teaching Society for his contributions to the field of teaching in negotiation and dispute resolution.

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Welcome to the fifth edition of *Essentials of Negotiation*! Again, this book represents our response to many faculty who wanted a brief version of the longer text, *Negotiation* (Sixth Edition). The objective of this shorter version is to provide the reader with the core concepts of negotiation in a more succinct presentation. Many faculty requested such a book for use in shorter academic course, executive education programs, or as a companion to other resource materials. It is suitable for courses in negotiation, labor relations, conflict management, human resource management, and the like.

Overview of This Book

The organization of this volume generally follows the more complete Sixth Edition of *Negotiation*. The fundamental difference between this and the Sixth Edition text is that this book contains only 12 chapters, while the complete Fifth Edition contains 20 chapters. The first four chapters have only been minimally shortened for this volume, because we believe that the content is essential to any negotiation course. (The shortening process includes editing out some of the more research-oriented references and descriptions, deleting many of the boxes and sidebars, and occasionally some secondary sections.) Similarly, the last chapter is reproduced in full. The other seven chapters from *Negotiation* have been included, but shortened by 25–50 percent each.

For the instructor who was not familiar with *Essentials* (the first four editions) or *Negotiation* (Sixth or earlier editions), a brief overview is in order. The first four chapters introduce the reader to “Negotiation Fundamentals.” The first chapter introduces the field of negotiation and conflict management, describes the basic problem of interdependence with other people, and briefly explores the challenges of managing that interdependence. Chapters 2 and 3 then present the two core strategic approaches to negotiation: the basic dynamics of competitive (win-lose) bargaining (Chapter 2) and the basic dynamics of integrative (win-win) negotiation (Chapter 3). Chapter 4 describes the fundamental prework that negotiators must do to get ready for a negotiation: selecting the strategy, framing the issues, defining negotiation objectives, and planning the steps one will pursue to achieve those objectives.

The next five chapters describe the fundamental psychological subprocesses of negotiation: perception, cognition, and emotion; communication; power and influence; and ethical judgment. In Chapter 5, we review the basic processes of perception, cognition, and emotion in negotiation; we specifically examine common cognitive and judgment biases made by negotiators, and how emotion can affect negotiations. In Chapter 6, we examine communication dynamics. We look at the ways that negotiators communicate their interests, positions and goals, and how this information is communicated to the other. Chapter 7 focuses on power. We look at the capabilities negotiators can muster power to pressure the other side, so as to change his or her perspective or give in to our arguments. In Chapter 8, we examine the ethical standards and criteria that surround negotiation. The effective negotiator must recognize when ethical questions are relevant and what factors must be considered to address them effectively.

The next two chapters examine the social contexts in which these negotiations occur, and which also therefore influence how they evolve. In Chapter 9, we examine how the negotiation process changes when the parties have an established relationship with each other, and how the type of relationship affects the negotiation process. We also examine the key roles played by trust, justice and negotiator reputation in shaping negotiations. In Chapter 10, we look at multiparty negotiations, when multiple individuals must work together as a group, team or task force to solve a complex problem or make a decision.

In Chapter 11, we attempt to clarify how international and cross-cultural differences can shape the diverse ways that parties approach negotiations.

Finally, in Chapter 12, we present a new concluding chapter, summarizing the book's content and offering ten "best practices" principles for all negotiators.

Comparison of This Book to the Fourth Edition of *Essentials*

- All of this book has been revised and updated. The authors reviewed every chapter, utilizing extensive feedback from faculty who have used the book in previous editions. The content in some of the chapters has been reorganized to present the material more effectively.
- We have further improved the graphics format and page layout of the book to make it visually more interesting and readable.
- We have added learning objectives to the beginning of each chapter.
- The new structure of this book will be paralleled by a major revision to our readings and classroom activities book, *Negotiation: Readings, Exercises and Cases*, Sixth Edition, edited by Roy Lewicki, Bruce Barry, and David Saunders to appear in 2010. This text and reader can be used together or separately. We encourage instructors to contact their local McGraw-Hill/Irwin representative for an examination copy (or call 800-634-3963, or visit the Web site at www.mhhe.com).
- Instructional resources, including a test bank, chapter outlines, PowerPoint slides, and extensive assistance on ways that new instructors can improve their teaching of negotiation skills, are available to accompany this volume. Instructors should contact their McGraw-Hill/Irwin representative.

Overview of the Chapters in This Book

The book is organized into 12 chapters. The first four chapters address the "fundamentals of negotiation." In addition to this first overview chapter, Chapters 2 and 3 explore the basic strategy and tactics of distributive bargaining and integrative negotiation. Chapter 4 explores how parties can plan and prepare a negotiation strategy and effectively anticipate their encounter with the other negotiator.

The next four chapters explore critical negotiation subprocesses. In Chapter 5, we discuss how a negotiator's perceptions, cognitions, and emotions tend to shape (and often bias) the way the negotiator views and interprets bargaining interaction. Chapter 6 examines the processes by which negotiators effectively communicate their own

interests, positions, and goals, and make sense of the other party's communications. Chapter 7 focuses on power in negotiation; the chapter begins by defining the nature of power, and discussing some of the dynamics of using it in negotiation, followed by an exploration of the key sources of power available to most negotiators. Finally, in Chapter 8, we discuss whether there are, or should be, accepted ethical standards to guide negotiations. We identify the major ethical dimensions raised in negotiation, describe the ways negotiators tend to think about these choices, and provide a framework for making informed ethical decisions.

Much of our discussion thus far assumes that the negotiation parties do not have an established long-term relationship. Chapter 9 looks at way that established relationships impact current negotiations, and considers three major concerns: reputations, trust, and fairness—that are particularly critical to effective negotiations within a relationship. In Chapter 10, we examine how negotiations change when there are multiple parties at the table—such as negotiating within groups and teams—who are attempting to achieve a collective agreement or group consensus. In Chapter 11, we examine how different languages and national culture changes the “ground rules” of negotiation. This chapter discusses some of the factors that make international negotiation different, and how national culture affects the rhythm and flow of negotiation.

Finally, in Chapter 12, we reflect on negotiation at a broad level. We look back at the broad perspective we have provided, and suggest 10 “best practices” for those who wish to continue to improve their negotiation skills.

Appreciation

Once again, this book could not have been completed without the assistance of numerous people. We especially thank

- Many of our colleagues in the negotiation and dispute resolution field, whose research efforts have made the growth of this field possible and who have given us helpful feedback about earlier editions to improve the content of this edition.
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who can solve almost any problem; and Robin Reed, our tireless project manager who turns our confusing instructions and tedious prose into eminently readable and usable volumes!

- 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

David M. Saunders

Bruce Barry

about the authors iv

preface v

1. The Nature of Negotiation 1
2. Strategy and Tactics of Distributive Bargaining 27
3. Strategy and Tactics of Integrative Negotiation 62
4. Negotiation: Strategy and Planning 89
5. Perception, Cognition, and Emotion 112
6. Communication 136
7. Finding and Using Negotiation Power 151
8. Ethics in Negotiation 170
9. Relationships in Negotiation 193
10. Multiple Parties and Teams 210
11. International and Cross-Cultural Negotiation 230
12. Best Practices in Negotiations 251

Bibliography 261

Index 280

Contents

about the authors iv
preface v

Chapter 1

The Nature of Negotiation 1

A Few Words about Our Style and Approach	3
Joe and Sue Carter	4
Characteristics of a Negotiation Situation	6
Interdependence	9
Types of Interdependence Affect Outcomes	10
Alternatives Shape Interdependence	10
Mutual Adjustment	12
Mutual Adjustment and Concession Making	13
Two Dilemmas in Mutual Adjustment	14
Value Claiming and Value Creation	15
Conflict	18
Definitions	18
Levels of Conflict	18
Functions and Dysfunctions of Conflict	19
Factors That Make Conflict Easy or Difficult to Manage	20
Effective Conflict Management	22

Chapter 2

Strategy and Tactics of Distributive Bargaining 27

The Distributive Bargaining Situation	29
The Role of Alternatives to a Negotiated Agreement	31
Settlement Point	32
Bargaining Mix	33
Fundamental Strategies	33
Discovering the Other Party's Resistance Point	34
Influencing the Other Party's Resistance Point	34

Tactical Tasks 35

Assessing the Other Party's Target, Resistance Point, and Costs of Terminating Negotiations	35
Manage the Other Party's Impressions	37
Modify the Other Party's Perceptions	39
Manipulate the Actual Costs of Delay or Termination	39

Positions Taken during Negotiation 41

Opening Offers	41
Opening Stance	42
Initial Concessions	42
Role of Concessions	43
Pattern of Concession Making	44
Final Offers	46

Commitment 46

Tactical Considerations in Using Commitments	47
Establishing a Commitment	47
Preventing the Other Party from Committing Prematurely	49
Finding Ways to Abandon a Committed Position	49

Closing the Deal 51

Hardball Tactics 52

Dealing with Typical Hardball Tactics	52
Typical Hardball Tactics	54

Chapter Summary 60

Chapter 3

Strategy and Tactics of Integrative Negotiation 62

Introduction 62

What Makes Integrative Negotiation Different? 62

An Overview of the Integrative Negotiation Process	63
--	----

Creating a Free Flow of Information 64

Attempting to Understand the Other Negotiator's Real Needs and Objectives	64	The Dual Concerns Model as a Vehicle for Describing Negotiation Strategies	92
Emphasizing the Commonalities between the Parties and Minimizing the Differences	65	Understanding the Flow of Negotiations: Stages and Phases Consistency	96
Searching for Solutions That Meet the Needs and Objectives of Both Sides	65	Getting Ready to Implement the Strategy: The Planning Process	97
Key Steps in the Integrative Negotiation Process	66	1. Defining the Issues	97
Identify and Define the Problem	67	2. Assembling the Issues and Defining the Bargaining Mix	99
Understand the Problem Fully—Identify Interests and Needs	69	3. Defining Interests	100
Generate Alternative Solutions	72	4. Knowing Limits	100
Section Summary	78	5. Knowing Alternatives	101
Evaluate and Select Alternatives	79	6. Setting Targets and Asking Prices	101
Factors That Facilitate Successful Integrative Negotiation	82	7. Assessing Constituents and the Social Context of the Negotiation	103
Some Common Objective or Goal	82	8. Analyzing the Other Party	105
Faith in One's Problem-Solving Ability	83	9. Presenting Issues to the Other Party	108
A Belief in the Validity of One's Own Position and the Other's Perspective	83	10. What Protocol Needs to Be Followed in This Negotiation?	109
The Motivation and Commitment to Work Together	84	Chapter Summary	111
Trust	85	Chapter 5	
Clear and Accurate Communication	86	Perception, Cognition, and Emotion	112
An Understanding of the Dynamics of Integrative Negotiation	86	Perception	113
Section Summary	87	Perception Defined	113
Chapter Summary	87	Perceptual Distortion	113
Chapter 4		Framing	115
Negotiation: Strategy and Planning	89	Types of Frames	116
Goals—The Focus That Drives a Negotiation Strategy	89	How Frames Work in Negotiation	117
Direct Effects of Goals on Choice of Strategy	90	Another Approach to Frames: Interests, Rights, and Power	118
Indirect Effects of Goals on Choice of Strategy	91	The Frame of an Issue Changes as the Negotiation Evolves	120
Strategy—The Overall Plan to Achieve One's Goals Consistency	91	Section Summary	122
Strategy versus Tactics	91	Cognitive Biases in Negotiation	122
Unilateral versus Bilateral Approaches to Strategy	92	1. Irrational Escalation of Commitment	123
		2. Mythical Fixed-Pie Beliefs	123

3. *Anchoring and Adjustment* 124

4. *Issue Framing and Risk* 124

5. *Availability of Information* 125

6. *The Winner's Curse* 125

7. *Overconfidence* 125

8. *The Law of Small Numbers* 126

9. *Self-Serving Biases* 126

10. *Endowment Effect* 127

11. *Ignoring Others' Cognitions* 127

12. *Reactive Devaluation* 128

Managing Misperceptions and Cognitive Biases
in Negotiation 128

Mood, Emotion, and Negotiation 129

Chapter Summary 133

Chapter 6

Communication 136

What Is Communicated during Negotiation? 136

1. *Offers, Counteroffers, and Motives* 137

2. *Information about Alternatives* 137

3. *Information about Outcomes* 137

4. *Social Accounts* 138

5. *Communication about Process* 138

Are Negotiators Consistent or Adaptive? 138

*Does It Matter What Is Said Early
in the Negotiation?* 139

Is More Information Always Better? 139

How People Communicate in Negotiation 139

Characteristics of Language 139

Use of Nonverbal Communication 141

Selection of a Communication Channel 142

How to Improve Communication in
Negotiation 144

The Use of Questions 145

Listening 145

Role Reversal 148

Special Communication Considerations

at the Close of Negotiations 149

Avoiding Fatal Mistakes 149

Achieving Closure 149

Chapter Summary 149

Chapter 7

Finding and Using Negotiation Power 151

Why Is Power Important to Negotiators? 151

A Definition of Power 152

Sources of Power—How People Acquire Power 154

Informational Sources of Power 156

*Power Based on Personality and Individual
Differences* 157

Power Based on Position in an Organization 158

Power Based on Relationships 162

Contextual Sources of Power 166

Dealing with Others Who Have More Power 167

Chapter Summary 168

Chapter 8

Ethics in Negotiation 170

A Sampling of Ethical Quandaries 170

What Do We Mean by "Ethics," and Why Do They
Matter in Negotiation? 172

Ethics Defined 172

Applying Ethical Reasoning to Negotiation 175

*Ethics versus Prudence versus Practicality
versus Legality* 175

What Questions of Ethical Conduct Arise
in Negotiation? 176

Ethically Ambiguous Tactics: It's (Mostly)

All about the Truth 176

*Identifying Ethically Ambiguous Tactics
and Attitudes toward Their Use* 179

Deception by Omission versus Commission 180

<i>The Decision to Use Ethically Ambiguous Tactics: A Model</i>	181
Why Use Deceptive Tactics? Motives and Consequences	181
<i>The Power Motive</i>	181
<i>Other Motives to Behave Unethically</i>	183
<i>The Consequences of Unethical Conduct</i>	183
<i>Explanations and Justifications</i>	185
How Can Negotiators Deal with the Other Party's Use of Deception?	187
Chapter Summary	191

Chapter 9

Relationships in Negotiation 193

The Adequacy of Established Approaches to Research for Understanding Negotiation within Relationships	193
<i>Negotiations in Communal Relationships</i>	197
Key Elements in Managing Negotiations within Relationships	199
<i>Reputation</i>	199
<i>Trust</i>	201
<i>Justice</i>	204
<i>Relationships among Reputation, Trust, and Justice</i>	207
<i>Repairing a Relationship</i>	207
Chapter Summary	208

Chapter 10

Multiple Parties and Teams 210

The Nature of Multiparty Negotiations	210
<i>Differences between Two-Party Negotiations and Multiparty Negotiations</i>	211
<i>Summary</i>	215
<i>What Is an Effective Group?</i>	215
Managing Multiparty Negotiations	217
<i>The Prenegotiation Stage</i>	218

<i>The Formal Negotiation Stage—Managing the Group Process and Outcome</i>	221
<i>The Agreement Stage</i>	227
Chapter Summary	228

Chapter 11

International and Cross-Cultural Negotiation 230

International Negotiation: Art and Science	231
What Makes International Negotiation Different?	231
<i>Environmental Context</i>	232
<i>Immediate Context</i>	234
<i>Section Summary</i>	236
Conceptualizing Culture and Negotiation	236
<i>Culture as Learned Behavior</i>	236
<i>Culture as Shared Values</i>	237
<i>Section Summary</i>	240
<i>Culture as Dialectic</i>	240
<i>Culture in Context</i>	240
The Influence of Culture on Negotiation: Managerial Perspectives	241
<i>Definition of Negotiation</i>	241
<i>Negotiation Opportunity</i>	241
<i>Selection of Negotiators</i>	242
<i>Protocol</i>	242
<i>Communication</i>	242
<i>Time Sensitivity</i>	242
<i>Risk Propensity</i>	243
<i>Groups versus Individuals</i>	243
<i>Nature of Agreements</i>	244
<i>Emotionalism</i>	244
Culturally Responsive Negotiation Strategies	244
<i>Low Familiarity</i>	246
<i>Moderate Familiarity</i>	247
<i>High Familiarity</i>	247
Chapter Summary	248

Chapter 12

Best Practices in Negotiations 251

1. Be Prepared 251
2. Diagnose the Fundamental Structure of the Negotiation 252
3. Identify and Work the BATNA 253
4. Be Willing to Walk Away 253
5. Master the Key Paradoxes of Negotiation 254

Claiming Value versus Creating Value 254

Sticking by Your Principles versus Being Resilient to the Flow 254

Sticking with the Strategy versus Opportunistic Pursuit of New Options 255

Honest and Open versus Closed and Opaque 255

Trust versus Distrust 256

6. Remember the Intangibles 256
7. Actively Manage Coalitions 257
8. Savor and Protect Your Reputation 258
9. Remember That Rationality and Fairness Are Relative 259
10. Continue to Learn from Your Experience 259

Bibliography 261

Index 280

The Nature of Negotiation

Objectives

1. Understand the definition of *negotiation*, the key elements of a negotiation process, and the distinct types of negotiation.
 2. Explore how people use negotiation to manage situations of interdependence—that is, that they depend on each other for achieving their goals.
 3. Consider how negotiation fits within the broader perspective of processes for managing conflict.
 4. Gain an overview of the organization of this book and the content of its chapters.
-

“That’s it! I’ve had it! This car is dead!” screamed Chang Yang, pounding on the steering wheel and kicking the door shut on his 10-year-old Toysun sedan. The car had refused to start again, and Chang was going to be late for class (again)! Chang wasn’t doing well in that management class, and he couldn’t afford to miss any more classes. Recognizing that it was finally time to do something about the car, which had been having numerous mechanical problems for the last three months, Chang decided he would trade the Toysun in for another used car, one that would hopefully get him through graduation. After classes that day, he got a ride to the nearby shopping area, where there were several repair garages and used car lots. He knew almost nothing about cars, and didn’t think he needed to—all he needed was reliable transportation to get him through the next 18 months.

A major international airline company is close to bankruptcy. The fear of terrorism, a number of new “budget-fare” airlines, and rising costs for fuel have all put the airline under massive economic pressure. The company seeks \$800 million in wage and benefit cuts from the pilots’ union, the third round of cuts in two years, in order to head off the bankruptcy. Rebuffed by the chief union negotiator for the pilots, the company seeks to go directly to the officers of the Air Line Pilots Association—the international union—to discuss the cuts. If the pilots do not agree to concessions, it is unlikely that other unions—flight attendants, mechanics, and so on—will agree, and bankruptcy will be inevitable.

Janet and Jocelyn are roommates. They share a one-bedroom apartment in a big city where they are both working. Janet, an accountant, has a solid job with a good company, but she has decided that it is time to go back to school to get her MBA. She has enrolled in Big City University’s evening MBA program and is now taking classes. Jocelyn works for an advertising company and is on the fast track. Her job not only requires a lot of travel, but

also requires a lot of time socializing with clients. The problem is that when Janet is not in evening class, she needs the apartment to read and study and has to have quiet to get her work done. However, when Jocelyn is at the apartment, she talks a lot on the phone, brings friends home for dinner, and is either getting ready to go out for the evening or coming back in very late (and noisily!). Janet has had enough of this disruption and is about to confront Jocelyn.

Thousands of demonstrators opposed to the policies of a nation's government seek to protest a national political convention that will nominate the government's leader to run for reelection. City police forbid protesters from demonstrating near the convention site and authorize a protest location under a crumbling urban expressway, half a mile away from the convention. In response, demonstration organizers request permission to hold a rally in one of the city's major metropolitan parks. The city attempts to ban the demonstration because that park was recently landscaped at a major expense to the city, and it fears the mass of demonstrators will ruin the work. Each side attempts negotiation but also pursues complex legal maneuvers to get the courts on their side.

Ashley Johnson is one of the most qualified recruits this year from a top 25 business school. She is delighted to have secured a second interview with a major consumer goods company, which has invited her to its headquarters city and put her up in a four-star hotel that is world-renowned for its quality facilities and service. After getting in late the night before due to flight delays, she wakes at 7:30 a.m. to get ready for an 8 a.m. breakfast meeting with the senior company recruiter. She steps in the shower, grabs the water control knob to turn it, and the knob falls off in her hand! There is no water in the shower at all; apparently, repairmen started a repair job on it, turned the water off somewhere, and left the job unfinished. Ashley panics at the thought of how she is going to deal with this crisis and look good for her breakfast meeting in 30 minutes.

Do these incidents look and sound familiar? These are all examples of negotiation—negotiations that are about to happen, are in the process of happening, or have happened in the past and created consequences for the present. And they all serve as examples of the problems, issues, and dynamics that we will address throughout this book.

People negotiate all the time. Friends negotiate to decide where to have dinner. Children negotiate to decide which television program to watch. Businesses negotiate to purchase materials and sell their products. Lawyers negotiate to settle legal claims before they go to court. The police negotiate with terrorists to free hostages. Nations negotiate to open their borders to free trade. Negotiation is not a process reserved only for the skilled diplomat, top salesperson, or ardent advocate for an organized lobby; it is something that everyone does, almost daily. Although the stakes are not usually as dramatic as peace accords or large corporate mergers, everyone negotiates; sometimes people negotiate for major things like a new job, other times for relatively minor things like who will wash the dishes.

Negotiations occur for several reasons: (1) to agree on how to share or divide a limited resource, such as land, or property, or time; (2) to create something new that neither party could do on his or her own, or (3) to resolve a problem or dispute between the parties. Sometimes people fail to negotiate because they do not recognize that they are in a negotiation situation. By choosing options other than negotiation, they may fail to achieve their goals, get what they need, or manage their problems as smoothly as they might like to. People may also recognize the need for negotiation but do poorly because they misunderstand