

EXHIBIT 11-1 Kolb's Model of Problem Solving as a Dialectic Process

## THE DIALECTICS OF PROBLEM SOLVING

The process of problem solving does not proceed in a logical, linear fashion from beginning to end. Instead, it is characterized by wavelike expansions and contractions alternatively moving outwardly to gather and consider alternatives, information, and ideas and inwardly to focus, evaluate, and decide. These expansions and contractions have been variously labeled as doubting/believing, green light/red light, and divergence/convergence.

Elbow's<sup>4</sup> description of "doubting" and "believing" games is one way to conceptualize the two different mind-sets required for problem solving. The first rule of the believing game is that people refrain from doubting or evaluating and instead focus on possibilities and how an idea could work. In contrast, the doubting game focuses on a reductive, structured, "objective" rationality. People with this orientation are constantly asking, "What's wrong with this?" As a result, they poke holes in ideas and arguments, torpedo assumptions, and probe in an analytical manner. Thus, problem solving is not the result of a single mental function such as logical thinking. Effective problem solving involves the integration of dialectically opposed mental orientations—these are often referred to as red- and green-mode mind-sets.

The green-mode mind-set facilitates creative imagination, sensitivity to the immediate situation, and empathy with other people. The green-mode mind-set encompasses the expansion phases of problem solving—visioning/exploration, information gathering, idea getting, and participation. The red-mode mind-set, by contrast, facilitates analysis, criticism, logical thinking, and active coping with the external environment. The red-mode mind-set is, therefore, most appropriate for the contraction phases of problem solving—priority setting in situation analysis, problem definition in problem analysis, decision making in solution analysis, and planning in implementation analysis. Effectiveness in problem solving is enhanced by approaching the expansion/contraction phases of each problem-solving stage in the appropriate mind-set. For problem solvers to accomplish this matching of mind-set and problem-solving task, they must first become aware of when they are in the red or green mode of consciousness and then learn to shift from one mode to the other. With some practice, this can be accomplished quite easily; practice in identifying and separating the two mind-sets usually has the effect of increasing the

intensity of both modes. Managing the problem-solving process with groups of people requires the creation of a climate that stimulates and reinforces the appropriate mind-set in participants as they move through each of the stages described in the following section.

The problem-solving process is further guided by four roles that focus the dialectic interplay of red and green mind-sets on the relevant stage of the problem-solving process. In situation analysis, the problem solver adopts the role of a leader, focused on identifying goals and values in the situation in the green mode and setting priorities in the red mode. In problem analysis, the role is that of a detective, focused on gathering information in the green mode and building and evaluating models in the red mode. In solution analysis, the role is that of an inventor, generating ideas in the green mode and testing their feasibility in the red mode. In implementation analysis, the problem solver adopts the coordinator role, developing participation in the green mode and planning in the red mode. Conscious attention to these roles serves to focus attention on the priorities of each stage and signals the transition from one stage to another. We describe the stages of the problem solving model in more detail in the next sections. As you read through the discussion, think about how each of the roles comes into play during the various stages.

### Situation Analysis—Visioning/Exploration and Priority Setting

In the situation analysis stage, our task is to examine the immediate situational context to determine the right problem to tackle. While problem-solving activity is often initiated by urgent symptomatic pressures, urgency alone is not a sufficient criterion for choosing which problems to address. As every manager knows, the press of urgent problems can easily divert attention from more important but less pressing long-term problems and opportunities. In reality, urgent problems are often the result of long-term unstructured problems that have never been addressed. For example, the continued urgent need to replace data entry clerks in a bank may result from the failure to address problems of low worker morale and lack of career opportunities within the organization. In this example, hiring to fill clerk vacancies is a structured problem, while low morale and the lack of a career ladder are unstructured problems. *Structured problems are repetitive and routine, and definite procedures are developed for dealing with them. Unstructured problems are novel and not covered by ready-made procedures because they occur infrequently or are very complex.* Situation analysis requires exploration to identify the problem that takes precedence by criteria of both urgency and importance. This is what is meant by the popular saying, “Managers do things right; leaders do the right thing.” Problem finding is equally as important as problem solving. As Kaplan described it, “The manager gives form to a problem in the way a potter sees and then shapes the possibilities in a lump of clay. The difference is that managers practice their craft using an intangible medium: information.”<sup>5</sup> For organizations in rapidly changing environments, aggressive opportunity seeking is essential to maintain stability and growth. Careful situation analysis is, therefore, most critical in those cases in which long-term adaptation to a changing environment takes precedence over expedient action.

**Visioning/exploration** The visioning/exploration stage of the situation analysis is concerned with envisioning what is possible. When people discuss problems, they devote time to talking about how they would like the situation to be. For example, the technique of visioning involves asking people to close their eyes and imagine their ideal organization or program. This reflects the green mode (whereas the exploration of current realities represents the red mode). The process of articulating desired goal states is called visioning. A common error at this substage is to simply accept a problem as given, without considering the opportunities it may hold. For example, a hospital was scheduled to undergo its accreditation review process, which demands a good deal of time and effort. Rather than view this solely as a burdensome bureaucratic requirement, the administration chose to see it as an opportunity to improve both service and efficiency. Framing the situation as an opportunity rather than a burden changed the problems they chose to tackle.

To be successful, the visioning process must overcome barriers that exist in some organizational settings. Foremost among these barriers is the organizational press to be realistic. Wishing, wanting, and visioning must be explored independently of reality for them to develop fully. Charles Lindblom<sup>6</sup> noted some time ago that it is easier to find agreement on a course of action than it is to get agreement on the goals for the action. Goals are a reflection of our values, and the discussion of values accentuates human individuality and emotional commitment with a resulting increase in conflicting viewpoints. In the dialectic view, such conflict is essential for the discovery of truth. Many managers, however, shy away from conflict because it is unpleasant and they do not know how to use disagreement constructively. A related barrier to visioning is the threat of isolation that comes from holding values or opinions that are different from those of the majority. This barrier gives rise to conformity and groupthink in problem finding.<sup>7</sup> A worker, for example, may suppress his or her genuine values for achievement and excellence so as not to violate group norms of mediocrity. For this reason an effective visioning process requires an environment that gives security and support for individuality. The result of visioning is a menu of problems and opportunities. The group may choose one that satisfies the decision criteria of both urgency and importance.

**Priority Setting** The contrasting pole to visioning in the situation analysis dialectic is priority setting. As with any dialectic, visioning and priority setting mutually enhance one another—visioning gives direction and energy to priority setting and priority setting gives substance and reality to visioning. Every managerial decision reflects values; choosing one problem as a priority reveals the values of the decision makers. Priority setting has three specific tasks: (1) to explore the current situation for those features that facilitate or hinder goal achievement, (2) to test the feasibility of changing those features, and (3) to articulate reality-based goal statements that give substance to values and allow them to be realized. Priority setting is not a rational, analytic process of reflective planning. It is an active, intuitive process of trial-and-error exploration of what is going on in the situation. It involves “knocking on doors,” listening to people, trying things out, and taking risks.<sup>8</sup>

Taken as a whole, the central issue in situation analysis is leadership, and the basic social role of the problem solver is that of a leader whose responsibility is to guide the attention of the organization to those problems and opportunities whose solution will be of maximum benefit to the long-run effectiveness of the organization. Someone once said that the key to successful leadership is to find out which way people are going and then run out in front of them. There is an element of truth in this, for the successful leader in situation analysis identifies the values and goals involved and then holds up those that are most important as priorities for action. The priority that is chosen should be phrased in very specific terms as a goal that can be measured, for example, “Reduce cycle time for grant-proposal process by 20 percent within six weeks.” In many instances, this stage identifies the gap between the ideal state and the current reality, the creative tension<sup>8</sup> that motivates people to take action. Once a problem or a target opportunity has been chosen, the group can move on to the next stage in the process.

## **PROBLEM ANALYSIS—INFORMATION GATHERING AND PROBLEM DEFINITION**

The task of problem analysis is to understand and define the problem thoroughly. Common errors at this stage are defining the problem in terms of its solution or confusing symptoms with the problem’s root cause. For example, the statement that “Our problem is not having enough meetings” probably indicates that one or both of these errors have been made (or maybe just insanity). A careful analysis of the problem may indicate that more meetings is just one of several alternate solutions and lack of meetings is a symptom of a larger problem (e.g., overwork, a staff that does not get along). Without an accurate problem definition, the right solution cannot be identified.

**Information Gathering** In the expansion mode of problem analysis, the group makes an effort to gather all the necessary information surrounding the chosen problem. This is a receptive, open-minded phase in which information associated with the problem is sought and accepted.

Depending on the type of problem that has been chosen, this phase can involve a wide range of activities: talking with people familiar with the problem, running statistics, looking at policies and procedures, or brainstorming with groups about things that get in the way of progress. Information-gathering has both a cognitive and interpersonal component. Cognitively, it is important to avoid biases and preconceptions about the nature of the problem and its causes in favor of letting the data "speak for itself." Interpersonally, information gathering requires skills in developing trusting relationships so that others do not hold back or modify information to say "what the boss wants to hear" or to avoid reprisals. In many organizations, these two components negatively interact with one another to produce a climate that makes it difficult to gather accurate information. Mistrust and threat cause workers to withhold information, and this sometimes forces management to rely on its own preconceived notions about the nature of problems. In this sub-stage, facts have to be separated from opinion, so that the eventual solution will be data-driven and based on solid ground rather than assumptions.

*Problem Definition* In the contraction mode of problem analysis, the task is to define the problem based on the information gathered. Problem definition is basically a process of building a model portraying how the problem works—factors that cause the problem, factors that increase or decrease the strength of the problem, connections and relationships among elements, and symptoms of the problem. Complex problems usually need to be drawn visually so that everyone can follow the relationships. The resulting model of the problem separates out relevant and irrelevant information about the problem. Because it contains the factors and perhaps criteria that need to be managed to solve the problem, this problem definition guides the next stage, solution analysis. A task force at a community housing agency was trying to figure out why some of its grant proposals were not being funded. Some employees blamed the new grant writer. However, after interviewing everyone involved, including the funding agencies, the task force determined that the poor quality of certain grant proposals was due primarily to last-minute information from some programs. As a result, the grant writer did not have enough time to double check facts and intentions or to proofread all grants carefully before they were sent off. The task force then set off to gather more information to learn why some program heads did not respect the proposal deadlines. Apparently, the agency director had not communicated the financial importance of the grants to all program heads, so the grant writer's requests were viewed as less important than serving clients. These middle managers were never reprimanded for failing to collaborate with the grant writer. Finally, the grant writer was a new employee in a new position, whom these particular program heads perceived as having little power and influence. This model of the factors in the grant funding problem tells us what has to be included in the solutions chosen in the next stage.

The problem solver in the problem analysis stage takes on the role of detective—gathering clues and information about how the "crime" was committed, organizing these clues into a scenario of "who done it," and using that scenario to gather more information to prove or disprove the original hunch. The output of the problem analysis phase is a model of the problem validated through the interplay of information gathering and problem definition. Only when the problem has been thoroughly analyzed and defined is the group ready to begin thinking about solutions in the next stage.

### **SOLUTION ANALYSIS—IDEA GETTING AND DECISION MAKING**

Solution analysis is achieved through the interplay between getting ideas about how the problem can be solved and decision making about the feasibility of the ideas generated. A common error in this stage is failing to separate the two stages of generating and evaluating ideas.

*Idea Getting* The expansive first phase of solution analysis focuses on creative imagination. Brainstorming is the most common technique used to produce an unstructured free-association of ideas. *Brainstorming is the generation of as wide a range of potential solutions as possible*

*in an atmosphere that is free from criticism and evaluation.* The ban on evaluation is important to stimulate participation and creativity. Comments like these impede brainstorming: "That won't work." "That's too radical." "We've never done it that way before." "That's not practical." Common errors in this substage are assuming that there is only one right answer, getting "stuck" or attached to the first solution that arises and failing to consider other solutions (somewhat like the primacy effect in perceptual distortions), and being so anxious to finish that you settle for a solution that doesn't really work. A desire to take action and to reduce the uncertainty in a situation drives some people to leapfrog the other problem solving stages and discuss solutions well before they really understand the problem. This same factor may drive some people to hurry through the idea getting stage to converge on a best solution before they should. History and business alike are littered with examples of poorly thought out solutions to problems. For example, Gruenthal Chemie's decision to market the drug thalidomide that caused numerous birth defects, Enron's decision to allow risky accounting practices that resulted in the company's bankruptcy, and NASA's decision to launch the space shuttle *Challenger* that ultimately exploded are all instances of extremely poor solutions that had disastrous consequences.<sup>9</sup>

*Decision Making* The second substage, the contracting phase, focuses on sorting through the ideas generated in brainstorming and evaluating them systematically against the criteria that an effective solution must meet. The primary criterion of an effective solution is whether it solves the problem and produces the desired result. An efficient solution produces no harmful side effects.<sup>10</sup> Inexperienced problem solvers come up with recommendations that have little impact, are too expensive, or are too difficult to ever implement. Therefore, another way to evaluate solutions is to use the Payoff Matrix shown in Exhibit 11-2. GE uses this tool to help employees think about and categorize solutions in terms of their potential impact and achievability.<sup>11</sup>

If group members become competitive and fight over the best solution, they can list the criteria a good solution has to meet and evaluate each solution against those criteria. In the solution phase, the problem solver takes the role of inventor, creatively searching for ideas and then carefully evaluating them against feasibility criteria. When the best solution has been chosen, the group can move on to implementation in the next stage.

### IMPLEMENTATION ANALYSIS—PARTICIPATION AND PLANNING

The final stage concerns the actions that must be taken to ensure that the solution is successfully implemented. This involves getting the appropriate people involved and coming up with a good plan. Three common errors in this stage are failing to gain the commitment of the people needed to implement the plan, failing to assign clear responsibility for each task, and failing to follow up and monitor the implementation process. Implementation analysis is accomplished through the interplay of planning and the process of carrying out plans.

*Participation* Since implementation of solutions in organizational settings is most often done by or with other people, the critical expansion task is participation, enlisting the appropriate

	Easy To Implement	Tough To Implement
Low Payoff		
Big Payoff		

EXHIBIT 11-2 Payoff Matrix

involvement of those actors in the situation who are essential to carrying out the problem solution. Three subtasks are involved here:

1. The anticipation of the consequences that will result from implementing the solution and the involvement of those who will experience these consequences in developing ways to deal with them.
2. The identification of those key individuals who by virtue of their expertise and/or motivation are best qualified to carry out the various tasks in the implementation process.
3. If the key individuals have not been involved in the problem-solving process to this point, it may be necessary to see if they agree with the group's outputs or have different ideas about the problem choice, definition, and proposed solution.

Receptivity and openness is also required in this substage, but here it is directed toward the concerns and ideas of people who will be involved in planning the implementation process.

*Planning* The planning phase of implementation analysis is an analytical process involving the definition of tasks to be accomplished in implementing the solution, the assignment of responsibility to qualified individuals, the setting of deadlines and planning for follow-up monitoring, and the evaluation of the implementation process. If the problem and its solution are very complex, planning may be quite complicated using network planning methods such as PERT (Program Evaluation Review Technique) or CPM (Critical Path Method). Often, however, a simple chart listing key tasks, responsible individuals, and time deadlines is sufficient for planning and monitoring implementation.

When groups develop plans for implementation and identify the potential consequences of implementing these plans, they may find that it is useful to use an iterative process. For example, they can scout potential issues that may arise in implementation, develop a rough plan, share it with those involved in the situation to get reactions, and then modify the plan. Another dialectic process relates to the "who's" and the "what's." Managers appear to have distinct stylistic preferences about how they deal with this issue. Some prefer to define the "what's" first—the plan and tasks to be accomplished—and then assign these tasks to individuals to carry them out. Others begin with the "who's," seeking to identify qualified and interested individuals and then developing plans with them. While the best approach probably varies with the situation and task, beginning with the "who's" has the advantages of giving priority to often scarce human resources and maximizing participation and delegation. In synthesizing these dialectics, the problem solver in implementation analysis adopts the role of coordinator, working to accomplish tasks with other people. The outcome of this stage is a coherent plan for the implementation and a follow-up evaluation.

Most experienced managers tend naturally to follow a problem-solving sequence that is close to that described in the four-phase model of situation analysis, problem analysis, solution analysis, and implementation analysis. There are, however, significant differences in the amounts of energy devoted to each of these phases, which sometimes inhibit effective problem solving. Perhaps the most significant of these is the tendency to spend too little time defining the problem at hand before generating possible solutions. This tendency to be solution oriented often results in the treatment of symptoms rather than causes of the problem, and time is wasted working on solutions before relevant information is known. If this process is typical of an organization's problem solving, a crisis fire-fighting atmosphere develops where symptom-oriented solutions fail to resolve basic problems that recur over and over. This further reduces the time available for thoughtful situation and problem analysis.

Effective problem solving requires balanced attention to each phase of the problem-solving process and equal emphasis on the expansion/green-mode and contraction/red-mode mind-sets. We learned in Chapter 3, "Individual and Organizational Learning," that individual learning styles emphasize different aspects of the experiential learning cycle. There is a strong correlation between people's learning styles and the way they approach problem solving. In the next section, we describe additional approaches to problem solving that have been used in organizations.

## DIFFERENT APPROACHES TO PROBLEMS AND OPPORTUNITIES

Since not all problems or situations are exactly the same, different approaches to problem solving have been developed. Some problems are simply a matter of repairing something that has ceased to function correctly, particularly technical problems. This involves determining the cause and taking corrective measures. Other problems revolve around the need to improve the way something is working, so problem solving efforts focus on the constraints and modifications that are required. Finally, some situations require the creation of something new. In this instance, looking at causes and past functioning may be completely unnecessary since the focus is to develop something that is completely different. Two of the most highly developed and distinct approaches to problem solving, Six Sigma and Appreciative Inquiry, are explained below.

### Six Sigma

Six Sigma, the next generation of the total quality movement (TQM), was initially developed at Motorola in the 1980s. Motorola was inspired by Japanese success in producing high-quality products. Decades earlier, the Japanese were known not for quality but for shoddy merchandise. In one of the most famous problem solving successes in business, Japanese products became synonymous with quality after they adopted Deming's principles of total quality management and *kaizen*, a commitment to continuous improvement and encouraged employees to contribute their ideas for improving products. Since the Japanese focused primarily on improving the quality of products, American firms such as Motorola, Allied Signal, and Texas Instruments thought they could compete with Japan if they focused on both products and work processes, and thus turned to Six Sigma.<sup>12</sup> Many companies have claimed that Six Sigma is responsible for millions or billions in cost savings or gains. GE reportedly saved \$8 billion in one three-year period alone. Six Sigma squads from GE have expanded their internal focus to help their customers find inefficiencies and waste that will result in savings.<sup>13</sup>

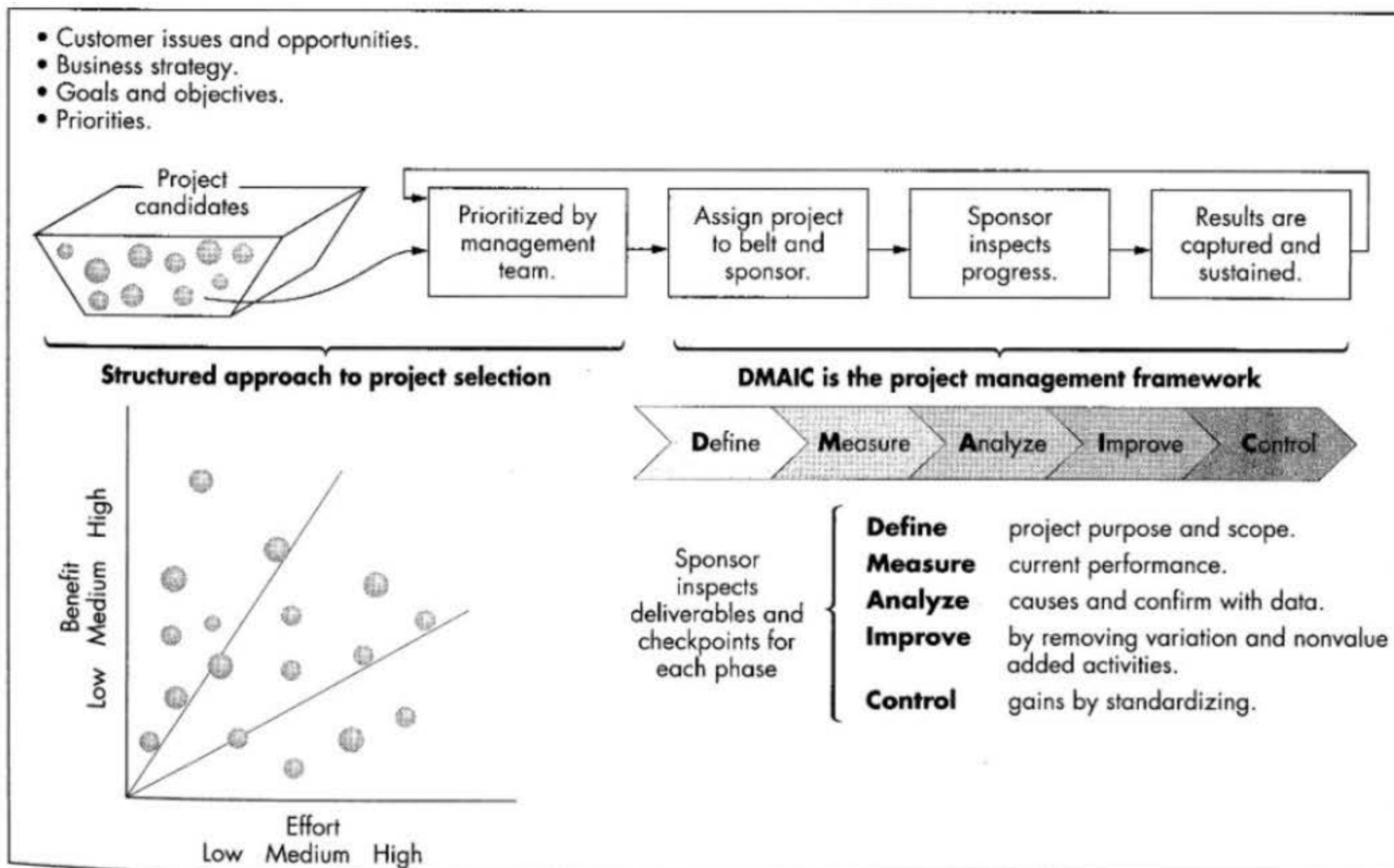


EXHIBIT 11.3 Lean Six Sigma Processes at Xerox

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Sigma is a statistics term for a measure of variation from an expected outcome, in this case, a high quality product. A sigma of six refers to a near-perfect rate of only 3.4 defects per million parts. The basic formula for getting to SIX SIGMA is DMAIC:

- Define the requirements of a process or product to meet customer wishes
- Measure performance
- Analyze what's causing defects
- Improve the process to reduce them
- Control the process to maintain improvements.

Xerox has slightly modified the basic DMAIC formula for their own needs, as shown in Exhibit 11-3.

Like TQM, Six Sigma also relies heavily on statistical tools; it's been called "TQM on Steroids."<sup>14</sup> While TQM involved many, if not all employees in teams that chose their own improvement projects, Six Sigma relies primarily on employee experts with extensive Six Sigma training (green belts and black belts) who work with teams on projects chosen by management. Improved quality and savings are the benefits of a Six Sigma program that is effectively implemented. However, these strengths can be a double-edged sword if the focus on numbers leaves out other considerations. Circuit City's Six Sigma program produced a recommendation for variable staffing, which meant hiring part-time workers who receive no benefits. A department manager noted, "With Six Sigma, we're not supposed to look at the people any more, just meet the numbers. The pressure for the numbers is incredible."<sup>15</sup>

### Appreciative Inquiry

Appreciative inquiry (AI) is an intervention used in organization development (efforts taken to make organizations and the people within them more effective), which differs radically from the traditional problem solving approach to organizational issues. Rather than focusing on problems, appreciative inquiry focuses on what the organization is like at its best. *Appreciative inquiry is defined as the study and exploration of what gives life to human systems when they function at their best.* This approach, developed by David Cooperrider, is based on the theory that questions and dialogue about what is positive in the organization results in the energy needed for transformation. In contrast, a problem-oriented focus generates negative emotions and perhaps feelings of helplessness, such as "This will never get any better." AI reflects the changing mindset that is found in the trend toward positive psychology, whose mission is to study human strengths and virtues rather than illness, deficiencies, or problems.<sup>16</sup>

Appreciative inquiry consists of the 4D cycle, which is applied to a topic that is strategically important to the organization:<sup>17</sup>

1. **Discover:** Appreciate "what is"
2. **Dream:** Imagine what could be
3. **Design:** Determine what should be
4. **Destiny:** Create what will be

AI takes various forms; one example is an AI summit lasting two to four days, which takes hundreds of employees and organizational stakeholders through the 4D cycle. One of the basic principles of AI is that positive questions lead to positive change.

"Appreciative inquiry asks questions such as: If your organization wants to enhance morale, what will you study—the causes of low morale, or the causes of high morale and enthusiasm?" As Whitney and Trosten-Bloom state, clearly, no amount of knowledge about low morale will sufficiently equip an organization to understand and create high morale. Imagine, on the other hand, an organization filled with inquiry and dialogue on the topic of "Whistle While You Work" or "Purposeful Work."<sup>18</sup>

This practice amplifies the organization's "positive core," which refers to its "wisdom, knowledge, successful strategies, positive attitudes and affect, best practices, skills, resources, and capabilities."<sup>19</sup> There are many case studies of successful AI programs in businesses, non-profits, and the military.

For any company-wide approach such as Work-Out, Six Sigma, and Appreciative Inquiry to be successful, the implementation of the program has to be skillfully done with the strong support of top management, the necessary resources, and often a change in the organizational culture. Firms usually hire consultants to ensure that such programs are successful.

### CULTURAL DIFFERENCES IN PROBLEM SOLVING

Cultural differences can be seen in the way problems are defined and solved in different countries.<sup>20</sup> Fatalistic cultures with external locus of control (e.g., Thailand, Indonesia, and Malaysia) are more likely to accept situations as they are; therefore, they may be slower to identify and resolve problems. In Western cultures characterized by internal locus of control, where people are responsible for their own destiny, children are taught to solve problems in school.<sup>21</sup> Employees are rewarded for being troubleshooters or penalized for causing or failing to solve problems. U.S. managers take a problem-solving approach to most situations and often perceive problems as an opportunity to make improvements. Fixing problems is part of the U.S. orientation toward action. That same predisposition, however, sometimes results in pragmatic solutions that have not been thoroughly analyzed. In collectivist cultures, the responsibility for solving the problem is more likely to fall on the group.

In low-context cultures, problems are viewed as a time-consuming nuisance and are externalized, like the “bugs” that have to be knocked out before a software product launch. In process-oriented cultures such as Japan, however, problems are viewed as a normal part of the situation, not something that is external or even a nuisance. Thus, problems are defined differently. In collectivist cultures, problems are not the responsibility of the individual, and working together on the problem has the same value as solving the problem. This explains in part why quality circles were such a welcome import in Japan.<sup>22</sup>

As we have seen, part of the problem solving process includes gathering information; however, not all cultures collect, interpret, or even value business information in the same way. In high-context cultures, information is viewed in relation to a specific context whereas low-context cultures view information as objective and independent of the person who collected it.<sup>23</sup>

The alternative solutions developed in problem solving are also affected by cultural orientations toward time. Cultures that are oriented toward the past (England, Italy) tend to look for historical patterns and lessons. Future-oriented cultures, such as Australia, are more likely to generate new alternatives because they are less bound to the past.

## ENDNOTES

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- <sup>11</sup> Ulrich, Kerr, and Ashkenas, *GE Work-Out*: 34–35.
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- <sup>14</sup> A. Gluckman, "Quality In, Workers Out? Companies Adopt Six Sigma," *Real World Micro* (Boston, MA: Dollars and Sense, 2002): 45–46.
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- <sup>16</sup> M. Seligman, and Csikszentmihalyi, "Positive psychology: An introduction," *American Psychologist* 56(1), (2001): 5–14.
- <sup>17</sup> D. Whitney and A. Trosten-Bloom, *The Power of Appreciative Inquiry* (San Francisco: Berrett-Koehler, 2003)
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- <sup>20</sup> N. J. Adler, *International Dimensions of Organizational Behavior* (Cincinnati, OH: South-Western College, 2002).
- <sup>21</sup> I. Varner and L. Beamer, *Intercultural Communication in the Global Workplace* (New York: McGraw-Hill, 2005): 258.
- <sup>22</sup> Ibid.
- <sup>23</sup> Varner and Beamer, *Intercultural Communication in the Global Workplace*.

## Decision Making in Organizations

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### ABSTRACT

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: More knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

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Think about the difficulties involved in making individual decisions in your own personal life. Thus, you can appreciate how complicated—and important—the process of decision making can be in organizations, where the stakes are considerable and the impact is widespread (Greenberg, 2011). In both cases, the essential nature of decision making is identical. *Decision making* may be defined as the process of making choices from among alternatives (March, 2010).

Management theorists agree that decision making is one of the most important—if not *the* most important—of all management activities (Drucker, 2010; Mintzberg, 2008; Simon, 1997). It is important to note, however, that not only managers make decisions in organizations, but also employees at every level in an organization participate in decision making as well. The late management consultant put it this way, “Most discussions of decision making assume that only senior executives make decisions . . . This is a dangerous mistake . . . Making sound decisions is a crucial skill at every level in the organization.” (Drucker, 2009, p. 27). Today, many decisions in organizations are made by groups, teams, or committees (Bonito, 2012).

The term *group decision making* refers to being involved in making decisions. Group decision making takes place in different degrees. At one extreme is *consultative* decision making, in which the leader consults with group members before making a decision. At the other extreme is *democratic* decision making, in which the problem is given to the group, and group members are empowered to make the decision.

In between the two is *consensus* decision making, in which the leader shares the problem with group members. Together the group leader and members generate and evaluate alternatives and attempt to reach agreement on a solution to the problem (DuBrin, 2012). Consensus has been reached when the group can agree on a decision and

each member can say: I believe you understand my point of view; I believe I understand your point of view; I will support this decision when we leave this meeting because it was reached fairly and openly; and I believe this decision is in the overall best interest of the organization and its members (Hartnett, 2011).

### **Individual versus Group Decision Making**

Considerable debate has occurred concerning the relative effectiveness of individual versus group decision making. The benefits of group decision making include (1) more knowledge and expertise is available to solve the problem; (2) a greater number of alternatives are examined; (3) the final decision is better understood and accepted by all group members; and (4) there is more commitment among all group members to make the final decision work (Schermerhorn, Hunt, & Osborn, 2011). In fact, a considerable amount of research has indicated that consensus decisions with five or more participants are superior to individual, majority vote, and leader decisions (Bonner, Sillito, & Bauman, 2007; Dirks, Cummings, & Pierce, 1996; Foote, Matson, Weiss, & Wenger, 2002; Gigone & Hastie, 2007; Hill, 1982; Johnson & Hollenbeck, 2007; Kleingeld, Van Tuijl, & Algera, 2004; Maier, 1967; Martell & Borg, 1993; Robinson & Schroeder, 2004; Scott-Ladd & Marshall, 2004; Shaw, 1981; Walsh & Tseng, 1998; Wanous & Youtz, 1986; Watson, Michaelson, & Sharp, 1991; Yetton & Bottger, 1983).

Unfortunately, open discussion can be negatively influenced by behavioral factors, such as (1) social pressure to conform, i.e., individuals may feel compelled to go along with the wishes of the group; (2) minority domination, i.e., the group's decision may be forced, or ramrodded through, by one individual or a dominant clique; and (3) time delays, i.e., with more people involved in the dialogue and discussion, group decisions usually take longer to make than individual decisions (Schermerhorn, et al, 2011).

### **Group Decision-Making Techniques**

For groups to be more effective, they must overcome some of the problems and dysfunctions that groups generally encounter: groupthink (Janis, 1982), risky shift (Stoner, 1968), group polarization (Bordley, 1983), and escalation of commitment (Whyte, 1993). Traditional models of group effectiveness include creating the right climate where support, commitment, goals, rewards, communication systems, and physical space are all synchronized to allow the group to work in a productive atmosphere (Lunenburg, 1983). Group size should be kept ideally between five to 12 participants depending on the task (Hare, 1976; Seijts & Latham, 2000; Shaw, 1981; Thomas & Fink, 1963) and members should be selected based on their motivation and ability (Hersey & Blanchard, 2008). Furthermore, group cohesion should be built by either establishing homogeneous groups or overcoming potential problems associated with diversity; by encouraging interaction and contact; and by making the group seem somewhat "exclusive," so that members are honored to be included (Luthans, 2011).

Moreover, group success tends to build greater cohesiveness (Mullen & Copper, 1994; van Kippenberg, DeDreu, & Homan, 2004).

Several other techniques have been developed to assist groups to make sound decisions that promote high performance levels and positive attitudes and avoid some of the potential dysfunctions of group decision making. These include techniques that involve the structuring of group discussions in specific ways. Five important alternative structures are brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

### **Brainstorming**

*Brainstorming*, developed by Alex Osborn (1957) more than fifty years ago, is a technique for creatively generating alternative solutions to a problem. The unique feature of brainstorming is the separation of ideas from evaluation. Earlier, we noted the importance of generating a wide variety of new ideas during the generating alternatives step of the decision-making process. This increases the number of alternatives from which managers can choose when evaluating alternatives and making their decisions. People tend to evaluate solutions to problems when they are proposed, which often eliminates many creative and feasible ideas from further consideration. The following rules are central to brainstorming:

1. *Do Not Evaluate or Discuss Alternatives.* Evaluation comes later. Avoid criticism of your own or others' ideas.
2. *Encourage "Freewheeling."* Do not consider any idea outlandish. An unusual idea may point the way to a truly creative decision.
3. *Encourage and Welcome Quantities of Ideas.* The greater the number of ideas generated, the greater the number of useful ideas will remain after evaluation.
4. *Encourage "Piggybacking."* Group members should try to combine, embellish, or improve on an idea. Consequently, most of the ideas produced will belong to the group and not to a single individual.

As an idea-generating technique, group brainstorming may not be any more effective than individual brainstorming. However, the technique is in widespread use today in all types of organizations.

### **Nominal Group Technique**

Another technique that can be used in group decision making, which incorporates some of the features of brainstorming, is the *nominal group technique* (Delbecq, Van de Ven, & Gustafson, 1986). As in brainstorming, individuals are brought together to develop a solution to a problem. Unlike brainstorming, the nominal group technique is concerned with both the generation of ideas and the evaluation of these ideas. The process of decision making in nominal groups has several steps:

**Silent generation of ideas.** Allow five to ten minutes for this phase. The problem should be posted on a flip chart in the front of the room. Group members are asked to

solve the problem on the chart. They are cautioned not to talk to or look at the worksheets of other participants.

**Round-robin recording of ideas.** The leader circulates around the room eliciting one idea from each group member and recording it on the flip chart. This continues, round-robin fashion, until all ideas are exhausted. The chief objective of this step is to place before the group an accurate list of ideas that can serve as a compilation of group ideas.

**Discussion of ideas.** Each idea on the flip chart is discussed in the order it appears on the chart. The leader reads each item and asks the group if there are any questions, needs for clarification, agreement, or disagreement.

**Preliminary vote on item importance.** Each participant makes an independent judgment about the alternatives by rank ordering them secretly on 3 x 5 inch cards. The average of these judgments is used as the group's decision. The nominal group process may end here, or the decision may be further refined through discussion and revoting.

**Additional discussion.** The voting patterns are analyzed and reasons examined to determine if a more accurate decision can be made.

**Final vote.** The final voting occurs in the same manner as the preliminary vote, by secret rankings. This action completes the decision process and provides closure.

As noted, the nominal group technique separates ideation from evaluation. Ideas are generated nominally (without verbal communication). This prevents inhibition and conformity, which occurs in the phenomenon of groupthink (Janis, 1982). Evaluation occurs in a structured manner that allows each idea to get adequate attention.

The research on the effectiveness of the nominal group technique is encouraging. In terms of the number and quality of ideas generated, studies indicate that the nominal group technique is superior to both ordinary group decision making and brainstorming (Corey, 2011). Furthermore, nominal group techniques often facilitate the implementation of decisions. In any event, the nominal group technique provides for both greater expression and evaluation of creative ideas by group members than either brainstorming or ordinary group decisions. Despite the research support for the nominal group technique, many managers still do not take advantage of its benefits in group decisions.

## **Delphi Technique**

Researchers at the Rand Corporation developed the *Delphi technique* in the 1960s (Dalkey, 1969). Unlike brainstorming and the nominal group technique, the Delphi approach relies completely on a nominal group; that is, participants do not engage in face-to-face discussions. Instead their input is solicited by mail at their various home bases, thus allowing the polling of large numbers of experts, clients, executives, or constituents who are removed from the organization by distance and scheduling

problems. For example, suppose the president of a large manufacturing firm wishes to evaluate a new technology for manufacturing a new product line. Selected members of the organization, plant managers, executives, consumers, and nationally renowned experts could participate in the various phases of the Delphi process.

The Delphi technique has many variations, but generally it works as follows.

1. The organization identifies a panel of experts, both inside and outside the organization, and solicits their cooperation.
2. Each member of the panel receives the basic problem.
3. Each individual expert independently and anonymously writes comments, suggestions, and solutions to the problem.
4. A central location compiles, transcribes, and reproduces the experts' comments.
5. Each panelist receives a copy of all the other experts' comments and solutions.
6. Each expert provides feedback on the others' comments, writes new ideas stimulated by their comments, and forwards these to the central location.
7. The organization repeats Steps 5 and 6 as often as necessary until consensus is reached or until some kind of voting procedure is imposed to reach a decision.

Success of the Delphi technique depends on the expertise, communication skills, and motivation of the participants and the amount of time the organization has available to make a decision.

There are several benefits of the Delphi approach. First, it eliminates many of the interpersonal problems associated with other group decision-making approaches. Second, it enlists the assistance of experts and provides for the efficient use of their time. Third, it allows adequate time for reflection and analysis of a problem. Fourth, it provides for a wide diversity and quantity of ideas. And, finally, it facilitates the accurate prediction and forecasting of future events. The major objectives of the Delphi technique include the following:

- To determine or develop a range of possible program alternatives.
- To explore or expose underlying assumptions or information leading to different judgments.
- To seek out information that may generate a consensus among the group members.
- To correlate informed judgments on a subject that spans a wide range of disciplines.
- To educate group members concerning the diverse and interrelated aspects of the subject.

Today, numerous organizations in business, government, the military, health-care agencies, and schools are using the Delphi technique. Research shows that the technique is superior to ordinary group decision making in terms of the number and quality of ideas generated and group members overall satisfaction (Corey, 2011). The major disadvantage of the Delphi technique is the amount of time involved in going through the questionnaire phases of the process. Variations of the Delphi technique have been used to overcome this problem.

One special type of Delphi approach is a procedure called *ringi* used by the Japanese. This version of the Delphi technique involves the circulation of a written document from member to member, in nominal group fashion, for sequential editing until no more changes are required and each participant has signed off the final document. Another Japanese variation of the Delphi technique is assigning parts of the problem to each of several subgroups who prepare responses for their assignments. This version differs from the pure Delphi approach in that the written mini-reports are then circulated among the group members before face-to-face discussion starts. In essence, the latter Japanese version of the Delphi technique combines with simple group decision making (Eto, 2003).

### **Devil's Advocacy**

*Devil's advocacy*, another technique for improving the quality of group decisions, introduces conflict into the decision-making process (Schwenk, 1984). Janis (1982) suggests that this concept is an antidote for groupthink. Groupthink, one of the dysfunctions of group decision making, results in inhibitions and premature conformity to group norms. Devil's advocacy can nullify these and other group phenomena to which group members are subjected (Schwenk, 1990). After a planning group has developed alternative solutions to a problem, the plan is given to one or more staff members, with instructions to find fault with it. If the plan withstands the scrutiny of the devil's advocates, it can be presumed to be free of the effects of groupthink and thus viable. Although devil's advocacy can be used as a critiquing technique after alternative solutions to a problem have been developed, it can also be used during the early stages of the decision-making process. For example, during a decision-making session one member could be assigned the role of devil's advocate, expressing as many objections to each alternative solution to a problem as possible (Schweiger & Finger, 1984).

### **Dialectical Inquiry**

Like devil's advocacy, *dialectical inquiry* is an alternative approach for controlling group phenomena such as groupthink in decision making (Schweiger, Sandberg, & Ragan, 1986). The process can be described as follows:

1. The process begins with the formation of two or more divergent groups to represent the full range of views on a specific problem. Each group is made as internally homogeneous as possible; the groups, however, are as different from one another as possible. Collectively they cover all positions that might have an impact on the ultimate solution to a problem.
2. Each group meets separately, identifies the assumptions behind its position, and rates them on their importance and feasibility. Each group then presents a "for" and an "against" position to the other groups.
3. Each group debates the other groups' position and defends its own. The goal is not to convince others but to confirm that what each group expresses as its position is not necessarily accepted by others.

4. Information, provided by all groups, is analyzed. This results in the identification of information gaps and establishes guidelines for further research on the problem.
5. An attempt to achieve consensus among the positions occurs. Strategies are sought that will best meet the requirements of all positions that remain viable. This final step permits further refinement of information needed to solve the problem

Although agreement on a management plan is a goal of this approach, a full consensus does not always follow. Nevertheless, the procedure can produce useful indicators of the organization's planning needs.

### Conclusion

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: more knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

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## Cardiotronics, Inc. (Case Study)



### CLASS PREPARATION

- A. Read "Why Not?" and the following "Cardiotronics, Inc." case.
- B. While reading the chapter, make a list of cues that you should look for with regard to problem solving.
- C. Role-Play Preparation. Make a plan to conduct tomorrow's meeting of Assembly team D as if you were Marion Andrews. Write in the space below your planned introduction to begin the meeting. What can you say to get it off to a good start and ensure a productive problem-solving session? Then develop a list of questions that Marion can use to facilitate and lead the Cardiotronics team through each stage of Kolb's problem-solving model described in the chapter. What kinds of questions would facilitate good problem solving during the visioning stage, the priority-setting stage, and so on? For example, in the visioning stage, Marion could ask: "What would be the ideal situation here?"

What will you say to the team to get this meeting off to a good start? Your Introduction for the Cardiotronics Assembly Team D Meeting:

Write your facilitation questions for each stage below:

1. Visioning/Exploration

2. Priority Setting

3. Information Gathering

4. Problem Definition

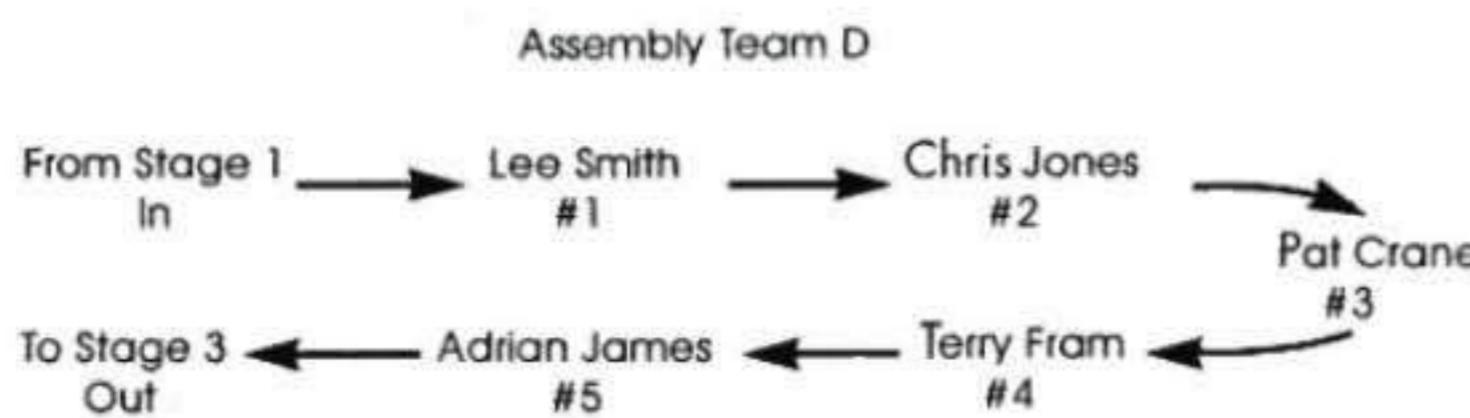
**5. Idea Getting****6. Decision Making****7. Participation****8. Planning****CARDIOTRONICS, INC.**

Cardiotronics, Inc., was started 17 years ago in a small New Hampshire town by two biomedical engineers whose goal was to produce a quality cardiac monitor (a device that continuously displays the wave pattern of the heart's function). The company originally produced customized monitors on a small scale. After five years, the owners had perfected a quality monitor that was significantly less expensive than custom monitors, and they decided to mass produce it.

The company currently has just over 200 employees. It remains nonunionized, but the labor union in this old New England milltown has from time to time made efforts to win a union election. For the past 11 years, the company has enjoyed a strong competitive edge and has gained a reputation for a quality product and prompt service. Recently, however, the company's top-management team has been informed that a similar monitor, reputed to be of equal or better quality than Cardiotronics', will soon be introduced into the U.S. market by a large Japanese electronics firm.

*Monitor Assembly Process* The cardiac monitors (excluding cables) are produced in four stages. In the first stage, circuit boards are produced largely by a machine process. During the second stage, the circuit boards are placed by hand on a motherboard and are connected to one another. The final step in stage 2 is the attachment of the motherboard to the base panel. In the third stage, the casing is mounted by hand onto the base panel and external hardware and cables are placed. In the final stage, the monitors are tested for a week before shipping.

*The Second-Stage Assembly Task* Four assembly teams are responsible for the second stage of monitor assembly, the manual assembly and the wiring of the motherboard. Each team consists of five workers operating in a U-shaped area. The motherboard is started at station 1. Each worker adds his or her circuit, connects it to the others, and passes it to the next worker. The assembly process requires some manual dexterity but is relatively easy to do. Each job on the line is of equal difficulty as determined by a recent industrial engineering study. The assembly arrangement for one of these teams, Team D, is as follows.



The following are the recently announced assembly team average daily production figures for the last month:

- Team A = 40 boards
- Team B = 32 boards
- Team C = 43 boards
- Team D = 35 boards

*Your Problem as Marion Andrews, Supervisor of Team D* You are the new supervisor of Team D. You have been in the position for a month, having recently been promoted from the quality control section where you worked for five years. During your second week, you received a memo stating that all second-stage teams have to meet their minimum daily production rates. You passed on this information to the team in a brief meeting but had to leave for a week of supervisory training shortly thereafter. After returning from the training program, you note that the daily production has increased to 36, but your team is still 4 units below the daily minimum rate of 40 units. In looking into the problem you note the following:

- Work accumulates at Pat Crane's station #3 where there are typically several motherboards waiting. Pat is 58 years old and has been with the company for 13 years. The supervisors of the other production teams do not consider Pat acceptable for transfer.
- Only one monitor from your team has been rejected in the past month by quality control, a better quality record than the other teams have.
- Your team's assembly and test equipment is relatively new and in good working order.

Team D's assembly line will be closed for 30 minutes tomorrow, and you have decided to call a meeting for Team D. How will you conduct this meeting? Use the guidelines in the Class Preparation to think through what you will say.

## Sample Facilitation Statements and Questions for Problem Solving

Situation Analysis	Problem Analysis	Solution Analysis	Implementation Analysis
<p><b>1 Visioning/Exploration</b></p> <p>Let's not discuss solutions until we thoroughly understand the problem.</p> <p>What do you think about the situation?</p> <p>How do you feel about it?</p> <p>What opportunities do you see in this situation?</p> <p>What do you hope is the outcome?</p> <p>Is there something else we should be looking at first?</p> <p>What's working well?</p> <p>What do we want to change?</p> <p>What values are involved in this situation?</p>	<p><b>3 Information Gathering</b></p> <p>Let's try to put our biases aside and take an objective look at the situation. What do we know so far?</p> <p>What do we need to know before we can really define the problem?</p> <p>Who else should we talk to?</p> <p>What's preventing us from reaching the desired state?</p>	<p><b>5 Idea Getting</b></p> <p>How could we make this change?</p> <p>Let's brainstorm possible solutions to the problem, but let's not evaluate them until all the ideas have been heard.</p>	<p><b>7 Participation</b></p> <p>Who would be affected by the implementation of this solution?</p> <p>Whose commitment is needed to successfully implement this solution?</p> <p>Who has the most at stake or the most energy to get this accomplished?</p> <p>How can we involve them in planning the implementation?</p>
<p><b>2 Priority Setting</b></p> <p>What's the most important problem that, if resolved, would cause other things to fall into place? Why?</p> <p>What do others in the organization and external stakeholders think about this?</p> <p>Do we all agree that this is the most important problem or opportunity?</p>	<p><b>4 Problem Definition</b></p> <p>Do we have enough information to put together a model of the problem?</p> <p>Can we draw a model of the problem?</p> <p>What factors caused the problem?</p> <p>What are the symptoms of the problem and the results?</p> <p>What other factors influence these relationships?</p> <p>Have we identified and verified the key cause?</p>	<p><b>6 Decision Making</b></p> <p>Are we ready to evaluate these suggestions?</p> <p>What criteria should our solution meet?</p> <p>Do these solutions get at all the causes in our problem definition?</p> <p>Which solution would have the biggest payoff and be the easiest to implement?</p> <p>Which of these solutions meets all the criteria?</p> <p>Are there any unintended consequences that might result from this solution?</p>	<p><b>8 Planning</b></p> <p>What tasks need to be done to implement this solution and when? By whom?</p> <p>What deadlines are we facing? What constraints?</p> <p>What potential implementation problems might arise?</p> <p>What should be our contingency plan?</p> <p>How will we monitor the progress of the implementation?</p>

*While some types of conflict can be detrimental to a team's success, other forms create a more open, more creative, and ultimately more productive team. The key is knowing how to steer the team toward constructive conflict.*

# ***Conflict:*** An Important Dimension in Successful Management Teams

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The use of teams has become "the solution" of the 1990s for many of the ills of the workplace. Cross-functional teams, continuous improvement teams, teams composed of only organizational members, and teams that include customers or suppliers—all are attempts to get closer to the customer and improve employee involvement. This broad deployment of teams emerged as a natural and major component of work environments geared to support total quality management (TQM). Increasingly, leaders are waking up to the notion that broad participation in the decision process is necessary, not only for quality improvement, but also for the very survival and growth of the organization. Creative solutions can come from many different sources; leaders recognize the need to establish the structure to facilitate the process.

With the use of teams, however, has come the concern that efficiency and productivity may actually falter. Experience validates these concerns. Team meetings can lead to poor decisions, lower productivity, member dissatisfaction, and heightened frustration.

Some have actually called the team concept the Achilles' heel of TQM.

This article examines several important dimensions of team effectiveness, with particular attention to the management of conflict. Conflict is a natural part of the team environment. But to be effective, teams must be able to *manage* that conflict—and *how they do so* brings out the best or the worst of employee involvement. More specifically, we focus on two types of conflict that teams must manage to enhance their value to the organization.

## TEAMWORK—THE PROMISE AND THE REALITY

As an organizational tool, teams can expand the role of the employee beyond the level of "tasks to be performed." Instead of having only responsibility for the specific duties, the employee-as-team-member becomes involved in the larger operations of the organization. A team environment prompts the em-

ployee to spend more time considering his or her role in relation to the organization's goals. Consequently, teams can be looked upon as a means of focusing employees' attention beyond narrow duties to the broader role of meeting external needs, such as the needs of the customer.

Teams have also proved useful in improving the quality of decision making, helping to build consensus and support for action, and helping to build a cooperative, goal-oriented culture. Team interaction helps to build the consensus that is so essential to the execution of a decision. In theory, by having everyone participate in a decision, a better decision should result—one that everyone will accept and work toward.

This is critical when the coordinated efforts of key employees are essential to reaching organizational goals. When creative solutions are needed, teams are especially beneficial because their diverse members can evaluate new and different ideas. Everyone can be called upon to suggest creative ways to better serve the customer with new products or improved processes. These solutions may be modifications to existing processes or could involve a total "rethink" of the problem itself—what is sometimes called "finding a new paradigm."

The reality, however, is often different from the promise. As a result, we are beginning to hear managers voice discouragement—even cynicism—with the use of teams. While teams offer the potential of major breakthroughs, too often they slow the decision-making process. Moreover, the resulting decisions are not much different from what the team leader might have concluded alone.

Decisions over important issues can breed a win/lose mentality, with "political gamesmanship" overpowering a view of what is best for the organization. Team meetings can drag on forever. "Compromised" decisions, sacrificing good business judgment for the sake of "total agreement," fuel frustration among organizational leaders and team members alike. This blight is known as "groupthink," and it infects any group that fails to critically evaluate its own ideas, choos-

ing instead to "get along" rather than challenge their assumptions and perspectives.

## WHAT, EXACTLY, MAKES THE DIFFERENCE?

On one hand, teams hold true potential for improving an organization's culture. On the other hand, teams can be a source of problems that hinder or even prevent the organization's advancement.

In an effort to get to the heart of the matter—the pivotal issues on which a team's effectiveness or ineffectiveness hinges—we conducted on-site interviews with teams from ten diverse organizations. In each case, these teams were responsible for making important strategic decisions for their companies. In each case, we found that *how the teams managed conflict* was the crux of team effectiveness. This proved true in industries as varied as seafood processing and furniture manufacturing, and in companies ranging in size from \$3 million to \$300 million in sales.

The successful teams used conflict to their advantage to arouse discussion and stimulate creative thinking. The less successful teams did a poor job of managing and resolving their differences. They found conflict to be a burden—something to be avoided. This avoidance led to poor decisions and a poor use of the team as a way to improve both decision making and acceptance of the decisions that were made.

### Conflict in Teams

Conflict is central to team effectiveness because conflict is a natural part of the process that makes team decision making so effective in the first place. Effective teams know how to manage conflict so that it makes a positive contribution. Less effective teams avoid conflict altogether or allow it to produce negative consequences that hamper their effectiveness. This is one of the paradoxes in understanding the role of teams in organizations. While a number of studies have found that conflict is important to a team's effectiveness, just as



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many studies have concluded that conflict can harm a team's effectiveness.

Are there different types of conflict? Is some conflict good and some conflict bad? Over and over during our interviews with team members, we heard that conflict can improve decision making and enhance a team's performance. We also heard, however, that conflict can create more problems than it solves and thus should, in many instances, be avoided altogether.

Understanding how teams manage conflict first requires understanding that not all conflicts are created equal. The consequences of conflict, whether positive or negative, are largely dependent upon the types of differences that lead to the disagreement. We found that teams generally experience two types of conflict—one that improves team effectiveness and one that is detrimental to teams.

### C-Type Conflict

In essence, while disagreements among team members are bound to occur, so long as they focus on substantive, issue-related differences of opinion, they tend to improve team effectiveness. Conflict theorists call these types of disagreements *cognitive conflict*, or what we call *C-type conflict*.

While conducting our interviews, it became clear to us that this type of disagreement is a natural part of a properly functioning team. Natural, because as team members gather to make important decisions, they bring different ideas, opinions, and perspectives to the table. C-type conflict occurs as team members examine, compare, and reconcile these differences. This process is key to the team's ability to reach high-quality solutions that are understood and accepted by all team members. Thus, most of the managers with whom we spoke believed that C-type conflict improves overall team effectiveness.

In one company, a \$15 million processing company, the vice president of operations underscored this point by noting that "everyone can't be an expert on everything." Consequently, he explained, different team members are going to have different opinions

about how best to do their work. C-type conflict occurred as this team confronted and resolved these differences. Similarly, a vice president in a \$50 million import/export firm stated that "multiple opinions make for better decisions." Of course, before a decision can be acted upon, those differences must be examined and resolved. In another instance, the president of a \$42 million wholesale distribution company stated that his team members needed to be "empowered with understanding" to be effective decision makers. In his opinion, empowerment occurred when everyone had an equal opportunity to "speak their minds." This open airing by the team members brought to the surface disagreements about the relative strengths and weaknesses of the different positions and ideas. Once identified, these disagreements could be thoroughly considered and resolved.

C-type conflict is beneficial because it requires teams to engage in activities that are essential to a team's effectiveness. C-type conflict focuses attention on the all-too-often ignored assumptions that may underlie a particular issue. By facilitating frank communication and open consideration of different alternatives, C-type conflict encourages innovative thinking and promotes creative solutions to problems that otherwise might seem insurmountable. As a consequence, C-type conflict improves the quality of team decisions. In fact, without C-type conflict, team decisions are little more than the decisions of a team's most vocal or influential member.

In addition to improving decision quality, C-type conflict also seems to promote acceptance of the decision itself among the team members. By encouraging open and frank communication and by integrating the various skills and abilities of the team's members, C-type conflict builds understanding and commitment to the team's goals and decisions. Team members told us that, as they engage in C-type conflict they tend to "buy into" the decision. The result is not only a better decision but a decision that can be more effectively implemented throughout the organization. The president of the wholesale distribution company mentioned earlier explained that C-type



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conflict was a learning process through which team members come to understand how a decision will work and what role they will play in implementing the decision.

To illustrate just how essential C-type conflict can be to a team's effectiveness, consider the example of a \$20 million import and wholesale distribution company we visited. So important was C-type conflict in the mind of this company's president that he cited its absence as the primary reason for a poor decision that the management team had made. The president stated that, had that decision been "seriously debated," the team would have recognized the flawed assumptions on which the decision was based. Because the team accepted those assumptions without challenge, the company built a large, state-of-the-art warehousing facility, only to find that they were unable to attract enough new business to make full use of the additional space. In retrospect, the company president believed that some additional conflict would have disrupted the atmosphere of "groupthink" that seemed to characterize the team's meetings. Because there was so little C-type conflict, this team made a mistake that very nearly cost this company its existence.

### A-Type Conflict

We also heard frequently that conflict can be harmful. Our study participants explained that conflict can provoke so much animosity among a team's members that decision quality actually declines along with the commitment and understanding necessary to get the decision successfully implemented.

Unlike disagreements over substantive issue-oriented matters, which seem to be largely beneficial, disagreements over personalized, individually oriented matters are largely detrimental to team performance. Conflict theorists collectively call these types of disagreements *affective conflict*—what we call *A-type conflict*. A-type conflict lowers team effectiveness by provoking hostility, distrust, cynicism, and apathy among team members.

The descriptions we heard of A-type conflict all focused on personalized anger or re-

sentment, usually directed at specific individuals rather than specific ideas. We found it especially interesting that these A-type disagreements seemed to emerge when instances of C-type conflict somehow became "corrupted." For example, a vice president at a \$300 million international food processing and distribution company told us that when team members challenge one another about their different opinions, "Sometimes they get angry." This individualized anger can persist well beyond the boundaries of the task at hand.

Unlike C-type conflict, A-type conflict undermines team effectiveness by preventing teams from engaging in the kinds of activities that are critical to team effectiveness. A-type conflict fosters cynicism, distrust, and avoidance, thereby obstructing open communication and integration. When that happens, not only does the quality of solutions decline, but commitment to the team itself erodes because team members no longer associate themselves with the team's actions.

Effective teams learn to combine the diverse capabilities of their members. In contrast, team members who are distrustful of or apathetic toward one another are not willing to engage in the types of discussions necessary to synthesize their different perspectives. As a consequence, the creativity and quality of the team's decisions suffer.

Likewise, team members who are hostile or cynical are not likely to understand, much less commit to, decisions that were made largely without their participation. Thus, in the best case, these members are unable to carry out the decision because they do not understand it. In the worst case, these disgruntled team members are unwilling to work to implement the decision as intended. A-type conflict also undermines a team's ability to function effectively in the future. Team members who have been burned by A-type conflict are less likely to participate fully in future meetings.

For example, another vice president at the processing firm mentioned earlier stated that when differences of opinion turned into personalized disagreements, some members of



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the team would simply "throw up their hands and walk away from the decision." Those frustrated team members ceased to be active participants in the decision process. Not only did the team lose the value of their input, but the members lost the desire to work vigorously for the accomplishment of whatever decision was reached.

There was wide agreement among the team members whom we interviewed that A-type conflict adversely affects the willingness of team members to support the team's decisions. Thus, as the president of the food distribution company noted, "If people are angry, they are not going to work for you no matter what you decide."

We heard this sentiment repeated in different ways by nearly all of the team members we interviewed. Basically we were told that as teams experience greater A-type conflict, they tend to become less effective. They make lower quality decisions, their members become less committed to seeing the decisions implemented, and their members become less accepting of the team and its goals. The implication is that for all the different measures of team effectiveness, C-type conflict improves team performance and A-type conflict curtails team performance.

These observations are consistent with other research suggesting that conflict can be both beneficial and detrimental to team effectiveness, depending on whether it is C-type conflict or A-type conflict. As illustrated in Exhibit 1, C-type conflict enhances team effectiveness by improving both decision quality and the chances that decisions will be successfully implemented. At the same time, A-type conflict reduces team effectiveness by decreasing quality and undermining the understanding and commitment necessary for successful implementation of a decision.

#### HOW TEAMS MANAGE "C" WITHOUT GETTING TRAPPED IN "A"

On the basis of our experiences, the most effective teams are those that seem to be intu-

itively aware of the two types of conflict. Teams that understand the importance of C-type conflict, and that can use C-type conflict without provoking A-type conflict, seem to develop attributes or abilities that other teams do not have. These attributes or abilities are fundamental to team effectiveness. And while they seem to flourish in the presence of C-type conflict, they all but disappear in the presence of A-type conflict. We labeled these attributes *focused activity, creativity, integration, and open communication*.

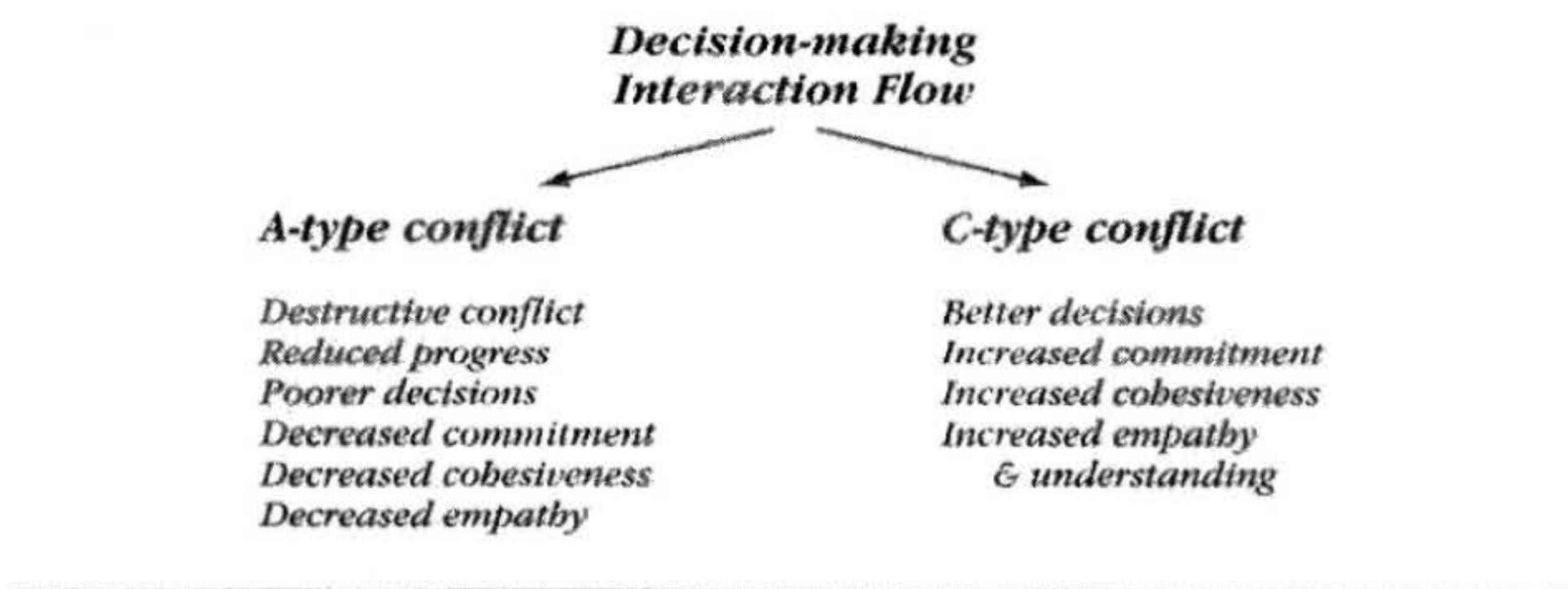
#### Focused Activity

Effective groups are focused. Focused groups get to the core issues of the problem and stay close to the core. They stick closely to the task at hand and make decisions quickly and efficiently. Less effective groups allow issues to wander. They labor over trivial points and allow task goals to take a back seat to social facilitation. As a consequence, focused groups define problems and develop solutions more quickly than less focused groups.

For example, in a large academic department of a Midwestern university, departmental meetings would regularly last three to four hours. Conversation would drift to matters not relevant to the issue at hand. The end result was a high degree of frustration by members of the team that meetings were a waste of time; nothing ever seemed to get done. A new department chair was hired, one who ran a more focused meeting. To keep the team on track, he would publish an agenda with maximum discussion times indicated for each agenda topic. After the agenda time expired, the team voted on whether to continue on the same topic, vote on the issue at hand, or table the issue for a future meeting. The end result was a higher degree of satisfaction by most team members that their meetings were more productive, and significantly shorter.

The president of another organization, a \$100 million furniture manufacturing company, stated that the ability to remain focused and thus make decisions quickly had given his company a distinct advantage over its competitors. The president stated that "one

**EXHIBIT 1**  
THE OUTCOMES OF C-TYPE AND A-TYPE CONFLICT



thing that we're able to beat our competitors with is that we can make a decision." His company was often able to take advantage of opportunities while competitors were still busy trying to define the problem and narrow the alternatives.

Teams that are comfortable with C-type conflict can quickly identify and address the problem and its possible solutions. They can evaluate different alternatives quickly and efficiently without worrying about the political ramifications of their choices. Thus, they can move quickly to closure and on to other matters. Teams that are uncomfortable with conflict tend either to avoid it altogether or allow the conflict to drift onto any number of unrelated issues. Both produce long, meaningless discussions that seem to go everywhere except in the needed direction. The end results are frustration and cynicism.

### Creativity

Effective teams encourage thinking beyond normal options. Creativity comes from getting the group to think of problems differently and finding solutions that approach the problem from a totally new perspective. Bob Galvin, former CEO of Motorola, stressed the importance of "listening to the minority report." He particularly wanted to hear opinions that were out of the mainstream. The

goal was to generate as many ideas as possible and approach each with an open mind.

CSX Railroad encourages creativity through the use of "stretch goals" that force teams to look for innovative solutions. The only way to reach these types of goals is to rethink the entire system. Teams have the potential ability to *synergize* the thoughts and perspectives of their different members, extracting and combining the strongest parts of each member's ideas. As a consequence, teams are often able to produce innovative solutions to problems that seem insurmountable to single individuals.

C-type conflict is at the very heart of team creativity. By encouraging dissenting opinions and promoting innovative suggestions, Galvin was cultivating C-type conflict. As the president of the above-mentioned furniture manufacturing company said, "We don't need people who just agree." One of the benefits of having diverse team members is that the resulting conflicts will inspire creativity and innovative solutions to problems that, from the perspective of any single individual, looked hopeless. A vice president at a \$15 million processing firm told us that "sometimes one of us will see something that the other ones do not see."

However, conflicts that arouse personal animosity and that strain the interpersonal relationships among the team members obstruct

creativity. In the Motorola example, for instance, if some team members felt threatened by other members of the team, they would not likely be willing to offer their creative ideas. Hence, the fruits of A-type conflict—anger, apathy, and avoidance—can undermine a team's ability to produce innovative solutions.

### Open Communications

Effective teams have more open communication than less effective teams. Effective teams enjoy a culture that allows their members to speak freely and challenge the premises of other members' viewpoints, without the threat of anger, resentment, or retribution. Open communications are central to getting sincere involvement from team members, which enhances decision quality and reinforces team consensus and acceptance. Less effective teams seem to have less open communications. Team members offer only guarded responses and are fearful of expressing their true opinions. Often, those in less effective teams feel the need to be politically sensitive with their comments. This leads to less communication and results in less effective teams.

Open communications are central to team effectiveness and conflict is a key to maintaining open communications. As one vice president at that food processing plant expressed, "I have a graduate degree in food engineering; another VP's background is in sales. When we make a decision he speaks from his expertise and I speak from mine." Team members overcome this functional specialization by asking one another questions and challenging one another's assumptions. The vice president called this process an "exercise" that facilitated understanding and uncovered flawed logic and outright mistakes.

Naturally, this sort of frank, open, and honest communication produces some disagreement and conflict. Again, however, if team members recognize that the conflict is task-oriented and designed to improve their overall effectiveness, they tend to respond to it positively. It is when the conflict appears to have unhealthy motivations that it begins to

undermine team communication. When disagreements seem to be self-serving, promoting the interests of one at the expense of another, team members adopt a defensive stance that prevents open and honest communication.

For instance, the president of the wholesale distribution company related the following story. While considering whether to enter a new line of business, this company's management team became embroiled in a dispute that pitted two VPs against one another. Over the course of several meetings and several weeks, the disagreement between the two became so intense that they quit speaking to one another at team meetings, choosing instead to go to the president on their own to promote their positions. The source of this bitter dispute was the company's bonus system, which would have given a disproportionately high reward to one VP and a disproportionately low reward to the other. Neither wanted to admit being trapped in a self-centered concern, so each found other ways to criticize the decision and the other person. When the president realized the problem and corrected the inequity in the bonus system, the team was able to openly discuss the matter and move forward on the decision.

The message is clear: Teams that can manage conflict can keep the lines of communication open. In theory, open communication and C-type conflict are two sides of the same coin. Each should flourish in the presence of the other. When teams do not manage their conflicts well, however, A-type conflict erupts and team communication inevitably suffers.

### Integration

Effective teams make the fullest possible use of all their members. Effective teams are conscious of the need to include and get the best from all of the members of the team. In less effective groups, there is often a disproportionate contribution between members. The value of using a team is lost if only a minority of team members play an active role in the deci-

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***Effective teams enjoy a culture that allows their members to speak freely and challenge the premises of other members' viewpoints, without the threat of anger, resentment, or retribution.***

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sion-making process. Leaders of effective teams, more often than not, help to integrate all team members by seeking out opinions of those who are less active and attempting to moderate the contribution of those members who monopolize the discussion. Integration is particularly important to obtaining a commitment to the decisions being made.

For example, the president of a \$35 million chair and bedding manufacturer stated, "You can't simply tell people that this is the way it's going to be and then expect them to go out and do it the way you'd like them to. If they don't buy into it, they're not going to do a good job." This company had just decided to completely reorganize its two factories. The president believed that complete commitment to this decision by all the managers involved would be essential to the decision's success. As such, several rounds of meetings were held, where every team member was encouraged to voice his or her opinions, concerns, and objections, before the decision to move forward was made. The president believed that what he lost in speed while making the decision, he gained back in commitment for ultimately seeing the decision implemented.

Teams that encourage discussion, debate, and integration can gain higher levels of satisfaction from their members than teams that ignore their differences. The ability to manage conflict so that team members feel free to state their concerns or opinions, even when those concerns or opinions counter the majority, is key to achieving integration of the team members. Obviously, the role of the team leader is central in getting each member of the team involved, as well as building the sort of culture that will improve the team's effective-

ness. To that end, we now focus on how to build that sort of culture.

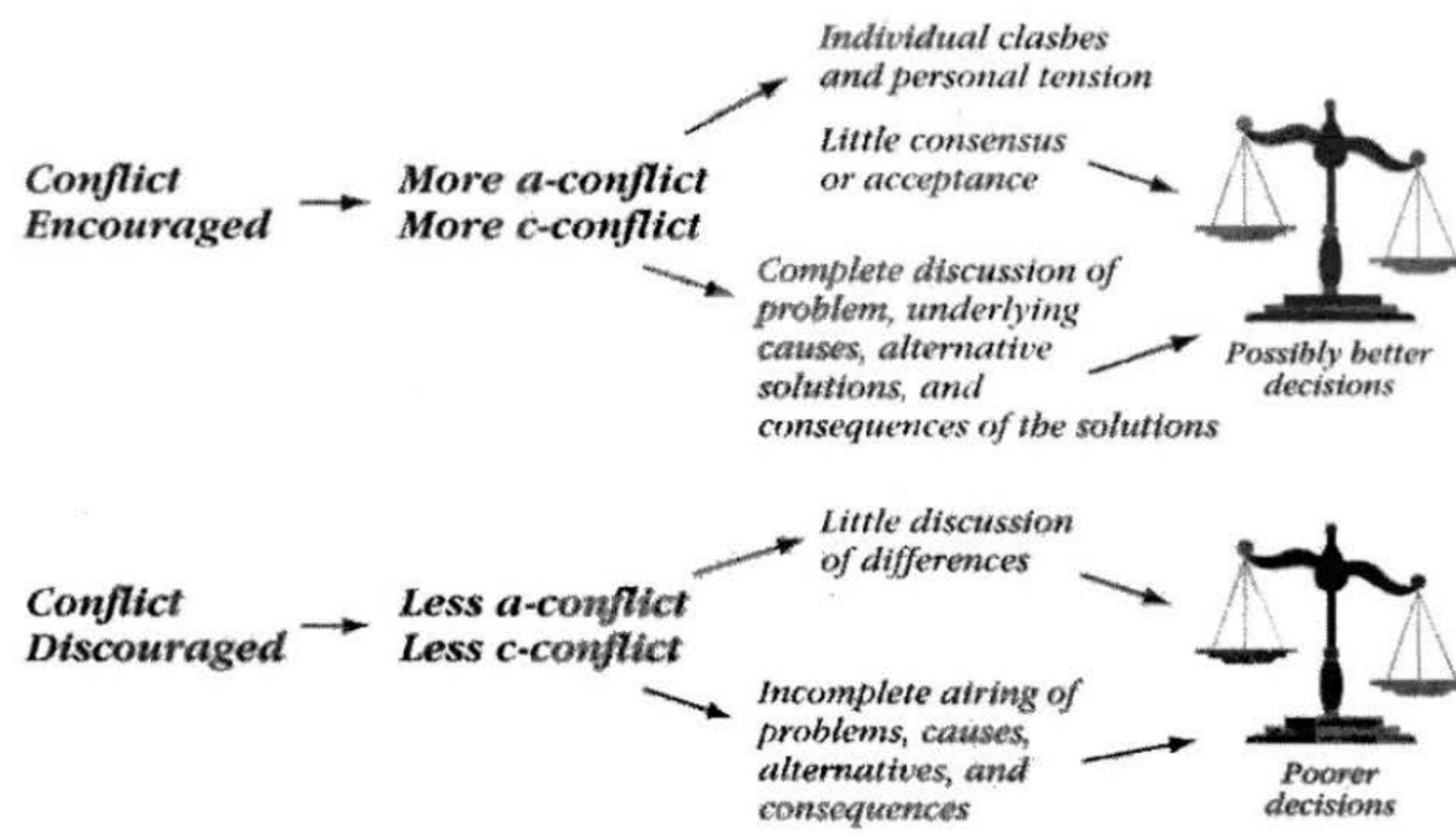
### **MAKING CONFLICT WORK IN TEAMS**

The question for teams is not so much a matter of whether to allow conflict, but how to channel it when it exists. The research on the subject, supported by our own experiences, is clear: conflict *can* improve team effectiveness. The problem is that, once aroused, conflict is difficult to control. Sometimes it remains task focused, facilitating creativity, open communication, and team integration. In other instances, it loses its focus and undermines creativity, open communication, and integrated effort.

Teams must accept conflict if they are to reach their full potential. But, by allowing conflict, teams run the risk of provoking destructive, A-type conflict. As Exhibit 2 illustrates, teams become more effective only when they encourage the good conflict and restrain the bad conflict. The real issue is *how* to do this so as to get the most beneficial aspects of conflict to improve team performance.

One theme that surfaced repeatedly in our interviews held that the responsibility for managing conflict within the team falls disproportionately on the team leader. The following eight steps provide a set of strategies for the team leader to use to build an effective culture before, during, and after the team interactions. Developing the appropriate culture must be the central focus of the leader's responsibilities.

**EXHIBIT 2**  
THE OUTCOMES OF ENCOURAGING OR SUPPRESSING CONFLICT



**1. DISSEMINATE A FULL AGENDA EARLY.**

An effective meeting doesn't just happen; it is planned. A team leader needs to build a positive focus to the meeting and create a full understanding of the team's purpose in the process. Thus, an agenda is critical. An agenda provides focus and can do much to reduce A-type conflict. For example, the leader can order the agenda to discuss the less controversial items first. This may encourage participation while desensitizing the team members to the more emotional issues to come later.

If meetings begin with a highly controversial issue in which team members have a personal stake, C-type conflict may quickly erode into A-type conflict. In other words, a team that gets off on the wrong foot may find it difficult to get back on track. Making less sensitive decisions first may also give the team momentum for making more controversial decisions later. Once they have achieved early successes, team members may begin to feel more like members of an effective team.

It may be helpful to require that the agen-

da not only have an itemized list of proposals to consider, but also include the proposals and their rationales. This has the advantage of allowing members to consider proposals ahead of time and get clarification if needed. In addition, team members will have a sense that all the issues are aboveboard and that each team member is coming to the meeting with full knowledge of the issues to be covered. This will save time in the meeting, in that proposals will not have to be formulated, only modified through the team's discussions.

Also, allowing the team members to consider the proposals before the meeting gives them the time to carefully formulate their own reactions. This will improve the quality of the discussion and the resulting decision. Presenting surprise proposals at meetings is not a good strategy to build trust.

**2. STATE THE PHILOSOPHY FOR THE TEAM AND BACK UP THAT PHILOSOPHY.** Stating the philosophy behind team decision making will be helpful. A discussion of the

importance of C-type conflict to the process, combined with cautions about the dangers of A-type conflict, should be a part of this discussion. The team should openly consider how the team leader should act when A-type conflict begins to arise. The road map that evolves from this discussion will help the group understand the positive and negative aspects of conflict and what ways might be used to ensure that the process stays on track toward C-type conflict.

The key, however, is not just to openly discuss how best to structure the team's environment, but to back up that discussion with concrete actions that produce the desired environment. Discussion without action will not be sufficient.

**3. PROVIDE THE RIGHT ENVIRONMENT FOR THE MEETING.** Providing the appropriate environment can increase the team's performance and reduce A-type conflict. For example, seating location at the meeting might be assigned in advance so that there are no appearances of coalitions. Having team members seated in a neutral order that keeps members from the same department separate may foster the development of networks and friendships within the total team. The goal is to focus on the group as the center of relationships, not the various organizational departments that team members represent.

Finally, even the shape of the meeting table can help reduce the potential for affective conflict. Round tables neutralize status or power. Rectangular tables accent status or power, giving the person at the head of the table the appearance of greater command.

While these sorts of details may seem petty to some, remember the kind of environment that needs to be created. Members with negative dispositions are likely to read the worst into every situation and thus may respond to the perception of A-type conflict, even when none is present.

**4. HAVE BEHAVIORAL STRATEGIES TO RUN THE MEETING IN MIND BEFORE THE MEETING BEGINS.** While structuring the team meeting is important, the behavior of the team leader is central to keeping the meeting productive. What kinds of traits should the

team leader exhibit? There is a great deal of research indicating that openness and cooperativeness are necessary for the effective use of conflict. Increasing the level of openness to diverse and dissenting opinions can stimulate C-type conflict where none previously existed. Similarly, encouraging and rewarding cooperativeness can avert some of the personal insecurity and distrust that prompt A-type conflict. In our own experience, we found that teams whose interactions were open to and tolerant of criticism and dissent experienced more positive C-type conflict. We also found that more cooperative teams experienced less negative A-type conflict. For example, the president of a \$42 million wholesale distribution firm we interviewed stated that his primary responsibility was to "initiate a cooperative decision-making system" where openness and cooperation are encouraged.

Openness and cooperation do not just happen, however. The leader has to have strategies to ensure a climate of openness and cooperation. This is difficult because the leader is also concerned with proceeding with the stated agenda. Sam Walton, founder of Wal-Mart, would often appoint someone else to lead the team through the agenda during the company's Saturday morning corporate general meetings. Walton would then be free to focus on the process aspects of the meeting, observing elements such as, "Are people understanding what the organization is trying to do? Do people agree with what is being said? Is there commitment toward the goals? Is dissent being shared so that it can be dealt with openly?" He would interject into the meeting, asking questions, validating acceptance of what was being said, or challenging team members to become the devil's advocate. Obviously, to fulfill this role the leader must "read" the verbal and non-verbal cues from the team, which is hard to do when the leader is also directing the agenda.

**5. KEEP A SENSE OF WHERE THE DISCUSSIONS ARE GOING.** To further encourage cooperativeness and openness, the team leader may need, at least initially, to facilitate and strictly monitor team discussions in order to limit personalized statements made during

heated debate. Personalized statements such as "your idea," or "my department," or "you don't know what you are talking about," or "you don't understand our situation," place emphasis on the individual rather than the idea. Such individual emphasis may detract from the collective group nature required to make effective decisions. These types of statements would move conflict toward A-type and away from the C-type.

Personalized or individualized statements may also anger some individuals, further reducing openness and cooperativeness. For example, the VP of marketing may suggest to the VP of operations that he or she alter the production schedule to meet a unique demand in the marketplace. If the VP of manufacturing responds, "You don't know what you are talking about because you don't understand our operation," the VP of marketing will probably respond as though personally attacked. Such an attack would likely result in hostility and anger, which would likely prompt a personal counterattack. Once aroused, this groundswell of A-type conflict would undermine the chances of reaching any sort of solution that would be satisfactory to both parties.

**6. CHANNEL DISCUSSION FROM A-TYPE CONFLICT TOWARD C-TYPE CONFLICT.** The team leader needs not only to monitor team discussions, but also to channel discussion from A-type conflict back toward C-type conflict. It is not sufficient merely to monitor the process—the leader must also act to keep the group focused on the positive aspects of open discussions. It takes particular skill for the leader to be sensitive to the behavioral dynamics of the meeting. The leader must balance the goals of open and frank discussion of the issues while also trying to reduce the tendency towards A-type conflict. In essence, the leader is trying to draw people out to get their opinions, but also trying to get those opinions by a means that will not personally attack others in the process.

However, when the leader suppresses A-type conflict, he or she runs a risk: might the rest of the group read into it that the leader really only wants to hear one side of an argu-

ment? That possibility makes the leader's job doubly difficult and it takes a well-focused leader to encourage a full discussion of the topic in a C-type manner while making it clear that A-conflict will not be tolerated.

The team leader may need to hold an open discussion on why he or she wants to change the direction of the discussion. This may be necessary to help team members understand how to focus their comments so they are directed toward the issues and not toward the individuals. Initially at least, it will likely be hard for team members to see the difference. Research has shown that most people cannot readily distinguish between the different types of conflict. As children, we learned to think of ourselves as "bad" when we were corrected for acting in a certain way, rather than to see the action as "not appropriate." Hence, the leader has quite an education job to do.

**7. SUPPORT THE TEAM.** A leader must continually exhibit behavior that shows support for the team. As discussed above, there is a need to focus the team so that it is functioning as a team and not a collection of individuals. This team focus increases the caring nature of each member toward each other and builds support for the team decision. Support for the team is important as it tends to replace much of the "you versus me" mentality of individual group members with an "us" mentality, which is essential for trust and confidence to develop. A stronger sense of identity will strengthen the group's ability to wrestle with meaningful, positive conflict without the destructive nature of negative conflict.

For example, part of Wal-Mart's difficulty is bringing a sense of family into a very large organization. Yet it is important to have people work for Wal-Mart as an organization, not for themselves or their departments. Wal-Mart, under Sam Walton, wanted each associate to care about serving the customers and looking toward improving the organization. At weekly meetings in Bentonville, Arkansas, Walton would ask people for their comments on issues being discussed. He honestly wanted to know what each person's feelings were on the issue. At times he would challenge the

group to make the situation better. Walton wanted to support the notion of the Wal-Mart "family." There was a higher purpose in an associate's life at Wal-Mart than just doing his or her job. Creating this greater purpose is behind much of the employee empowerment issues in the total quality management approaches advocated by such experts as Deming, Juran, and Crosby. The individual employee is the key to making the organization succeed through involvement in decision making and in the organization unlocking the individuals' creativity while building commitment to the organization.

**8. BE PROACTIVE AND REACTIVE, NOT PASSIVE.** To take many of the concepts above and roll them into one set of actions, the team leader must actively support a positive culture for the team. The development of this culture is done before, during, and after each team interaction. The leader's behavior needs to focus on building the team and the culture that will support active debate that is positive and constructive. The leader needs to be supportive of group members to bring them into the decision process and to ensure that they believe that their views are being heard and acted upon.

The practice of distributing a full agenda, with proposals attached, before the meeting, demonstrates that each member is important to the team. This action implies that each member should have an opportunity to consider the agenda in advance in order to develop their own opinions. In addition, the leader should contact team members in advance to see that they understand the issues that will be considered in the meeting. This reinforces the importance of each member to the process.

During the meeting, the leader continues the job of reinforcing a climate that is supportive of the group and the group's work. Again, the goal is to build a team-centered decision-making body in which every member

is a valued and important contributor.

After the meeting, the leader can do much to further reinforce the team and build a performance-centered culture. Minutes that reflect the issues and thinking of the meeting can be shared and the leader can thank each member personally for their contributions. The leader can also reward the team as a whole for their efforts rather than try to single out individuals for particular praise or attention.

## CONCLUSION

Our investigation has shown that the ability to discourage A-type conflict while encouraging C-type conflict is critically important to the overall team success. Unfortunately, the task is not at all simple, and many teams perform well below their potential. However, by focusing on critical, fundamental issues—not the personalities of the participants—teams are, at least, pointed in the right direction. This discussion can best be summed up by the CEO of a petroleum firm who stated, "Our biggest problem was that we found that we were making lousy decisions. Basically, we found that we had two groups left standing at the end of our meetings, those who won and those who lost." Not surprisingly, this team experienced a great deal of A-type conflict. However, when it adopted techniques that nurtured only issue-related conflict, the focus changed dramatically. "We found that our decisions were of higher quality," noted the CEO, "and we had only one group standing at the end—all winners."

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## Karen Leary (A)

It did not surprise Karen Leary that her lunch with Ted Chung had turned into a somewhat uncomfortable experience. Although a year had passed since she hired Chung to be a financial consultant (FC), Leary sensed that there was a wide gulf between them. She had tried to get to know him better, but Chung had always distanced himself from her and the other FCs in the office. Leary had hired the Taiwan-born Chung to attract customers from the thriving community of Taiwanese entrepreneurs that had sprung up around Elmville, a Chicago suburb. In his first year at Merrill Lynch, Chung opened the \$6 million account of a Taiwanese industrialist and had traded the account actively, generating substantial commissions.

Over lunch, Leary and Chung reviewed Chung's performance during the past year. Leary told him that she was pleased that he opened such a big account. She reminded him of her concern about the appropriateness of some of his trades. The client was new to the American market, and she questioned Chung's investments in risky stocks and his use of margin. She also cautioned Chung not to spend all his time with this one account; she expected him to develop other Taiwanese customers.

Chung explained that he had been actively developing relationships with wealthy Taiwanese businesspeople and expected to bring in more accounts soon. He also reassured Leary that the Taiwanese industrialist was fully aware of how his account was being handled. Chung then said, in reviewing his own performance, that he was certainly going to be one of the most important producers in Leary's branch, and therefore, he deserved and needed a private office.

Leary was taken aback by Chung's request. Of the 45 FCs at the Elmville branch, only eight had private offices and they were the best and most experienced brokers. Even FCs doing substantial business in their twentieth year sometimes did not have private offices. Although Chung appeared headed toward a successful career at Merrill Lynch, several elements in Chung's performance over the past year worried Leary. Given her expectations of the Taiwanese market's potential and her aggressive goals for the office, Leary wondered how she should respond to his request.

### Merrill Lynch Background

In 1985, Merrill Lynch, one of the nation's largest wirehouses, found itself in the midst of a fiercely competitive battle in the retail financial services industry. Government deregulation of major financial institutions and increased innovation in financial instruments had unleashed a head-on clash

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*Research Assistant Jaan Elias prepared this case under the supervision of Professor Linda A. Hill as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The circumstances described in this case are reported primarily from Karen Leary's point of view. Although the comments of others have been incorporated, the case does not necessarily reflect all of the perceptions of other participants. It has been made available through the cooperation of both the individual and the company involved. Some names and places have been disguised.*

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among a diverse group of players. Merrill Lynch, Citicorp, Prudential, American Express, and Sears had built up impressive arrays of consumer financial services through expansion and acquisition.

From the 1940s when Charles Merrill had pioneered the concept of bringing "Wall Street to Main Street," Merrill Lynch had been in the forefront of bringing one-stop financial shopping to all Americans. The core of Merrill's approach to providing financial services had always been the tight bond that brokers formed with their clients. The company had set up a large network of branch offices and supported its brokers with extensive training and topnotch research. Through its efforts, Merrill created the mold for the modern professional broker.<sup>1</sup> FCs responded by showing fierce pride in the company. Most of the senior management, including many of the past CEOs, had started out as brokers.

The increased competition, however, had Merrill's top management leading its brokers in new directions. The decision to retitle account executives *financial consultants* was more than cosmetic; it reflected a transition in the way Merrill marketed its services. (Brokers at Merrill Lynch were first called *account executives* by Charlie Merrill in the 1940s. In 1983, they were retitled *financial consultants*.) According to the Merrill Lynch 1985 Annual Report, the company had been moving toward a customer-oriented rather than a product-centered structure. Services were to be "wrapped around the customer." Accordingly, the company introduced a menu of new products, ranging from real estate investments and insurance to centralized cash management accounts. Salaried product specialists had been dispatched to branch offices to aid FCs in pinpointing the proper mix of financial instruments to respond to a client's needs. The new lineup of products necessitated additional training in financial planning practices and profiling the customers' long-term financial goals.

Increased competition and consumer sophistication had also meant smaller margins, and concern about the high fixed cost of operating a large brokerage system. (Merrill Lynch estimates that it takes \$100,000 a year to support one broker.) Upper management had targeted goals of cost control and increased productivity per broker while continuing to offer the most professional financial advice possible to the client. The compensation system was restructured to reward asset gathering and top brokers. To be profitable, Merrill's management believed the company must enhance an FC's ability to add value by recognizing and properly satisfying a customer's long-term financial objectives.

Some industry analysts, however, provided a sharp counterpoint to the new strategies being employed by financial service firms. One commented, "People still do business with brokers because they like them. You need the entrepreneurial type of guy. What happens if some of a firm's big ideas don't work?" Another observed, "For most brokers, trading remains the most glamorous part of the business; it provides the high-stakes financial rewards and excitement that motivated them to become brokers." Many thought trading would always be a broker's bread and butter. One broker commented, "The industry is always restructuring. It'll probably happen again in a few years, but the bottom line will still be how much you can bring in with commissions."<sup>2</sup>

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<sup>1</sup>*Business Week*, January 16, 1984.

<sup>2</sup>At large wirehouses, brokers received between 30% and 45% of the business they generated. Branch managers were compensated as a percentage of what the brokers they managed produced. Brokers prized relationships with large customers since over 80% of the commission dollars were produced by 20% of the customers.

## Taking Over the Branch Office

### Leary's Background

Leary joined Merrill Lynch as a financial consultant in 1975, after having managed a family business for several years. Besides quickly building her own client list, Leary took on various leadership roles, such as product coordinator, in the San Francisco branch where she worked.

I truly enjoyed working with my clients and helping them fulfill their dreams, such as getting the money for a new home or funding the investments that would make it possible for a child to go to college. But I always knew that I wanted to go further in the industry.

After six years as an FC, Leary went to the Merrill Lynch assessment center and passed the grueling set of exercises designed to evaluate management skills. She was assigned to a downtown Chicago branch as sales manager. In 1983, she became resident vice president and general manager at the Elmville branch, a substantial office for a first-time branch manager.

When I took over the office, there was a large group of people here who had been in production for maybe 10 years or more. Many were average producers who did a lot of options and small trades. A few were oriented toward just getting a commission dollar and were having difficulty implementing a financial planning approach. I felt I would have to change this, that the culture was one that would not allow growth. I knew that even if I brought in new, good people their growth would be inhibited by the prevailing culture. . . . Some managers have the philosophy: "If a person is moderately profitable for the firm and no trouble, then fine." I'm not saying that is a bad approach. The firm makes money, the FCs make money, and the manager makes money. It is just that I am more aggressive and my goals are higher. I wanted to build a winning team that would be recognized for the quality and professionalism of its people, that would excel in matching clients with the products, and that would utilize the full range of Merrill Lynch services. I don't want to be a little country office out in Elmville.

Leary terminated eight of the FCs that she inherited, some of whom had been with Merrill Lynch for over six years. She believed that these were people who could not follow the firm's strategy. In many instances it was a difficult decision, and Leary helped some FCs find positions with other brokerage houses.

Leary initially focused on hiring experienced brokers to fill the vacancies.

I interviewed some younger people who had been brokers with other firms. They were already fully registered and for one reason or another had not fit into their firms. To train a person with no experience, it cost Merrill Lynch \$30,000, and it is at least six to eight months before an inexperienced person is at all productive. So it is a long-term, expensive proposition. The people I interviewed were fully registered and knew a little about the business. So I took a risk. It was a business decision; it cost Merrill Lynch little. I hired four or five of them and two made it. . . . But I learned you really can't do it that way and build what I want. It exposes the rest of the office to unsuccessful people and the office needs to view themselves as a collection of successful professionals. So, while it did not cost the firm financially, I think it cost the firm in other areas.

## Leary's Management Style

Leary made a point of getting out of the office and on to the floor of the boardroom as often as she could. For at least two hours every day, she navigated among the cubicles, where the FCs were talking with clients on the phone and monitoring market indicators and current events on Quotron screens.

I do a lot of coaching and counseling informally. I find it's effective and less threatening than to be called into the manager's office and asked to explain yourself. So, I'll frequently sit down at a person's desk and just say "Hi. How's it going? Let me see what you're working on. That looks interesting. Have you seen the new tax-free bonds up on page eight of the Quotron?" or I will ask them about a problem they had or a stock that they are watching.

"Karen is by far the most sales-oriented manager I've ever seen," a veteran Merrill Lynch FC commented. "Literally every day, she finds just the right investment for a client. Now a good broker can get on the phone and use that immediately.... Some managers are content to just check the mail and do the administration. Not Karen. She really is very aggressive in trying to motivate the FCs."

Leary's superiors praised her development of innovative sales and training programs. She created a voluntary program of partnerships/internships for FCs both to motivate top, older producers and to help young FCs get started.

Some of these older people are doing five or six hundred thousand a year in production and have their business set. They get kind of complacent. At that point in their career, it is very difficult to get these people to prospect or develop new business. On the other hand, younger people need strong role models who are willing to teach them more about the business. I think this program provided a unique opportunity for less experienced FCs to learn firsthand about superior customer service and prudent money management.

Leary persuaded a few of her more experienced FCs to take on younger brokers or trainees as junior partners. The young brokers agreed to make the cold calls and draw up the client profiles needed to gather more assets, while the older FCs helped with the clients and with servicing the accounts. Leary hoped that the program would help reinvigorate the careers of some of her older producers while giving younger ones much-needed experience and supervision.

Leary stressed training her corps of younger brokers. She often came in before the market opened or on Saturdays to lead seminars designed to familiarize young FCs with financial planning techniques. Through case-by-case review, Leary led spirited discussions of Merrill Lynch products and techniques for profiling customer needs. She also leaned on her young FCs, keeping tabs on their cold calling (they were expected to make 200 calls a day) and overseeing the development of their own customer strategies.

Overseeing brokers' trades was an important part of a Merrill Lynch manager's responsibilities, and many of the FCs in Leary's office gave her high marks for staying on top of compliance issues.<sup>3</sup> The branch manager was considered the key to a brokerage house's compliance effort, since he or she was in the best position to monitor brokers. Branch managers were charged with guarding against a wide range of broker malfeasance, including churning (doing more trading in an account than warranted), misrepresentation (failing to properly convey the risks of an

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<sup>3</sup>Compliance is the name given to surveillance against broker fraud and to the maintenance of integrity in the brokerage industry.

investment), unauthorized trading, and unsuitability (recommending investments not in keeping with an investor's financial position).

One of Leary's first moves on taking over the Elmville office was to bring in a new chief compliance officer, one she felt would get to know brokers better and evaluate their trades. Daily, Leary reviewed all of her FC's account activity and often questioned FCs about their trades. Leary observed, "There is a great deal of concern about protecting our customers. So it is very important to me that we do quality business for them and make sure their investments are right and proper. We deal with money and are very tightly regulated."

Leary's aggressive approach to sales and compliance appeared to have paid off. During her first year, business increased by 30%. However, her style had some FCs grumbling. "She rides all the FCs hard," one commented. "She is always pushing you and looking over your shoulder." Leary hoped her innovative approach to management would be beneficial to and recognized by Merrill Lynch. From the Elmville office, her specific goals in 1985 included completing an office renovation, opening another satellite office, and developing the small business trade. Generally, she wanted to build "a high-producing, successful group of professionals who help one another and work together to provide clients with complete service in meeting their long-term financial goals. All recognizing, of course, that we're dealing with egos and that it takes a very strong ego to be successful."

## Developing the Taiwanese Market

### Hiring and Training Ted Chung

Leary hired Chung to develop the Taiwanese market for Merrill Lynch. "The Taiwanese are not really assimilated into the American system, so we needed a person with a Taiwanese background who spoke Chinese to begin to develop this market. I put some general ads in the paper, and Ted Chung was one of many who answered the ad and one of several Taiwanese." Numerous Taiwanese-owned and -operated businesses had sprung up throughout the Chicago area during the 1970s. Unlike other waves of immigrants to the United States, these Taiwanese had a strong network of contacts and sufficient capital to set up businesses. Through hard work and determination, family-run, first-generation Taiwanese businesses had built up substantial positions in a relatively short time. Many active Taiwanese community organizations had formed, and businesses tailored to the Taiwanese had opened their doors.

The other Taiwanese applicants were young, and Leary felt she needed a more experienced broker to work with Taiwanese businesspeople.

Chung was in his early forties and he appeared mature, stable, and responsible. He was married with four children, and his wife was a computer programmer. In his seven years in the United States, he had been a very successful salesman for a real estate company and had owned his own moving business. He was independently wealthy. He had been born in Taiwan, yet he was westernized in many ways.

Leary described hiring new FCs as one of the most important functions of a branch manager. She frequently interviewed people three or four times before making a final decision. She met with Chung eight times in various settings before hiring him.

I felt I didn't really know the whole person, but I wrote that off to the fact that he was Asian and I was not, or maybe there was some concern over my being a woman (though he never expressed any concerns). So after a period of time where I

could not put my finger on anything that was wrong, I made the decision to hire him because I felt there were so many areas where he fit. I knew his wife, met his children, knew where he lived, and investigated his background, and there was nothing there that appeared negative.

Newly hired FCs went through an intensive four-month training program. During the first two months, they prepared for the rigorous General Securities exam, and in their third month they learned additional subjects such as portfolio management and selling techniques. The first three months of the program were spent in the branch office, and Leary saw this as a time when trainees could learn how the office operated. Trainees were often asked to fill in for sales assistants or to help in operations.

Chung studied hard and did well on his test; however, Leary noticed that he bristled and found other things to do when staff members asked for his help.

I called him in and said, "You were asked to sit at the sales assistant's desk this morning, and it appeared that you were uncomfortable with this request, and you found some way not to fulfill it. Let's talk about that." He then described how his feelings were hurt. It came out that he didn't like to do those things; that he frankly considered it to be beneath him, particularly if an underling asked him. He told me that if I asked him he would do it for me. I said, "Well, Ted, this is an office and a business. As a trainee, you are here to learn and to develop, and I would like you to do that."

In their fourth month of training, FCs were sent to the Merrill Lynch training center at One Liberty Plaza in New York City. (Merrill Lynch opened a training center in late 1985 in Princeton, New Jersey.)

When Ted went there, he was very well prepared. He had received excellent scores on all of his tests. Before he went, he and I discussed strategies. I told him there were very fine research people there and gave him names of those people and told him he should develop relationships. And he did.

Leary noted that Chung was very good at establishing contacts with the Merrill people in New York:

Whenever he would go in to meet with a research person, he would bring them something to eat, coffees for both of them, and a doughnut or a bagel. He always made sure to call the person's secretary to find out how they took their coffee and any other preferences. After the meeting, he would send a note along with a little gift, such as a Merrill Lynch pen or cup. He had gone out and bought a whole slew of Merrill Lynch paraphernalia, and he used it effectively.

### **Bringing in the Big Account**

After four months as trainees, FCs began the often arduous process of gaining clients. Most FCs spent their first months back from training making up to 200 cold calls a day. They also gave and attended seminars on personal investing, identifying clients who could benefit from their expertise. Chung, however, felt that the Taiwanese market had to be developed differently.

Ted felt that he could develop the Taiwanese market, but that it was a different market and had to be approached according to Taiwanese tradition. He assured me that in time he would develop very substantial accounts, but that he wouldn't do a lot of business in the beginning, opening what he called "chicken-

"feed" accounts. I said fine. This is a responsible person who wants to be successful. This is the game plan he wants to use, and it makes sense to me.

Unlike his peers, Chung did not make cold calls and spent much of his time outside of the office, attending events in the Taiwanese community. He felt that the way to develop the Taiwanese market was to increase his own visibility and prestige. In the first three months after he had completed his training, Chung had yet to open his first account. Leary became increasingly concerned about his lack of prospective clients and business. She met with him occasionally, and he reassured her that he was developing relationships that would lead to substantial accounts.

Over time, Leary was becoming more aware of Chung's "stiff" formality and need for privacy. Leary noted:

Everything about his desk was spotless. He brought in all kinds of items from past lives, framed pictures of himself from magazines and other displays of his importance. No one was allowed to use his desk. People here can be a little touchy [about their desks], but he was really excessive. He didn't want people using his phone, he didn't want people working at his desk. Normally, an FC will have his desk the way he wants it, and if we are going to have someone else sit there, we usually do the person a courtesy and ask them. But sometimes you just can't. Nobody usually minds. . . . Once you sat at Ted's desk, nothing was an informal meeting. If I sat down there to chat with him, he'd get up and clear all of his papers away and arrange his coat and get everything all set before he would start to talk.

In his fourth month after training, Chung set the office buzzing by bringing in a \$6 million account.

I congratulated him, and we made sure that the account was set up properly. I then made calls to New York to three very good Merrill Lynch analysts and set up some private meetings to support him. I talked to him about the possibility of having the account managed by Merrill Lynch Asset Management, a Merrill Lynch subsidiary that manages substantial amounts of money. I was very uncomfortable with the idea of a brand-new FC handling that kind of money. He insisted that the client only spoke Chinese, that there was no way he would allow anyone else to work with him. Chung said he had come to Merrill Lynch only because of him and the fact that they were from the same village in Taiwan. Chung insisted that he could do it.

Leary and her administrative manager, Fred Lewin, began watching the account closely. (The administrative manager is also the chief compliance officer at the branch.) At Leary's request, Chung wrote a letter, in Chinese, to the investor detailing a financial plan that Leary had approved. Chung proposed a conservative stock purchase plan and option-writing program with money (which was coming out of CDs [certificates of deposit] held at a local bank) equally distributed between equities and a conservative fixed-income strategy. Leary commented:

Initially, the investments were pretty good. His first five or six investments were appropriate: they were fixed income and good quality stocks. Then he began to get into takeover stocks. It was an explosive time in the market when takeover rumors about many stocks were booming. While most of the stocks he was purchasing had takeover rumors circulating about them, he initially made sure that the stock was still a Merrill Lynch-recommended security. The stocks Merrill recommends are fundamentally fine, well-managed companies, and have nothing to do with the rumor mill. But the direction he was going in was becoming clear. I'd see his purchases show up on the computer screen and call him in. He would swear, "No, no, no, he's buying it because it's good quality stock, love the earnings," et cetera.

More and more of the account was being invested in equities, and Chung actively used margin borrowing. He also began purchasing stocks not recommended by the Merrill Lynch research department. FCs were not allowed to recommend these stocks to their clients and could not buy them unless the purchases were unsolicited. After making non-Merrill Lynch-recommended purchases, Chung presented typed, signed, certified letters to Leary from the client attesting that Chung had not suggested the stock and that the purchase order had come at the customer's insistence.

When Chung's handling of the account departed from the initial strategy, I told Ted I would need to meet the customer. The customer, a Taiwanese industrialist, spoke little English. Chung brought the customer in, but it was a fairly uncomfortable meeting because our communication was limited. The customer smiled and indicated that he was pleased with Chung's work. Ted interceded after about five minutes and said the industrialist had to catch a plane. Translating for him, Chung told me the client had enjoyed meeting me and thanked me for my hospitality.

Leary was now checking Chung's trades every morning. The account was trading actively, and Chung had generated a substantial amount of commissions. Chung was careful to document all of his trading activity formally and to fulfill standard compliance procedures. As time went on, however, Chung became more annoyed with Leary and Lewin's monitoring. He resisted questioning and occasionally became angry at Lewin's inquiries.

The other FCs were very impressed with Chung's achievement. In handling the account, Chung had made some good trades and had followed compliance procedures. Although he had not brought in any other accounts, Chung hinted that additional substantial accounts were on the way.

Leary commented:

When the trades were good, I would call him in and tell him he was doing a good job. I also kept urging him to try to develop other areas. I was always available to him if he needed consultation, and I got him through to people in New York who could help him with the account. These were people most first-year FCs don't ever get to sit down with.

## Back at Lunch

Following Chung's request for an office, Leary mentally reviewed the situation. She felt uncomfortable with several aspects of his performance, and the lunch was doing little to ease her worries. She did not know how involved Chung's client was with the account, and because of the language barrier and Chung's close relationship with the client, she could not check with the client more directly. Chung's growing displays of "ego and temper" also worried her. His request for a private office was totally inappropriate. Leary observed:

It usually takes a person a substantial amount of time to get a private office here. They go to very special people who have really earned their spurs through a lot of good quality business and longevity with the firm. So while the FCs in the office were amazed by the business Ted was doing, they also needed to think of the office as their family, where things were basically fair.

FCs frequently stated that they considered a private office an important success symbol and worked hard to achieve it. One private office was available, and Chung clearly had his eye on it.

Leary talked with Chung on numerous occasions about her expectations and about her views on how FCs should build their business. Chung never openly disagreed with her, but it was difficult to gauge exactly what he was thinking. Although she once had some qualms about Chung's slow start, he was now a strong producer (with this one account), and Leary knew that the Taiwanese market could be further developed. Leary wondered how she should respond to Chung's request, and what impact her answer would have on the rest of the office.



## Negotiation

De Janasz, S., Dowd, K.O. and Schneider, B. "Negotiation." *Interpersonal Skills in Organizations*, 4/e, 184-199. New York: McGraw-Hill Company. Reprinted by permission.

### Learning Points

How do I:

- Determine what I want in a negotiation and make a plan to facilitate achieving it?
- Determine my best alternative to that goal if I don't get all that I want in a negotiation?
- Understand the other party's wants and needs in a negotiation?
- Involve the other person in a collaborative and interest-based negotiation?
- Know when to walk away from a negotiation if a resolution doesn't appear possible?
- Utilize agendas, questioning, framing, scripting, and other negotiation strategies to increase my effectiveness as a negotiator?
- Identify unethical negotiation behaviors and determine the motivation for engaging in such behavior and strategies for dealing with it?
- Increase my comfort and skill with special situations in negotiation, such as multiparty, virtual, and global negotiations?

*John Monroe is a senior vice president for one of the country's largest hotel chains. Given his well-earned reputation as an industry leader in improving customer focus and satisfaction, it's not surprising to learn that a competitor based in the United Kingdom is attempting to lure John away from his company. In fact, the initial contact with Rupert Kingston, the CEO, progressed to two additional phone conversations, and most recently, a face-to-face visit where Rupert and members of the senior management team wined and dined John and ended with "an offer he can't refuse." While John has had some concerns about his present employer, he hadn't been actively looking for another position. In addition, he is concerned about how his wife and 14-year-old daughter would react to a move. They moved 800 miles away from their home when he took his current position five years ago, and both ladies had a tough time making new friends and adjusting to a town that was substantially larger (in size and population) than what they were used to. After his visit, John found himself sitting on the plane, contemplating whether he should accept the offer.*

1. At this point, what should John do? What, if anything, should he refrain from doing?
2. What kind of preparation should John do prior to his negotiation about the terms of the offer? What kind of data should he gather, what people should he talk to, and what decisions should he make?
3. What are some specific arguments he could use to improve his chances of getting the opportunity package in which he is interested?
4. Even if he decides not to take the offer from the UK, how can John use this situation to address and improve the “concerns” he has with his present employer?

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*“You often get not what you deserve, but what you negotiate.”<sup>1</sup>*

John Mariotti

**E**veryone negotiates. Children negotiate to decide which games to play or which television show to watch. Students try to negotiate a higher grade from their professor. Employees negotiate for a certain salary, benefits, or perquisites. Corporations negotiate with other organizations on the sale or purchase of assets, materials, or operating units. Negotiations occur globally as in the case of the Mideast, the NATO treaty, and NAFTA. Whether you’re a diplomat or dignitary, spouse or salesperson, student or teacher, you negotiate almost daily. Sometimes the stakes are high, as in the case of a buyout of a firm; sometimes the stakes are low, as in the case of which movie you and your friends choose to see. In this chapter, we discuss the fundamentals of negotiation, benefits of doing it well, types and stages of negotiation, and principles and strategies for enhancing your skill in this arena. At the end of the chapter are several exercises to help you build your negotiating skills, as well as a list of references that will help you pursue this important topic further.

## What Is Negotiation and Why Is It Important?

Negotiation is a process in which two or more people or groups share their concerns and interests to reach an agreement of mutual benefit.<sup>2</sup> It occurs when all parties have both shared interests (meaning they’re committed to a resolution) and opposed interests (meaning they don’t agree on everything). This definition implies that both parties have an incentive for devoting energy to the negotiation and that they are willing to collaborate on reaching a shared agreement.<sup>3</sup> Sometimes we use the terms *bargaining* and *negotiating* interchangeably, although most associate bargaining with the type of haggling that occurs over items in a yard sale and negotiating with a more formal process in which parties attempt to find a mutually agreeable solution to a conflict situation.

### Why Do We Negotiate?

We negotiate when what one party wants is not necessarily what the other party wants. The conflict of interests may be clear and simple. If the competitor offers John a significant increase plus a package that is attractive to John’s wife and daughter, John may accept the offer. If the competitor doesn’t have the latitude to offer a significant increase, or doesn’t show an interest in the family’s overall needs, John may turn down the offer. At other times, the conflict is more complex, consisting of multiple issues, competing interests, and unlimited potential solutions. Examples of this type of conflict include the merger or takeover of a company, a rift between a company’s management and its unionized employees, or a divorce. While some conflicts wind up in court, most conflicts of this type, even those that appear to be quite complicated, can be negotiated and settled before trial.

Complex negotiation is a fact of life for anyone in business. Managers ensure work gets done on time and within a budget. To do this successfully, managers negotiate for



Source: www.CartoonStock.com.

the necessary resources. As long as resources are scarce, negotiation will always be an essential skill for businesspeople. Another factor driving the need for negotiation skills in business is the increased use of teams in the workplace. As individuals from “competing” business units are brought together on projects, the ability to negotiate with others—both inside and outside the team—is critical for the ultimate success of the project team. Global diversity is another factor motivating the need for acquiring skills in negotiation. As employees from a variety of countries and cultures are brought together to work on projects and joint ventures, an inevitable clash of customs and business practices results in almost constant negotiating that involves developing and modifying relationships and expectations over time. A backlash against the litigious tendency of our modern society is another reason why it is important for managers to develop skill in negotiating. As the court dockets fill with numerous (and often frivolous) lawsuits, the negotiation of differences has become accepted and valued as a cost-effective alternative to litigation. Witness the growth of the number of organizations dedicated to helping individuals and companies improve their negotiating skills. The increasing number and availability of books, audio and videotapes, and Internet sites devoted to this topic provide further testimonial to the importance of effective negotiating in today’s world. All these factors build a compelling case for acquiring and enhancing your negotiating skills.

## Benefits of Honing Negotiation Skills

Individuals who master the skill of negotiation can gain many benefits, among which are these:

- **Increase your salary, profits, and marketability.** Good negotiation skills lead to better deals in everything from your salary and benefits to anything you purchase or sell. Near the end of a positive job interview, a recruiter may offer a particular salary/compensation package. An inexperienced or unskilled person will see this offer as fixed—one to accept or decline. However, a good negotiator knows that this typically is an opening bid, and not a final figure. She or he has the experience and confidence to ask relevant questions, present compelling evidence, and request a better deal. The same is true when negotiating on behalf of your employer (or yourself, if you are an independent contractor). Good negotiation skills breed confidence, which breeds successful outcomes, which leads to even greater confidence in yourself and your ability to succeed—in your current and future endeavors.
- **Save time, money, and grief, while ensuring needs are met.** Negotiation is a more efficient and effective way to reach a solution than either a lawsuit or arbitration.<sup>4</sup> In a lawsuit, the adversarial nature of the environment pits one set of interests against the other. The goal is a “win–lose” situation, where one of the parties is clearly victorious over the other. In arbitration, both parties agree to a settlement reached by

a third party, which may or may not reflect the interests of the conflicting parties. Arbitration occurs outside of the courtroom; however, the parties involved are bound by the verdict—one that may or may not bring satisfaction. Verdicts resulting from arbitration often resemble “win–lose” or even “lose–lose” resolutions, where either one party is victorious or both parties must compromise so severely that the final agreement is perceived as losing by both parties. In contrast, negotiation, when handled properly, typically results in identifying the primary interests of both parties and generating an agreement that addresses key issues of both parties. This can result in a “win–win” solution where both parties feel their primary interests have been listened to, if not addressed.

If a resolution can't be reached, arbitration or litigation may be necessary. However, these options tend to require more time and effort than negotiation. In a lawsuit, attorneys spend many hours doing research and preparing. In arbitration, an outside third party (an arbitrator) spends numerous hours getting up to speed on a case before being able to rule on it. All of this time is costly—hundreds of dollars per hour—to the parties involved. In negotiation, both parties are involved from the outset. Each party serves as the chief spokesperson for her or his point of view. Naturally others are involved, principally the negotiator or negotiators. But they work in partnership with the two parties, not as surrogates. The principal work is performed by the two parties themselves, resulting in a saving of time and energy spent on the negotiation process.

- **Improve relationships.** Even something as simple as a disagreement or misunderstanding with a friend or neighbor can escalate to an ugly and consuming battle if the parties are unable or unwilling to negotiate to resolve their differences. Working or living alongside an “enemy” can be anything but enjoyable. Another benefit of negotiation is that when it works, it helps both parties not only to achieve a workable resolution, but also to help preserve and improve their relationship, reputations, and sense of professional achievement. Conversely, after an arbitration or lawsuit has concluded, the parties involved often experience lingering feelings of resentment and anger that preclude them from being able to continue working together.
- **Reduce the number and severity of conflicts, thereby reducing stress.** Studies show that those who have sound negotiating skills are able to maintain better control in business and personal situations.<sup>5</sup> Good negotiators can focus on identifying each other's key interests and viewing the situation objectively, while putting their emotions aside. Over time, those who practice negotiating find they are better able to resist responding emotionally to a potential conflict, and tend to experience a reduction in the number of potential future conflicts. Being able to surface issues, clear the air, and deal directly with all legitimate concerns during a negotiation results in a clean slate—a feeling that both parties have been fully listened to and understood. This reduces frustration and the chance that these issues will resurface and generate additional conflict.

## Integrative and Distributive Bargaining Strategies

Once we decide to negotiate,<sup>6</sup> our approach to negotiation or bargaining will generally fall into one of two categories or strategies: integrative, or “win–win,” and distributive, or “win–lose.”<sup>7</sup> Both strategies have their benefits and disadvantages and can be used depending on the needs inherent in a specific situation.<sup>8</sup>

Negotiators use an **integrative bargaining strategy** when they believe that a win–win situation exists and can be reached. This means that there's a chance both parties can achieve their primary objectives, without either feeling they lost. In integrative bargaining, the goal is to collaborate and generate one or more creative solutions that are acceptable to both parties. A simple example would be a couple trying to decide on a movie to rent. Taking an integrative approach, they would begin their discussion by drawing up a list of only those movies that were acceptable to both parties. They would discuss the available choices and choose a movie to see from that list, rather than arguing in favor of a movie that only one of the two parties wants to see.

A more complex example involves the creation of a “preferred supplier” agreement. Many firms seek to formalize the arrangements they may have with a particular supplier or vendor in order to reduce the uncertainty of changes in price and other market conditions. Should both organizations take an interactive approach to this solution, they would look beyond price—after all, the supplier’s likely interest to maximize price is at odds with the organization’s need to minimize it—to understand both the short- and long-term needs of both organizations. Issues of availability, reliability, quality, and prompt delivery and payment all enter into the equation in which price is but one factor. It’s in both parties’ best interests to find a workable solution, one that meets these multiple criteria. The supplier wins because it has a consistent customer for its product, ensuring a positive cash flow, steady employment, and predictable operations. The organization wins because it can rely on receiving the supplier’s product consistently, when it’s needed, at a fair price, and in the requested quantity. It doesn’t need to search for additional options to save a few pennies; when all factors are considered, a preferred supplier arrangement benefits both parties.

Integrative bargaining only works when both parties are committed to preserving the relationship that exists between them. Integrative bargaining requires a great deal of creativity, problem-solving ability, and time, as well as a set of ultimate goals on which both parties can agree. Arriving at a truly integrative or collaborative solution to a conflict requires that those involved gain and use the necessary skills, knowledge, and attitude (including patience). Another requirement for integrative bargaining to work is a climate that supports and promotes open communication. Both parties need to be willing to change and to confront their conflict directly rather than run from it, resolve it through brute force, or pretend it will go away. The parties must be open to establishing longer-term goals on which they can both agree. For example, the couple choosing a movie must recognize that their relationship is more important than the choice of a movie and must be willing to collaborate or, if necessary, compromise for the sake of the overall relationship.

A **distributive bargaining strategy** is based on an attempt to divide up a fixed “pie” or amount of resources, resulting in a win–lose situation.<sup>9</sup> Negotiators taking a distributive approach typically take an adversarial or competitive posture to dividing a fixed amount of resources. One improves its lot at the expense of the other. This scarcity mentality implies that only one of the two parties can have the conflict resolved to its satisfaction. In distributive bargaining, the focus is on achieving immediate goals, with little or no regard for building future relationships. Little time or energy is expended in resolving the conflict in a distributive negotiation, resulting in the generation of few if any creative solutions. Generally, one or two fixed solutions are presented and a decision or choice is expected almost immediately, with possibly some consequence if a choice is not made soon. If distributive bargaining were used to resolve the movie decision mentioned earlier, the couple would likely not be very close, and one or both parties would not care whether the relationship was a good one or lasted much longer. In this example, one member of the couple would say something like, “This is the movie I want to see. Take it or leave it.” There would be no real discussion of the wants and interests of both parties. The “agreement” would be reached either by dictate or after some fierce arguing. While win–lose is not a recommended strategy for resolving issues, it can be used in situations where achieving short-term goals is more important than maintaining or building longer-term relationships. Distributive bargaining is also appropriate to use in situations that are so contentious there is no possibility of a win–win solution, when there’s a sense of urgency and time is short, and when the relationships involved are relatively unimportant compared to the issue at hand. Forcing children to wear protective gear when bicycling is an example of this. “Aw, Mom, do I have to wear my helmet? What if I promise to be really careful?” Allowing the child to negotiate on this issue is a waste of time, as his or her safety is paramount in this situation. Despite the intuitive appeal and apparent societal acceptance of the “winner take all” or “ends justify the means” approach to negotiation, distributive bargaining generally tends to be ineffective and counterproductive and should be used only in certain circumstances. Figure 9–1 summarizes these two approaches.

**Figure 9–1**  
Comparing Bargaining Approaches

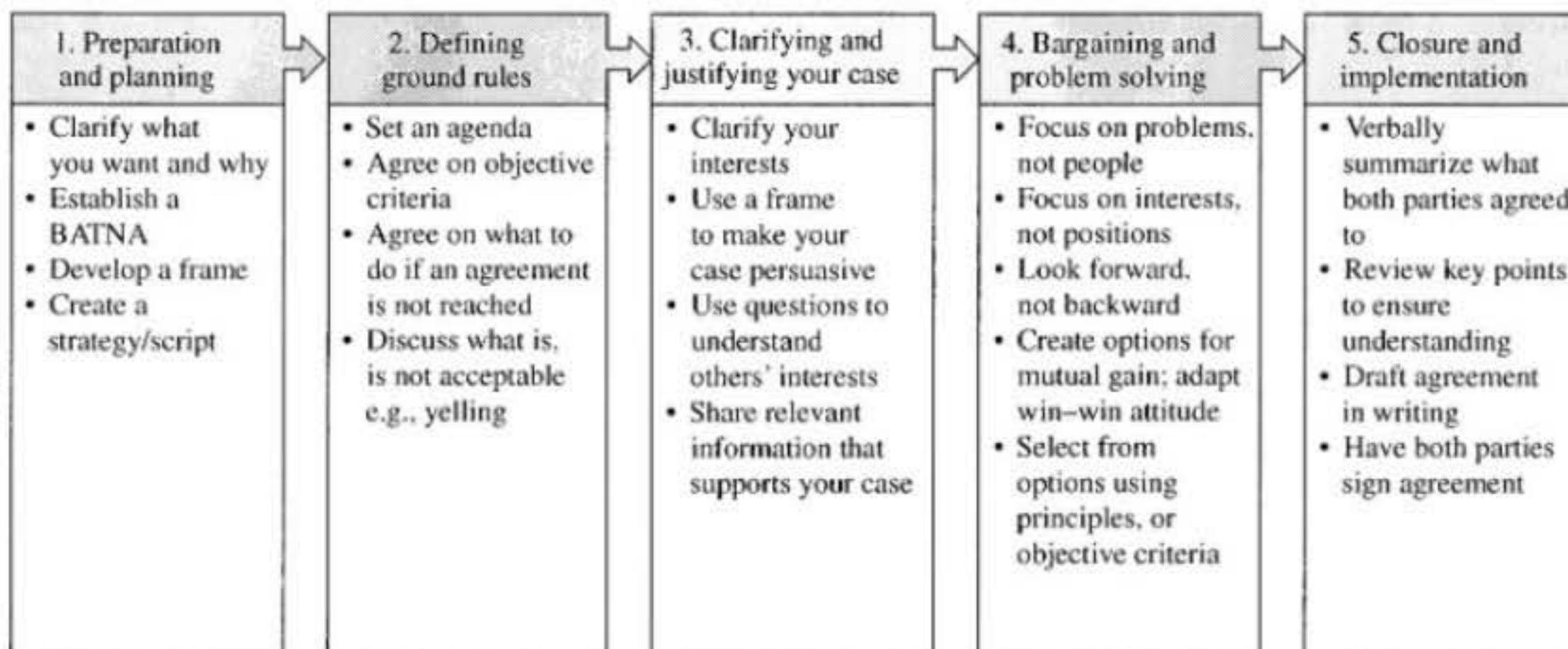
Considerations	Integrative Bargaining	Distributive Bargaining
Likely solution or end result	Win-win	Win-lose or lose-lose
Importance of continued relationship with bargaining partner	High	Low
Goal	Collaborate and generate multiple options or solutions; expand the pie	Winner takes all (scarcity mentality); distribute a fixed pie
Bargaining climate	Open, communicative, creative, willing to change	Determination to win, willingness to walk away, cards held close to the chest, ends justify the means
Amount of time needed	More	Less
Time horizon in consideration	Current and future	Immediate only

## Five Stages of Negotiating

We've discussed why people negotiate and the types of negotiation. Now we turn to the how, or the process of negotiating. Keep in mind that all negotiations are different. Simple negotiations, such as choosing which movie to rent, need not require an extensive negotiation process. However, when negotiations involve significant or complex issues, you should consider using the five-stage process model depicted in Figure 9–2. As illustrated, negotiating consists of five stages: (1) preparation and planning, (2) defining ground rules, (3) clarifying and justifying your case, (4) bargaining and problem solving, and (5) closure and implementation.<sup>10</sup> These stages are described below.

**1. Preparation and planning.** Without question, preparation and planning are the keys to successful deal making. While some may think they can negotiate effectively "on the fly," all negotiators benefit from thorough advance thought and preparation. Be clear about what you want and why. Gather data to support your position. Consider ways to present your arguments persuasively. Consider what the other party wants and

**Figure 9–2**  
The Five Stages of Negotiation



Many of the strategies or tips discussed in the chapter that should be considered during each phase are listed under the corresponding stage.

why. What data or tactics might they use? How will you counter? Answer these questions when preparing your negotiation strategy. Understand your and the other party's strengths and weaknesses, and take these similarities and differences into account in your strategy. If negotiating is new to you, learn and practice the basics of negotiating well in advance of a planned negotiation. Build new skills that are appropriate to this particular situation.

Another important component in preparing for negotiations is determining your **BATNA**, which, according to negotiation experts Fisher and Ury, is the best alternative to a negotiated agreement or the best outcome one party to a negotiation could get should the negotiation neither occur nor conclude.<sup>11</sup> By identifying your BATNA, you strengthen your bargaining position and chances for a positive outcome. For example, if you want to secure a position with a well-regarded firm in a particular industry by June, what will you do if that hasn't happened by then? Will you accept a lower salary at a lesser firm? Will you choose to go to law school? Would you accept a low-paying or nonpaying internship that provides marketable experience? The BATNA is not your bottom line, or the minimum you'd accept; instead, it's a desirable outcome that you've considered or arranged prior to the negotiation should the negotiation not take place. This alternative gives you flexibility and a sense that you don't have to take whatever is offered.<sup>12</sup> Lastly, prepare for a negotiation by learning as much as you can about the other party prior to the negotiation. In addition to the questions above, see what you can uncover about their negotiating style by talking with others with whom they've negotiated. If possible, try to become acquainted with the other party before the planned meeting. By establishing your willingness to get to know the other party, you will be better able to begin the negotiation with a positive, relationship-based tone rather than on an adversarial note.<sup>13</sup>

2. *Definition of ground rules.* Determining your own guidelines or rules for the negotiation helps you plan a strategy that can be successful.<sup>14</sup> Establish who will or should be present and at what part of the negotiation. Decide where the meeting will be held and offer a possible agenda for how the time will be allocated and for which issues. The location has implications in terms of who's in charge. While there may be a benefit to having the negotiation at your office—the home court advantage—agreeing to have the negotiation at the other party's office might show flexibility and willingness to negotiate on your part. When the topic covered is potentially divisive or difficult, a neutral location might help level the playing field for both parties—an important consideration when an integrative solution is desired.

Set enough time in the negotiation to deal with the critical issues that are involved. Getting two opposing parties to agree, especially when multiple issues are being simultaneously considered, requires more time than you might imagine. Shortening the time available for the discussion serves as a conversation stopper and is counterproductive. Prior to the negotiation, establish a flexible, reasonable plan that outlines what you hope to accomplish, how you intend to talk about the topic, how you plan to introduce the topic, and how you will handle any responses from the other party. Set clear parameters for the discussion and the process such as no name calling, it's okay for either party to call a time-out, additional issues may be set aside for a later discussion, and you both must agree. Finally, seek agreement on standards and criteria to use when discussing the various alternatives that the discussion generates.<sup>15</sup>

3. *Clarification and justification.* As the negotiation begins, state what you want and why. A key issue here is the difference between positions and interests. A **position** is a stance—typically a firm one—taken by a negotiator. “I'll give you \$4,500 and that's my final offer.” An **interest** is the explanation behind the position, need, or desire that expresses why a negotiator wants what he or she wants. “I'm asking for \$5,000 because the car has low miles, an upgraded stereo system, and brand new, all-weather tires.” It's important for both parties to learn the interests behind the stated position. When you share your interests and expectations, you set the stage for the other party to be similarly open about their desires and reasons behind them. Doing so also allows them to become fully engaged in the process. Clarifying to one another your proposals and the rationale behind them requires

**Figure 9–3**  
Verbal Negotiation  
Tactics<sup>16</sup>

Tactic	Description	Example
Self-disclosure	I will tell you something about myself or important information.	We have had to lay off 100 employees this month. We really need to sign a major contract by the end of the year.
Question	I will ask you something about yourself.	Can you tell me more about your foreign operations?
Reward (unconditional, positive)	I will give you something positive now, on the spot.	Let's make it easier on you tomorrow and meet closer to your office. I have appreciated your meeting at my building.
Threat (conditional, negative)	I will do something you do not want me to do, if you do something I don't want you to do.	If you don't give me a good price, I'll take my business elsewhere.
Recommendation	If you do something I want you to do, a third party will do something you want.	If you give me a good deal on this item, I will get my friend to buy one too.
Warning	If you do something I don't want you to, a third party will do something you do not want.	If you do not replace this item, the government will investigate your operation.
Promise (conditional, positive)	I will do something if you will do something I want you to.	I will lower the price by \$5 if you will order in bulk.
Punishment (unconditional, negative)	I will give you something negative now, on the spot.	I refuse to listen to your screaming. I am leaving.
Normative appeal	I will appeal to a societal norm.	Everybody else buys our product for \$5 per unit.
Commitment	I will do something you want.	I will deliver 100 units by June 15.
Command	I will order you to do something.	Lower your price.

excellent communication skills and enhances both parties' understanding of the key issues that are involved and the ability to collaboratively discover common interests. The first three verbal tactics included in Figure 9–3 will facilitate this negotiation stage.

4. *Bargaining and problem solving.* In the fourth stage, both parties are actively and constructively engaged in working toward solutions. Once the interests and criteria are clearly communicated, it is time for a creative, idea-generating process. This requires skill in finding solutions that might address one or more of the parties' collective needs, as well as "expanding the pie" and generating even more creative solutions that may not be readily apparent. At this stage, it is best to remain open-minded, considering options without making value judgments or critiquing them. Judgment curtails creativity. By exploring all possibilities for solutions, rather than trying to focus too quickly on one fixed solution, interesting ideas and combinations of ideas may emerge.

Consider, for example, the aging patriarch who is looking for a potential suitor to buy his company. It would be easy to argue over dollars and cents—what the company is worth—and never arrive at a mutually agreeable solution. First, the assumptions or models both parties used to estimate the company's value are likely different. Second, there is a great deal of hidden "value." The business is not just a collection of assets, employees, customers, patented processes, and accounts receivable; it is, in the founder's mind, a child he nurtured for years and years. Putting yourself in the shoes of the founder, think about what he really might want, besides money. Recognition for his business acumen? A position as chairman emeritus and consultant? A monthly stipend and benefit package? An opportunity to share in the profits for the years he remains

as a consultant to the new owner? When you look outside the box of the calculable solution, you might find something even better.

Once a number of alternatives have been put forth, analysis and discussion of each can begin. Take the time to assess carefully how well each alternative meets the interests of both parties, the benefits and disadvantages, and its relation to the key issues involved in the negotiation. At this stage, it is appropriate to begin narrowing the options to the one or few that appear to best solve the initial problem in a way that is satisfactory to both parties. Don't worry about "dotting all the i's and crossing all the t's" at this point. Details like the exact percentage of the profit-sharing plan described above can be worked out later. Structure a deal on which you can both agree by recording key terms of the agreement and the steps necessary to complete the details and maintain the agreement.

Sometimes, you don't have all the data available to finalize a decision. For example, you might agree to provide a benefits package to the founder of the company for a period of no longer than three years and at a price no greater than 30 percent of his monthly draw. Determining which insurance company and whether it covers monthly chiropractic visits is more detail than is necessary at this point. Other times, you might have to end the discussion with some terms still up in the air. Perhaps a key piece of information will only be available at year-end. Record the terms to which you've reached agreement, and agree to postpone deciding on the remaining issues until a specified future date. This approach is generally preferable to one in which the last few details are quickly and perhaps forcibly pushed through. If the deal is likely to stipulate how two parties will work together over the next 5, 10, or more years, isn't it worthwhile to invest a proportionately similar amount of time and energy to ensure that the partnership will be successful?

5. *Closure and implementation.* In this final stage, the terms of the agreement that has been reached are formalized. Unfortunately, many overlook or ignore this step, thinking that once an agreement is reached it will be implemented automatically. Leaving out this step can lead to future misunderstandings. No two people will leave a communication with the same perceptions. The only way to ensure that both parties know what they're agreeing to is to take specific steps:

- Document what you agreed on.
- Review the key points to avoid misunderstanding.
- Discuss issues that the parties hedged on, describing clearly all stipulations of the agreement.
- Get it in writing.
- Read the written agreement before signing to ensure clarity and commitment to what was negotiated.<sup>17</sup>

Every negotiation is likely to present you with different challenges and opportunities. By following these five steps and the advice contained therein, you can increase the likelihood of arriving at an agreement that meets the needs of all parties involved in the negotiation.

## Strategies for Negotiating Effectively

The process model we described provides a helpful template for preparing for and participating in a negotiation. Within these stages, and as depicted in Figure 9–2, a number of tips and techniques can improve the likelihood of achieving success. Because of their importance in the negotiation process, three of these concepts—scripting, framing, and managing—are discussed in greater detail below.

### Scripting

There is no substitute for adequate preparation in negotiation. Unlike other business interactions that can be handled simultaneously, negotiation is a serious enterprise that requires focus, attention, time, research, and planning. The more prepared you are, the greater the chances that you'll get what you deserve and bargain for.

**Figure 9–4**  
**Negotiation Script/Strategy Outline**

- Goals:
- Develop an interest-based strategy/approach prior to a face-to-face negotiation
  - Identify potential options/plans that can be proposed
- Topics to Consider:
1. The other person's probable strategy. What do they want (goals) and why (interests)?
  2. My strategy. What do I want and why? What am I willing to accept (my BATNA—best alternative to a negotiated agreement)?
  3. How I'll begin the negotiation. What can I say to position the negotiation positively and to express my desire to arrive at a solution that is mutually rewarding and satisfactory?
  4. The core issues, and any assumptions about those issues, include the following (remember to focus on the problem and not the person):
  5. The primary focus or the real problem(s) to be resolved is:
  6. What might get in the way of achieving the desired outcome? How can I overcome this?
  7. How I'll react to . . . (list several potential proposals that may emerge during the negotiation and how you feel about those proposals):
    - (a)
    - (b)
    - (c)
  8. Potential creative options or integrative, win-win solutions that I might suggest:
    - (a)
    - (b)
    - (c)
  9. Components of a plan and/or objective criteria on which we can both agree:

One of the best ways to ensure adequate preparation time is to develop a **script or strategy outline** (see Figure 9–4). Take some time to think about the negotiation situation in which you find yourself. What are your interests and those of the other party? What would you each ideally like to see come out of the negotiation? How would you each like things to end up? What are some ways in which that might be possible? What can you do to make this happen? By thinking through the issues, objectives, options, and solutions from both your and the other's perspective, you are better able to handle almost anything that develops during the negotiation. Preparing ahead doesn't prevent surprises. But it can certainly lessen the number of surprises and make it more likely you can handle the unexpected if and when it happens.

## Framing

Another important element to consider when preparing for or managing a negotiation is a **frame**. A frame is a point of view or perspective we bring to an interaction such as a negotiation. How we view a situation can affect how willing we are to engage in a negotiation and even our goals. Negotiation experts Margaret Neale and Max Bazerman offer the following example.<sup>18</sup> You and a friend go to the beach. After a few hours, your throat becomes dry and you'd like a sparkling water—if the price is right. Your friend offers to investigate the options, and you consider your limits. In one scenario, you're about a mile from town and notice a small, run-down market about a block away. How much are you willing to pay for a bottle of water? In another scenario, you and your friend are lying on the beach owned by a four-star resort. The waiter is about to approach and ask if he can get you anything. Now, how much are you willing to pay for that sparkling water? Chances are, you'll pay more in the second scenario—for the same bottle of water. Similarly, if people are convinced they are getting a good deal, they are more likely to accept the offer presented. On the other hand, if they think they are being taken advantage of, they are much less likely to accept the offer even if it means they end up worse off. Indeed, the more negatively you frame a situation, the more risk you are likely to take, because you believe you have less to lose. Imagine you were working at General Motors in the summer of 2006 when the company offered a buyout—paying you to leave your job—to a large number of employees. If you hated your job or believed you would be laid off permanently, you would be more likely to accept the buyout, even if you didn't have another job lined up, than if you liked your job and believed you were unlikely to be laid off.<sup>19</sup>

When we use frames in negotiation, we provide a perspective that helps others understand where we are coming from and manages expectations. When proposing a plan for downsizing an organization to shareholders, one possibility is to frame this move as a means to minimize costs or losses. Another possibility is to frame this move as a means to maximize competitiveness. While both frames explain downsizing, the frames—posed as either losses or gains—will likely have differing effects on the perceivers. Similar to framing a picture, the frame highlights the points you want to make in negotiation and provides a filter for the other party to assess your position and supporting evidence. This is done by selecting a perspective believed to be credible, compelling, and appropriate to your intent. Frames can also provide a rationale for the evidence presented and a sequential pattern for presenting the evidence. This is done by creating a structure for organizing and presenting the evidence.<sup>20</sup>

Framing is beneficial in negotiation because it helps focus attention on the priorities you want to emphasize—the data and premises within the frame. It also establishes a “big picture” context for the listener to use in perceiving and sorting through various options.

Framing can also save time and words. Extending the picture analogy, because a picture is worth a thousand words, a frame that paints a picture can efficiently and effectively enliven the goals you are pursuing. Imagine two CEOs discussing a potential merger of their companies. One uses a metaphorical frame and alludes to a “melting pot of employees” in describing his hoped-for outcome for the merger. This frame paints a picture that both parties understand. The second CEO is a bit more creative. She recasts the frame and refers to the “mixed salad of employees” her plan is designed to create. Both plans highlight employee diversity, but the second frame recognizes the individual talents and skills of employees who can collaborate and work together while the first plan may be interpreted as a homogenization of all employees. As negotiators we can use frames to recast the other party’s notion of what is desired in a negotiation. We do this by reframing the discussion—describing it differently to ourselves. By reframing we’re able to see it in a new light and approach the negotiation in a different way. A frame can be used to sell a proposal and overcome objections others might raise. To do this,

- Develop a frame based on *both* your needs and those of the other party.
- Construct a set of messages that influence the other party’s perception of these needs.
- Provide the other party with a filter to interpret your message—such as “half-empty or half-full,” “good or bad,” “profit or loss,” “cost or benefit.”
- Think ahead about possible misinterpretations or negative twists on your frame, and be prepared to reframe as needed.

## Managing

The last strategy to consider when preparing for and in the thick of the negotiation is *managing*. Every negotiation is an opportunity for you to manage: yourself, your expectations, the timing of the event, the way in which you approach the situation, your feelings toward the other person. The more you respond to a negotiation as a management challenge, the more proactive you can be in looking at it positively. A negotiation can be a learning experience, a chance to acquire some new skills, and maybe even a way to get what you want! Or it can be something you dread, fear, and avoid if possible.

The adage “practice makes perfect” really applies here. Negotiation doesn’t come naturally to most people. Practicing negotiation greatly improves your ability to manage a negotiation situation successfully. Start small, with minor events day-to-day, such as negotiating an earlier lunchtime with co-workers. The more you negotiate—paying attention to your needs and speaking up for them—the better prepared you will be for significant negotiations in business and in life. Only negotiate when you’re ready—when you have the time, have had the time to prepare, and are in an appropriate state of mind. Thorough negotiations can be exhausting; you have to be ready to persist. You can ensure you’re ready by managing the circumstances under which you’ll negotiate. Only agree to terms that are acceptable to you. For example, where, when, and with whom you’ll negotiate are all things that make a difference and things over which you have some control. Assert that control so that you are at your best at the time of the negotiation. For example, if your boss asks you if you would delay your vacation by two weeks, and your plans

involve others, respond with, "I'll have to get back to you in a day or two after I discuss this with my spouse."

Manage your emotions. Demonstrate exceptional listening and clarifying (communication) skills. This helps you focus on the issues at hand, not on how you are responding emotionally. Plan to engage only in discussions or arguments that are constructive. Be prepared to walk away or take a "time-out" if necessary. Sometimes called a caucus, this time-out could be used alone (or with a negotiating partner in a team negotiation) to gather your thoughts, adjust your strategy, and discover new frames or solutions.

Agree to disagree. Sometimes issues are unsolvable at that moment. It's better to quit while you're ahead and set another time to continue discussing remaining issues. Don't put anyone on the defensive. When we're upset, we often blame or label others, causing

**Figure 9-5**  
**Questioning<sup>21</sup>**

Questioning is recommended in negotiation when it is necessary to clarify communication. **Manageable questions** start thinking, get information, and prepare the other person for additional questions. **Unmanageable questions** cause difficulty by bringing the discussion to a false conclusion. Manageable questions can produce dialogue and creative approaches, while unmanageable questions may produce defensiveness and/or anger.

#### Manageable Questions

Type of question	Example
Open-ended	Could you explain the reasons for your decision?
Open (to get the other person thinking)	What is your feeling on the matter?
Leading (point toward an answer to the question)	Do you feel our proposal is fair?
Cool (without emotion)	How much would be charged for the additional work?
Planned (follows an overall sequence of questions)	After the additional work is completed, may we begin our phase?
Treat (flatters the opponent while soliciting information)	You are an expert in this area; what is your opinion?
Window (assists in seeing what the other person is thinking)	What brought you to that conclusion?
Directive (focus on a specific point)	How long will it take to complete the job?
Gauging (assists in determining how the other person feels)	What do you think about our proposal?

#### Unmanageable Questions

Type of question	Example
Close-out (forces your opinion on the opponent)	You wouldn't want to make us look bad, would you?
Loaded (puts opponents on the spot regardless of answer)	So, you are not willing to negotiate further?
Heated (triggers an emotional response)	Haven't we spent enough time on this crazy idea?
Impulse (tends to get the conversation off track)	While we are on the subject, is there anyone else who might care about this?
Trick (appear straightforward, but are actually "loaded")	What are you going to do—agree to our position, or go to court?
Reflective "trick" question (directs the opponent into agreeing with your point of view)	Here is the way I see it, don't you agree?

them to strike back in kind. This kind of negotiation will go nowhere. Make statements that are factual and “I” based rather than “you” based. For example say, “I am upset about the amount of raise I got,” rather than “You’re unfair for giving me such a low increase.” Other techniques for managing negotiations include the use of agendas, questions, and summarizing techniques. A negotiation is a meeting and should be treated as such. If an agenda was not created in advance, and the negotiation is getting off-track, spend a few minutes establishing an agenda. Decide key issues to discuss, and allocate time accordingly. Post the agenda and refer back to it to keep the discussion on track. Periodically summarizing what’s been discussed and agreed upon not only helps to keep the discussion focused, but can also help reduce redundancy (i.e., beating a dead horse). Sometimes, negotiators revisit issues that have already been resolved because they forgot or are unsure whether a point was resolved or deferred for later discussion. By saying, “Okay, let’s review. We agreed to points *a*, *b*, and *d*, but are still working out the details on points *c* and *e*. Does that track with how you see it?” you can manage time and stay focused on the negotiation.

Finally, questions can be useful in many ways. Aside from helping you understand others’ viewpoints and needs, questions can help steer the discussion toward desirable issues in a more subtle way. Depending on the goals of the negotiation, consider using various types of questions as appropriate from the list shown in Figure 9–5.

## Additional Tips for Effective Negotiating

What else can you do to ensure that you not only reach an agreement but also maintain or enhance your relationship with the other party? The following principles of successful negotiation should help ensure that negotiations are integrative, objective, and potentially relationship enhancing.

- *Determine the importance of the outcome for you.* What do you want and why? Only negotiate when the matter is something you truly care about and when you have a chance of succeeding. Identify what you really need from the deal, not what you assume you need. Identify several items of interest to you and rank them in descending order of importance.<sup>22</sup> Do your homework. If the negotiation includes a financial outcome, consider several options or scenarios and the economic implications of each. This information will serve to eliminate the guesswork and strengthen the rationale of your proposal during the negotiation. Will you lease or buy the car? What if you put 10 percent, 20 percent, or nothing down? How does the financing rate change when the loan period changes or if you decide to buy a used instead of a new car? Calculating the implications in advance can also increase your confidence and strengthen your position in the negotiation.
- *Look forward, not backward.* It’s easy to get caught up in who did what and who is to blame. We sometimes do this to avoid having to resolve the problem or just out of habit. While it may be easy to get into long discussions about the past, it is clearly unproductive. Focus on where you want to be and not where you’ve been. There’s no harm in brief discussions of the conditions that led to the current problem, but move on to what to do now and in the future.<sup>23</sup>
- *Separate people from problems.* To negotiate effectively, separate the people involved in the discussion from the issues that are being addressed. Remain objective. Avoid personalizing issues, and don’t allow yourself to be drawn into an emotional debate.<sup>24</sup> If the negotiation veers in this direction, request a time-out. After you reconvene, remind the negotiators of the ultimate goal and the ground rules previously set. If emotions are still running high, consider deferring the remainder of the negotiation to another time. Focus on the problem, the issue at hand. Avoid making personal attacks, criticizing style or personality traits, and placing blame. Negotiate in such a way that the people on the other side know they will not lose face if they have to back down on something. For example, match the other’s concession with

one of your own. A good rule of thumb is to be hard on the problem, soft on the people. Throughout the negotiation constantly ask, "Am I dealing with the person or the problem?" Entangling people, issues, and relationships with the problem dooms the negotiation to failure.<sup>25</sup>

- *Adopt a win-win attitude.* Negotiation is a collaboration between parties with common interests and objectives. Think in terms of helping, not hindering; of listening, not ramming something down someone's throat; of a team and partnership, not competition. Take the perspective that both parties can win and it's in your best interest to want the other side to thrive, as future cooperative ventures may be possible.<sup>26</sup>
- *Be clear about your best alternative to a negotiated agreement (BATNA).* Fisher and Ury explain that results from a negotiation can be improved by identifying your best alternative for each of your goals. Don't set your BATNA too low. When you go to a job interview with no other offers or prospects, you go in with a low BATNA—this job or nothing. Sometimes you have to do this. But whenever possible, it's better to have options in mind to avoid being or appearing desperate. For example, in the absence of job offers, you could consider living with family for a while rather than taking a job you don't want. This alternative gives you flexibility and a sense that you don't have to take whatever is offered.<sup>27</sup>

Fisher and Ury argue that negotiators ought to be problem solvers who explore interests as opposed to refusing to change or compromising only slightly on their positions. In fact, when you carefully listen to and help the other side get what it wants, you increase the chances of getting what you want.<sup>28</sup> When a negotiation is a test of wills, it is destined to fail. By identifying compatible interests, you can build a bridge from your goals to the others.<sup>29</sup>

- *Go into the negotiation with objective criteria.* This leads to principled negotiation—negotiations based on principles, or objective criteria on which both parties agree. Bringing standards of efficiency, fairness, and scientific merit, for example, can facilitate agreement and final satisfaction with an agreement. Rather than struggling for dominance, locate objective criteria both of you can agree to apply in determining goals and actions. Sometimes objective criteria are readily available. Other times, the negotiators will have to research, present, and jointly decide on these criteria.

Objective criteria should be independent of each side's will and should be legitimate and practical. For example, you can find published data on industry salaries, comparable house sale prices, and area bank or finance company mortgage rates. Once you have determined objective criteria, you can frame each issue as a joint search for the solution that best fits the criteria.<sup>30</sup>

- *Respond, don't react.* When other parties throw their power around, don't react negatively or emotionally. When this happens, Fisher and Ury recommend you invite feedback and input with regard to the problem. Ask them their opinion. You can also reframe or recast their objections as attacks on the problem, not on you—attacks that are understandable given the circumstances or pressure they might be experiencing. When the other party attacks, ask questions. Avoid getting bullied into battle.
- *Use a third party*—someone who is objective and has no vested interest in the outcome of the discussions. When two parties can't arrive at a mutually agreeable resolution, it can be helpful to involve a third party. Consider using the one-text procedure. Let someone draw up a plan that considers your interests and those of the other party. Then each of you does some editing. The third party redrafts it and perhaps requests additional feedback from both of you. By involving everyone in the development of a single text and having the parties involved edit it several times, at the end both parties feel they have been included in the solution. At the end, all that is left to do is make a simple yes-no decision, not enter into a long discussion or argument over details.<sup>31</sup>

## Integrity and Ethics in Negotiation

So far, we've discussed the process of, benefits of, and strategies for negotiating effectively. It all sounds straightforward, and with practice, negotiation is a skill that will bring personal and professional success. However, there are times when others—or perhaps even you—knowingly or unknowingly use tactics that are questionable or unethical. Perhaps this has happened in the past, as in a time when you didn't tell the "whole truth,"<sup>32</sup> but managed to get what you wanted. Or maybe you were in a situation where you sensed your negotiating partner was lying,<sup>33</sup> but you weren't sure, nor were you sure how best to deal with such behavior. The use of deceptive tactics negotiation, which can include withholding information, stretching the truth, and bluffing, is risky, to say the least. In some cases, it may be illegal.<sup>34</sup> While some negotiators engage in these activities and "get away with it," they do so at the risk of bungling the present deal and damaging others' trust in and cooperation with the negotiator and his or her organization. Let's start by clarifying what we mean by unethical behavior with some examples:<sup>35</sup>

- Withholding information that would alter decision choices.
- Disguising information so that it is more acceptable to the other party.
- Manipulating the other party through emphasis on false deadlines.
- Making false statements about expertise or understanding about issues.
- Lying to mislead the other party.
- Using information gained through covert methods to create unfair advantage.
- Using bribes or kickbacks that are unknown to some of the negotiators involved.
- Insulting or demeaning the other party to inhibit confidence or judgment.
- Making promises that can't be fulfilled.

The two questions these examples raise are why negotiators use such tactics, and more importantly, what we should do when we become aware of such behavior. Let's start with the first one. By knowing what motivates such behavior—ours and others—we may be better able to behave ethically and identify when others aren't doing so in negotiation situations. Why do people intentionally lie or deceive in negotiations? Two reasons seem especially important:

- *Expected norms.* In some situations, negotiators use a tactic because they believe "everyone does it."<sup>36</sup> For example, the use of puffery or exaggeration in resumes and during interviews is widespread. In 2004, the outplacement firm, Challenger, Gray & Christmas, reviewed 249,000 resumes and found 52 percent had discrepancies.<sup>37</sup> You might also recall that Michael Brown, the infamous ex-FEMA director whose performance during the Hurricane Katrina disaster was publicly criticized, was found to have lied on his resume and in his interviews about positions he'd held, degrees awarded, and awards he supposedly received.<sup>38</sup>
- *Pressure from management or others.* As we've discussed in an earlier chapter, performance expectations from stakeholders, combined with the behaviors of top management, can set the tone for ends expected and means necessary to achieve those ends. Related to this issue, some negotiators use deceptive behaviors to gain an advantage<sup>39</sup> and thus, "win" in the negotiation. Businesses reward the achievement of goals, and negotiators base their sense of self-worth on "winning" and achieving these goals and the rewards that go with them.<sup>40</sup>

How do we deal with others' potentially unethical behavior? The first rule of thumb is to know as much as possible about the other party's situation, goals, and approach. Is she under pressure to win, and to do so within a tight time frame? Is she, and does she view you as, trustworthy? Will we negotiate again in the future?<sup>41</sup> If you have done your homework, you'll know what to expect and be ready to prevent unethical behavior from creeping into the negotiation. However, despite your best efforts in preparing, you might face

another party's use of unethical tactics. These suggestions can help you deal with such behavior:

- *Ask direct questions to reveal the truth or missing information.*<sup>42</sup> This may include asking specific questions about things that might be presumed to be "understood" but not communicated. For example, you might ask, "Is this piece of equipment covered under warranty . . . and under what circumstances?" even when you've purchased other equipment from the same vendor.
- *Inform the other party about the tactic being used.* Describe it using specific examples of what was said or done and the impact it is having on you (e.g., "I'm having a hard time trusting what you're saying is true and it's making me hesitant to continue"), and explain that such behaviors will not be tolerated. By discussing the tactic you remove its strength and cause its user to worry about alienating you further.<sup>43</sup>
- *Request a different party with whom to continue negotiations.*<sup>44</sup> If your attempts to curb others' questionable tactics aren't successful, consider asking, "I'm concerned that continuing our conversation won't get us sufficiently closer to an agreement. Is there anyone else that I can speak to?"
- *End the negotiations immediately.* It's better to end the negotiation without a resolution or contract than participate in a negotiation that compromises your values or reputation, or causes you to be a victim.<sup>45</sup>

### Resisting the Temptation to Lie or Deceive: Three Suggestions<sup>46</sup>

1. If you're asked about your bottom line and you're hesitant to reveal it, ask your opponents for their bottom line, or say that you are not ready to reveal yours at this point . . . but you will in due time.
2. If you don't want to offer up other options or alternatives when asked to do so (because you feel that you'd be giving away too much), don't say that there aren't any. Instead, ask your opponent to suggest options to which you could respond, or engage your opponent in collaborative brainstorming or problem solving.
3. Don't lie about your intentions and only make promises you can keep. You could say, for example, "I'm sorry, but that's not something I'm able to implement. We could consider . . ." Related to this alternative, don't check with your management or other authority figure prior to a negotiation. This way, if you are asked, you can honestly say that you do not have the authority but will pursue it if an agreement on the issue can be reached.

In sum, behaving unethically in negotiations is a risky move. The ends do not justify the means, and there's a good chance the behavior will be discovered and the relationship will be irreparably damaged. Even though you may view your negotiating partner as an opponent or even competitor, your goal—much of the time—should be about cooperating to find mutually beneficial resolutions and not about winning at all costs. Don't underestimate the role of the relationship—and thus, trust—in a negotiation. As we've said earlier in the text, while it takes a long time to build trust in a relationship, that trust can be broken in the blink of an eye. And once broken, trust is difficult if not impossible to restore. It's best to put your efforts into preparing thoroughly and negotiating with integrity.

### Special Situations in Negotiations

Not all negotiations involve two individuals who meet face to face in an effort to reach a resolution or sign a contract. Some negotiations involve a third party, teams of individuals (called multiparty negotiations), virtual communication (using teleconferencing, telephones, e-mails, and faxes), or global negotiating partners.

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