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Real Leaders Negotiate

MANY MANAGERS VIEW NEGOTIATION AS A TOOL to use outside the organization to deal with customers, suppliers, and creditors. By contrast, inside the organization, their thinking often is, “It’s my way or the highway.” According to conventional wisdom, managing people requires charisma, vision, and a commanding manner—but not negotiation skills. Real leaders don’t need to negotiate.

This is a common misperception about the nature of leadership, which can be defined as the ability to cause individuals to act willingly in desired ways for the benefit of a group. In fact, leadership almost always involves negotiation, and good leaders are invariably effective negotiators.

Experienced managers know that, when it comes to leading people, authority has its limits. After all, some of the people you are supposed to lead will inevitably be smarter, more talented, and, in some situations, more powerful than you are. In addition, often you’re called to lead people over whom you have no real authority, such as members of commissions, boards, and other departments in your organization. A focus on four key aspects of negotiation theory—interests, relationships, voice, and vision—will improve your leadership skills.

1. Practice interest-based leadership. Why should the people you’re supposed to lead follow you? If you believe that your charisma, your exalted office, or your vision is reason enough, you’re in trouble. While these qualities may affect how others relate to you, the unvarnished truth is that other people will follow you when they judge it’s in their best interest to do so. Whether they’re acting as individuals or team members, people almost always give first priority to their own interests. Just as wise negotiators focus not on the other side’s positions but rather on their interests, effective leaders seek to understand the interests of

those they lead and to find ways of satisfying those interests in order to achieve organizational goals.

Leaders' failure to comprehend fully the interests of those they lead can have disastrous results. In 1985, Joe Foran established Dallas-based Matador Petroleum Corporation to find and develop oil and gas deposits in the American southwest. Through a series of shrewd acquisitions, Foran built Matador into one of the larger privately held petroleum firms in Texas. To raise capital, he gave investors seats on Matador's board. With a 10% interest in Matador, Chairman and CEO Foran remained its largest individual investor. In spring 2003, Tom Brown Inc., a publicly traded oil company based in Denver, offered to buy Matador for \$388 million. Foran opposed the offer, which he felt did not account for Matador's growth potential. At the board meeting to discuss the bid, Foran was astounded when the other directors voted to approve the sale. He realized too late that the other directors' interests were not the same as his own. Foran had the energy, talent, and time to build a company that would give him financial security in his retirement, which was still many years away. But most of the other directors were retired individuals who had been hurt by a falling stock market and declining investment returns. Their interest was to take the money and run—and that's exactly what they did. Had Foran understood all this earlier, he might have been able to structure an arrangement that would have given the directors the cash they needed while still allowing him to keep control of his company.

Effective leaders realize that they need to know people as individuals to truly understand their interests. Some individuals care more about long-term career development, for instance, than about compensation. When you understand where employees' true interests lie, you can then shape your messages and your actions to meet those interests in ways that will achieve your leadership goals.

2. Negotiate relationships. Relationships are as important to leadership as they are to negotiation. A relationship is a perceived connection that can be psychological, economic, political, or personal; whatever its basis, wise leaders, like skilled negotiators, work to foster a strong connection because effective leadership depends on it. Positive relationships are important not because

they engender warm, fuzzy feelings, but because they engender trust—a vital means of securing desired actions from others. Consider that any proposed action, whether suggested by a negotiator at the bargaining table or a leader at a strategy meeting, entails risk. People will view a course of action as less risky and therefore more acceptable when it's suggested by someone they trust.

Four building blocks can help you create effective working relationships with the people you lead: (1) two-way communication, which allows information to flow easily in both directions; (2) a strong commitment from the leader to the interests of those he leads; (3) reliability, which the leader shows by behaving predictably and honoring promises and commitments; and (4) respect for the contributions that followers make to the organization.

3. Find the right leadership voice. When the poet Walt Whitman wrote “Surely, whoever speaks to me in the right voice, him or her I shall follow,” he conveyed the notion that persuasive communication is fundamental to effective leadership. Whitman’s words also underscore the importance of shaping leadership communications to meet individual concerns, interests, and styles.

When deciding how to communicate, recognize that the medium you choose reveals something about you and your relationship with the person you are trying to lead. Suppose that you’re a company CEO trying to persuade your board of directors to support an acquisition. What if you sent each board member a detailed memorandum stating the terms and consequences of the deal? Intentionally or unintentionally, a generic memo could signal that you take members’ support for granted, that you place little value on their opinions, and that you, not they, are running the show. Instead, you might personally visit each director to explain the acquisition’s importance. A face-to-face meeting shows the individual director that her support is important and that you respect her autonomy and judgment. What’s more, holding such one-on-one meetings will enable you to get to know your directors’ individual interests and concerns, structure arrangements that satisfy those interests and concerns, and still allow you to make the acquisition that you feel is important for the company’s future.

“As chairman, I thought I had been leading the other directors in the boardroom at our quarterly meetings,” the Texas CEO who was outvoted by

his board ruefully told me. “I should have been trying to lead them one-on-one outside the boardroom a lot more frequently.”

4. Negotiate a vision for the organization. Organizations, large and small, look to their leaders to establish an organizational vision. Popular commentary on corporate leadership presupposes that a company’s vision comes from its CEO and that, without a strong CEO, the company has no vision. But that’s not the case. Members located throughout an organization have plenty of thoughts about what the organization is and should be. Thus, the challenge of setting a group’s course lies in forging a single vision out of the multiplicity of visions held by the group’s members. The process of articulating a vision is one of negotiation—in particular, multilateral negotiation, which relies on coalition building.

Like a skilled diplomat, a leader, whether a corporate CEO or a department head, creates a common vision by building a coalition among its members to support that vision. Building a coalition in support of an organizational vision demands a skilled use of the negotiation principles

I’ve outlined, including understanding members’ interests, creating effective working relationships, and communicating in the right voice and medium. It is a labor-intensive, time-consuming process that requires you to connect with

Negotiating a Vision

In 1986, the investment bank Goldman Sachs was a \$38 billion business owned by more than 100 active and retired partners. While the partnership structure had insulated the company from the vicissitudes of the stock market and given the company a strong culture of teamwork, it had some significant disadvantages, particularly an unstable capital base and an inability to grow by making acquisitions with stock.

Because of these factors, the firm’s nine-person management committee recommended that Goldman Sachs become a corporation and sell its shares to the public. Over a weekend in December 1986, all the partners met to consider this new vision. Rather than presenting a fait accompli, Goldman’s leadership stayed faithful to the firm’s ingrained teamwork culture during the two-day retreat. The partners debated the proposal at length and with high emotion, but the meeting ended with no decision. Goldman Sachs remained a partnership.

Ten years later, the partners once again considered a proposal to make Goldman Sachs a publicly traded corporation. This time, a special committee prepared an exhaustively detailed proposal for an IPO, and the firm leaders actively lobbied partners to support it. Once again, a weekend partnership meeting was held to consider the firm’s future. It became clear to the executive committee that the partners did not want to sell the firm, so the IPO proposal was withdrawn.

In 1998, the firm’s leadership established a subcommittee to set strategy in a rapidly changing global financial environment. Ultimately, the committee recommended a five-year program of aggressive growth that included going public, and the firm’s two cochairmen then engaged in one-on-one conversations with nearly all the firm’s 190 partners to persuade them to accept the recommendation. Then in June 1998, the partners convened for yet another weekend retreat. This time, they voted to sell the firm’s shares to the public. After 12 years of talks, the firm’s leadership finally succeeded in negotiating a multilateral vision to carry Goldman Sachs into the 21st century.

all key players. As the sidebar “Negotiating a Vision” explains, Goldman Sachs, the venerable investment-banking partnership, required more than a decade of discussions, carefully orchestrated by firm leaders, to negotiate its transformation into a publicly traded corporation.

By Jeswald Salacuse (Tufts University).

First published in the May 2006 issue of the *Negotiation Briefings* newsletter.

Lessons from a “Master Negotiator”: Nelson Mandela

SOME PEOPLE LEARN TO NEGOTIATE on the job, in a classroom, or in a therapist’s office. In Nelson Mandela’s case, “prison taught him to be a master negotiator,” writes Bill Keller in his *New York Times* obituary of the legendary activist-turned-president, who died on December 5, 2013.

Soon after his arrival at South Africa’s brutal Robben Island prison for a life sentence, Mandela “assumed a kind of command,” Keller writes. He befriended many of his white captors, whom he introduced to visitors as “my guard of honor.” He tried to persuade younger political inmates to analyze their opponents’ strengths rather than plunging headlong into conflict. And during his 27 years of imprisonment, Mandela deeply absorbed the value of patience, discipline, and empathy.

Mandela may have honed many of his negotiation skills in prison, but he was a natural-born dealmaker. Those of us in less-challenging realms than apartheid-era South Africa can learn from his beliefs, decisions, and actions.

A hard-line position. In the late 1940s, Mandela became active in the African National Congress (ANC), a well-established South African political organization dedicated to securing full citizenship for blacks. As he rose through the ranks and gained influence, Mandela began to question the ANC’s reliance on peaceful protest to make headway. Without vetting his views with ANC leadership, he publicly spoke out in favor of armed resistance, only to be censured for diverging with the organization’s policy.

Decades later, Mandela took a similar approach when making a much more fateful break with the ANC’s party line. In 1985, 23 years into his imprisonment,

numerous signs—including international pressure, a devastating trade boycott, and growing violence between protestors and the police—indicated that the apartheid regime was weakening.

The ANC held the stance that it would not negotiate with the South African government. Mandela himself had personally rejected the possibility of negotiation in numerous public statements, once saying, “Only free men can negotiate.” Meanwhile, the government also took a hard line against negotiation with the ANC, believing that to do so would signal weakness.

Both sides insisted they would not negotiate unless each made significant concessions, a “classic problem in prolonged conflicts,” writes Program on Negotiation chair Robert Mnookin in his book *Bargaining with the Devil: When to Negotiate, When to Fight* (Simon & Schuster, 2010). When each side demands that the other relinquish significant bargaining power before talks even begin, negotiation is unlikely, and conflict calcifies.

Moving ahead of the flock. Given the entrenched stalemate, it was remarkable that Mandela decided to try to launch negotiations between the ANC and the government. Even more strikingly, he had no authority to speak on behalf of the ANC, which was run as a collective.

Believing that his fellow ANC leaders would disagree with his decision, Mandela covertly sent a letter to South Africa’s minister of justice, Kobie Coetsee, in which he offered to meet secretly to discuss the possibility of negotiations. Coetsee eventually agreed, and the two men launched clandestine talks that laid the groundwork for a democratic, post-apartheid South Africa.

“There are times when a leader must move out ahead of the flock,” Mandela wrote of his bold decision in his autobiography, *Long Walk to Freedom* (Little, Brown, 1994), and “go off in a new direction, confident that he is leading people the right way.”

For most of us, secretly moving forward with a negotiation against the wishes of our superiors and colleagues would be a risky, even foolish move. Business negotiators typically must secure buy-in from others in their organization before breaking from past practice. For such contexts, Mandela, who was raised by a prominent tribal chief, offers another useful

shepherding metaphor. As a result of the long hours he spent in childhood listening to the consensus-building conversations of the tribal council, Mandela observed that the chief “stays behind the flock, letting the most nimble go ahead, whereupon the others follow, not realizing they are being led from behind.”

The quote suggests the value of lobbying others in support of your cause, then letting them make your argument to reluctant parties. This is the type of “mapping backward” strategy that David A. Lax and James K. Sebenius elaborate on in their book *3-D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals* (Harvard Business School Press, 2006). More broadly, Mandela’s stealth overtures remind us that those who see clearly what others cannot may have a responsibility to use their powers of persuasion to win over naysayers—and to act without them when necessary.

“Hating clouds the mind.” One noteworthy quality of Mandela’s was his ability to negotiate calmly with his enemies at the same time that he was absorbed in a passionate, all-consuming struggle against them.

Asked by Keller in 2007 to explain how he kept his hatred of the regime that had oppressed him and his people in check, Mandela replied, “Hating clouds the mind. It gets in the way of strategy. Leaders cannot afford to hate.”

Even as Mandela largely succeeded in regulating his own emotions, his keen sense of empathy enabled him to identify ways to capitalize on the emotions of his counterparts and adversaries.

To take one example, after being elected president of South Africa in 1994, Mandela faced the task of ending violent conflict in the country’s large Zulu nation between the ANC and the Inkatha Freedom Party, led by Mangosuthu Buthelezi. Unlike other ANC members, who demonized Buthelezi, Mandela welcomed him into his new government, a decision that helped to end the violence, writes Keller in the *Times*.

In an interview, Mandela explained that his peace-building efforts in the Zulu nation were based on a simple insight: Buthelezi, though raised as a member of the Zulu family, was tortured by the fact that he was a nephew rather than a direct successor to the king. By choosing “to love him into acquiescence,”

writes Keller, Mandela assuaged Buthelezi's deep-seated insecurities and won his trust and cooperation in the process.

As described in this issue's cover story, emotional intelligence is likely to be a valuable skill for negotiators, allowing us to accurately read our counterparts' emotions, manage our own feelings, and successfully mediate conflict. To cultivate these skills, spend time listening to and observing your fellow negotiators, making note of their insecurities and grievances. Doing so should enable you to address their core concerns, which could have the effect of softening their position on the issues that matter most to you.

Action over ideology. As illustrated by his eventual willingness to negotiate with the apartheid government, Mandela was at heart a pragmatist rather than an ideologue.

“He was not a theoretician, but he was a doer,” a longtime colleague of Mandela's, Joe Matthews, said of him in an interview with the television show *Frontline*. “He was a man who did things, and he was always ready to volunteer to be the first to do any dangerous or difficult thing.”

This tendency toward action led Mandela to contradict himself at times, as when he steered the ANC away from nonviolence in favor of armed insurrection in the wake of a police massacre of peaceful demonstrators in 1961. He explained later that his nonviolence rhetoric had been “not a moral principle but a strategy; there is no moral goodness in using an ineffective weapon.”

Mandela's decision to initiate negotiations with the South African government from prison may serve as the most prominent example of his willingness to change his positions in the service of his greater goals. As Mnookin explains in *Bargaining with the Devil*, negotiators sometimes face the difficult decision of whether to engage with a person or organization they consider to be morally repugnant. Typically, we choose not to negotiate in such situations, or we allow a dispute to escalate into litigation. Demonizing the other side, we believe we will be tainted by association or that the other party will inevitably take advantage of us.

Not negotiating with an enemy on moral grounds can be a legitimate decision. But because our moral judgments tend to be based on intuition, not reason, they can be dangerous traps. When we take a hard-line stance without

thoroughly analyzing the likely costs and benefits of negotiating, we risk allowing our principles to get in the way of the greater good. Wise negotiators follow Mandela's example and rationally consider whether or not to negotiate.

First published in the March 2014 issue of the *Negotiation Briefings* newsletter.

Build Strong Relationships in Business Negotiations

WHILE A STUDENT AT STANFORD UNIVERSITY in the mid-2000s, Kevin Systrom met Facebook founder and CEO Mark Zuckerberg at gatherings on campus. Though Systrom declined Zuckerberg's proposal that he drop out of school and take a job with Facebook, the two men kept in touch by phone in the years following. After Systrom launched photo-sharing app Instagram in October 2010, Zuckerberg had him over for dinner at his Palo Alto, California, home a few times to discuss "philosophy," according to Vanity Fair. Zuckerberg wanted to keep an eye on the potential competitor, and, at some point, he says, "it occurred to me we could be one company."

In April 2012, after Systrom turned down a \$500 million offer from Twitter, Zuckerberg invited Systrom over to his home for a long conversation about how Facebook could help take tiny Instagram, which then had only 13 employees, to the next level.

"This never had the feeling of negotiation, because we kind of wanted to work together," Zuckerberg told Vanity Fair. The discussions quickly led to a \$1 billion offer from Facebook and a promise from Zuckerberg to allow Instagram to maintain its independence.

Systrom met with his business partner, Mike Krieger, to review the offer. "I really like Mark, and I really like his company," Systrom told Krieger. "And I really like what Facebook is trying to achieve." The pair decided to sell. The entire negotiation had lasted three days.

Forming relationships with the leaders of companies he might want to target is a pattern for Zuckerberg. In 2012, the Facebook chief cultivated a friendship with WhatsApp founder Jan Koum over the course of hikes and dinners. Like Systrom, Koum overcame his initial skepticism about a Facebook

acquisition after finding that he and Zuckerberg shared similar views on a host of technology- and business-related issues. In February 2014, Koum agreed to sell his company to Facebook for a staggering \$19 billion.

It may not be difficult to form trusting relationships in negotiations where one party is offering the other a huge pile of cash. But Zuckerberg's strategy of patient relationship building still serves as a model worth emulating for business negotiators.

Forging close bonds typically helps negotiators reach better deals, work together effectively over time, and manage conflict. As the anecdotes about Zuckerberg show, time and patience are critical to forming strong relationships. Here we present some of the challenges to relationship building in negotiation and offer advice to help you address them.

Overcome partisan perceptions. When meeting a new counterpart, we may consciously seek a lasting relationship with him or her, but an unconscious bias may get in the way: *partisan perceptions*, or the tendency to see our own side as more intelligent, skilled, reasonable, and moral than the other side. Our partisan perceptions can cause us to expect the worst from our counterparts, especially those we don't know well. They also can become self-fulfilling prophecies, leading us to act in ways that trigger and exacerbate the same behaviors we've condemned, write David A. Lax and James K. Sebenius in their book *3-D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals* (Harvard Business School Press, 2006). Obviously, that's not a recipe for a strong relationship.

How can you lay the groundwork for a deep-rooted bond? Consider this anecdote from *3-D Negotiation*. Late on a Friday afternoon, a senior partner in a law firm called a talented young associate into his office. The partner asked the associate to represent the plaintiff in upcoming settlement negotiations and, if necessary, a possible trial.

The young lawyer worked all weekend to prepare a compelling plaintiff's brief. After reviewing the work on Monday morning, the partner praised the associate highly. Then he revealed that the firm would actually be representing the defendant in the case, not the plaintiff. "Now that you completely understand

the other side's viewpoint," the senior lawyer told the associate, "we need you to prepare our side." With this "trick," the senior lawyer prepared his younger colleague to understand the other party and its interests, a critical step in overcoming partisan perceptions.

You might try adapting the senior lawyer's trick to your own negotiation preparation. That is, consider writing up (or having your team write up) a detailed "brief" for both (or all) sides in an upcoming negotiation. You may find that the brief prepared for your counterpart is underdeveloped and simplistic compared with the brief written for your own side. If so, go back to the drawing board until you feel you have explored the nuances of the other side's perspective as fully as possible. You might also enlist disinterested third parties to assist you in sorting out your counterpart's point of view.

Do ask, do tell. Doing deals and forming relationships are not mutually exclusive goals, writes Jeswald W. Salacuse in his book *Negotiating Life: Secrets for Everyday Diplomacy and Deal Making* (Palgrave Macmillan, 2013). Negotiators must be keenly aware that the way in which they negotiate will affect their relationship with their counterpart. For example, if you are looking to take time off from work, how you negotiate that leave will affect your relationship with your boss, for better or worse.

Notably, some people are more concerned about the relationship dimensions of negotiations than others. In a survey of negotiators in 12 different countries, Salacuse found that people were more or less evenly split between whether they viewed the primary goal of negotiating to be a contract or a relationship. However, cultural and career differences played a role: Negotiators from India were far more relationship-oriented than those from Spain, for example, and lawyers (perhaps not surprisingly) were more contract-focused than managers and marketers. Such differences hint at the importance of trying to assess the degree to which an individual counterpart is focused on building a strong relationship.

Some negotiators rarely take time to get to know their counterparts, whether due to impatience or a sense that they would be wasting the other party's time. That's usually a mistake, writes Salacuse in *Negotiating Life*. Relationship

building—and effective negotiation—require the kind of mutual knowledge that can come only from asking questions and sharing information. That means taking time to explore not only the other party’s interests and motives through questioning but also who she is as a person.

Years ago, during tense negotiations with the United States, Israeli Prime Minister Golda Meir expressed deep sympathy toward one of the U.S. negotiators, whose wife had recently died. Meir mentioned the pain she had felt upon the death of one of her family members. The brief conversation between the two negotiators established a relationship that dramatically improved the tenor of the negotiation, according to Salacuse. As this example illustrates, asking and telling sends an important message to the other side: You are interesting, important, and valued.

Confronting conflict. Relationships typically become all the more important after a business transaction has been completed. “Once the contract is signed, we put it in the drawer,” executives have told Salacuse repeatedly. “After that, what matters most is the relationship between us and our partner, and we are negotiating that relationship all the time.”

A significant aspect of negotiating ongoing relationships is negotiating conflict. Inevitably, problems arise in the life of a contract: Parties might realize that they neglected to stipulate a key term, leading to differing perceptions of what’s fair, or one side may come to believe that the other is failing to live up to the agreement, for example.

As described in the cover story of this issue, negotiating dispute-prevention clauses in advance can go a long way toward helping you manage conflict productively when it arises. Learning how to discuss areas of conflict, rather than simply sweeping them under the rug, can be just as important. In their book *Difficult Conversations: How to Discuss What Matters Most* (Penguin, 2010), Douglas Stone, Bruce Patton, and Sheila Heen explain that every tough conversation is made up of three different conversations: the “What happened?” conversation, the “feelings” conversation, and the “identity” conversation.

Keep these three overlapping conversations in mind the next time you are working to get a relationship back on track:

1. The “What happened?” conversation. When disagreements arise between parties in a business relationship, each side is likely to blame the other. But arguing about who’s to blame prevents us from finding out what actually happened. So probe to learn what the other person’s *intention* was, then share your own version of the story. Instead of choosing which story is “right,” embrace them both.

2. The “feelings” conversation. It’s tempting to focus exclusively on solving a problem and ignore the underlying emotions. But when left unaddressed, negative emotions tend to deepen conflict by blocking our ability to listen. Acknowledging your range of complex feelings can promote mutual understanding.

3. The “identity” conversation. Conflict can shake our sense of identity to the core, causing us to question our competence and worth. It may help to think about which personal hot buttons the conflict is pushing, such as a fear of rejection or a sense of inadequacy. Looking beyond black-and-white identities (“I’m such a pushover”), consider the nuances of your self-image, recognize that everyone makes mistakes, and acknowledge your contributions to the problem.

First published in the July 2014 issue of the *Negotiation Briefings* newsletter.

Bruce Wasserstein and the negotiation game

NOT MANY PEOPLE CAN CLAIM to have created an entirely new profession, but that’s what the late Bruce Wasserstein is credited with doing. Wasserstein, who died on October 15, 2009, at age 61, pioneered the art of corporate dealmaking, and he did so with a skill that few can hope to match.

A graduate of Harvard Business School and Harvard Law School, Wasserstein built the mergers-and-acquisitions (M&A) practice at First Boston Corporation in the 1980s with Joseph Perella. The two men went on to form their own firm, and Wasserstein became a pivotal player in the 1980s M&A frenzy. In 1989, he made a name for himself while advising buyout house Kohlberg Kravis Roberts & Company on its acquisition of RJR Nabisco. Wasserstein became known for outfoxing competitors with clever deal terms and for goading clients to bid high for choice targets.

The crowning deal of Wasserstein's career was his conversion of staid investment bank Lazard from a dysfunctional family-owned firm into a publicly traded company. After being handpicked by Lazard's chairman, Michel David-Weill, to run the company, Wasserstein negotiated near-total control of the firm and engineered a restructuring and initial public offering that ultimately forced out the man who had hired him.

The immovable object. Founded as a dry-goods store in 1848, Lazard became legendary in the latter half of the 20th century as “a group of important people, giving important people advice,” in the words of one company leader quoted by the *New York Times*. But by the late 1990s, the venerable house was faltering, limited to offering merger and investment counseling while newly consolidated rivals such as Merrill Lynch added loans and other perks to deliver one-stop banking.

David-Weill, a descendant of the firm's original founders, made Lazard's financial matters worse by doling out lavish payments to partners and to a shadowy group of nonworking stockholders known as the “capitalists”—primarily retired partners and partners' descendants. Though he'd promised to appoint his successor by 2005, David-Weill stalled, playing internal candidates against one another until they defected, taking clients with them.

The unstoppable force. Hoping to turn the firm's fortunes around, the Lazard chairman identified an outside candidate who seemed perfect for the job: Bruce Wasserstein. After all, when he co-founded Wasserstein Perella, he had announced to the *Wall Street Journal* his intention to make it “the Lazard of the 1990s.”

In January 2002, after negotiating for almost total control over the firm, Wasserstein signed on as Lazard's CEO for five years. David-Weill, still chairman, held on to just one source of power: the right to veto any proposed initial public offering (IPO).

Wasserstein wasted no time improving Lazard's infrastructure and luring high-profile deal makers from rival firms, paying them handsomely with revenues siphoned away from David-Weill's capitalists.

In 2004, Wasserstein unveiled his plan to transfer majority ownership from the capitalists to the working partners through an IPO. Howls of protest from

David-Weill and his cronies ultimately gave way to a deal: they would leave Lazard for \$1.6 billion.

A new era for Lazard. Initially, the *New York Times* called the May 5, 2005, Lazard IPO an “unmitigated fiasco—for everybody but Mr. Wasserstein and Lazard.” On the first day of trading, chief underwriter Goldman Sachs lost \$15 million propping up the stock, while Wasserstein walked away with almost \$300 million, and the capitalists and David-Weill got their promised billion-dollar buyout.

Quickly, though, Wasserstein and Lazard won over admirers. Company stock and core businesses began thriving. Most notably, the once-turbulent firm is “very quiet,” an insider told the *Financial Times*. “There is no sense of infighting.” By getting rid of Michel David-Weill, Wasserstein made sure of that.

A game of chess. The maneuver encapsulated Wasserstein’s view of negotiation as a chess game rather than a battle of wills. Instead of waiting to engage David-Weill directly on the job, Wasserstein negotiated in advance for the tools he needed to carry out his vision. He showed that through careful planning, negotiators can often sidestep the personality clashes that would otherwise short-circuit talks.

Perhaps somewhat surprisingly for the master of the hostile takeover, when Wasserstein received the Program on Negotiation’s Great Negotiator award in 2007, he stressed the value of listening closely to one’s counterpart to uncover hidden interests. He noted that an active listener resembles an optometrist asking a patient about different lenses during an eye exam—constantly questioning until the focus is sharp.

But, referencing his negotiation with David-Weill, Wasserstein revealed a stance more in keeping with his formidable reputation: “Sometimes reason and compromise and cooperation are a very good thing, and sometimes you have to say no, it doesn’t make any sense.”

Lessons from a Wall Street titan:

- Look forward, reason back. The employment terms that Wasserstein negotiated in 2001 set the stage for an IPO.

- Build coalitions through incentives. The new CEO created momentum for change by recruiting star partners via lucrative long-term contracts.
- Weaken deal spoilers. By slashing the capitalists' payoffs, Wasserstein made his \$1.6 billion buyout offer more tempting.

Adapted from articles printed in the October 2007 and January 2010 issues of the *Negotiation Briefings* newsletter.

When Leading Multiparty Negotiations, Break It Down

IMAGINE LEADING NEGOTIATIONS INVOLVING REPRESENTATIVES from most of the world's nations on a contentious topic such as sustainable development. Where would you start? How would you proceed when conflict emerged? How would you know when it was time to wrap things up?

These are some of the questions that Ambassador Tommy Koh has faced over the course of his 50-year diplomatic career, during which he has led international conferences, mediated global disputes, and negotiated on behalf of the United Nations and his home country of Singapore.

On April 10, 2014, the Program on Negotiation welcomed Ambassador Koh to the Harvard campus to present him with its 2014 Great Negotiator Award. Over the course of panel discussions led by Harvard Business School professor James K. Sebenius, Program on Negotiation Managing Director Susan Hackley, and Harvard Kennedy School professor Nicholas Burns, Koh offered insights that will benefit any negotiator involved in managing complex talks.

According to Koh, the chair of an international conference must be both “a choreographer and the conductor of an orchestra.” In addition to negotiating the specifics, a conference chair must choreograph an effective structure for the conference and then evaluate and conduct the players, he explained. He then offered several vivid anecdotes as illustration.

When consensus is good enough. Arriving in Rio de Janeiro to chair the United Nations Earth Summit in June 1992, Ambassador Koh felt “desperate,” he said. He and his team had just one week to negotiate consensus on principles of sustainable development for the 21st century among 178 countries. Koh was

armed with a draft agreement three years in the making, but it included 300 paragraphs of disputed language in brackets.

To make the Earth Summit more manageable, Koh laid down two ground rules, he explained at one of the Great Negotiator panels. First, no unbracketed (agreed-upon) language could be reopened for discussion. Second, any proposal to improve the language of bracketed (disputed) text would have to be approved unanimously by the conference.

To Koh's shock, the lead representative from Saudi Arabia took the floor and asked for the entire chapter on atmosphere to be deleted from the draft, saying that the chapter was a "mistake."

With the Saudis filibustering, Koh realized he would have to "outflank" his adversary. He met individually with members of OPEC, the international oil cartel of which Saudi Arabia is a founding member, and asked for their support. The OPEC nations agreed with Koh that a chapter on atmosphere was justified.

Next, Koh approached Arab countries that were receiving aid from Saudi Arabia. "If you feel that you have to speak in support of the Saudi opinion," he said to them, "please do so, but please be very brief and make your argument as weak as possible."

Then, following an entire night of Saudi filibustering, Koh announced on the conference floor that the Saudis had made their position clear, but that as chair, he was ruling that sufficient consensus existed to adopt the chapter on atmosphere. Koh asked the Saudi delegation if they wanted to object to his ruling. They declined, and the chapter stood as written.

"Consensus is not unanimity," Koh said at the Program on Negotiation event. "If somebody is just being difficult, doesn't have a reasonable case, has no support whatsoever, I think it is incumbent upon you as the chair not to allow one delegation to hijack the process."

When one party in a multiparty negotiation refuses to budge, continued negotiation may be a waste of time. Instead, consider following Koh's lead and targeting other parties who are at risk of being swayed by the deal blocker. Work on winning over those parties with the goal of building a strong coalition. If you're effective, the deal blocker will face a choice between getting on board and being left behind.

Break the negotiation down to size. In 1978, as part of the Third United Nations Conference on the Law of the Sea, Ambassador Koh was tasked with negotiating agreement on the financial terms of contracts to mine the ocean floor. Rifts had developed on the issue between various coalitions, such as developed and developing nations, and coastal and landlocked nations.

Koh described how he broke down the unwieldy negotiation, which involved about 1,000 delegates from 150 nations, to a manageable size, a process he has called “miniaturization.” He explained that it was important to include all the nations in initial discussions, as many of them needed to be educated about the issues at stake, the technical terms to be discussed, and the parameters of an agreement.

Once everyone had been brought up to speed, Koh convened a smaller group of decision makers. To avoid the appearance of playing favorites, he used a clever strategy:

I invented a new group called the Group of Financial Experts, and I picked a meeting room that could accommodate a maximum of 40 people. It was open-ended. ... Anybody could come, but ... calling it the Group of Financial Experts was somewhat intimidating. So a lot of my colleagues felt that they didn’t qualify to join this group. I didn’t try to dissuade them that they did.

As Koh had hoped, only about 30 to 40 representatives felt confident enough in their abilities to join the Group of Financial Experts. This proved to be the ideal size to make further headway.

In Ukraine, a “missed opportunity” for negotiation

In 1993, following the breakup of the Soviet Union, Tommy Koh led a U.N. mission to negotiate peace between the Russian Federation and the Baltic nations of Estonia, Latvia, and Lithuania. Lessons from that experience, he said, could help to explain the current crisis in Ukraine and how it might have been defused.

At that time, with his nation weak and economically devastated, Russian president Boris Yeltsin was willing to cooperate in settling disputes with the Baltic nations to curry favor with the West. Consequently, Koh said he was able to help close the gap between the two sides. But he cautioned the Estonians, Latvians, and Lithuanians that “this window will close” when Russia inevitably became strong again.

Koh specifically called on the Baltic states, which had suffered greatly during Soviet occupation, to “forgive the sins of Stalin” and treat the many Russian pensioners and families living within their borders with fairness and respect. Otherwise, he believed, the Russian doctrine of “near abroad,” which it uses to assert its rights over former Soviet republics, could create problems for the Baltics in the future.

Years later, in 2014, with Russia stronger and no longer leaning toward the West, President Vladimir Putin cited persecution of ethnic Russians in another former Soviet republic—Ukraine—as justification for invading Crimea. Koh expressed regret that the United Nations did not step in to organize negotiations on the future of Ukraine before the protests in Kiev reached a crisis point. The failure of the international community to try to facilitate such negotiations was a “missed opportunity,” according to Koh.

When this group was close to a deal, Koh said he “took a great risk”: He formed an even smaller negotiating group. He chose just one person to represent the developed world and three from the developing world: one from Asia, one from Africa, and one from Latin America.

The group surprised conference leaders by reaching a highly creative agreement. The success led to Koh’s being elected president of the entire Law of the Sea conference, which in 1982 produced an ocean treaty that has been ratified by 165 countries.

As his diplomatic career progressed, Koh came to view miniaturization as a risky process. Negotiators who are excluded may reject the final agreement, not necessarily because they disagree with its substance but because the process appears undemocratic and lacking in transparency, he said.

For miniaturization to be effective, he cautioned, leaders must choose “men and women of standing in their respective groups” who have the power to convince their group to ratify the final agreement. “If you choose badly,” Koh said, “you will be rebuffed.”

Adopting a “tough heart.” On the Program on Negotiation panel, Ambassador Koh said he was so “softhearted” that he had never fired an employee during his 50-year diplomatic career. Yet when chairing international conferences, Koh felt a strong sense of responsibility to replace people who were not succeeding, whether due to a lack of knowledge, indecision, controversy, or some other problem.

During preparations for the Earth Summit in 1990, a committee formed to draft the summit’s Declaration of Principles. Upon receiving conflicting proposals from the conference’s various delegations, the committee’s chair, the environmental minister of Czechoslovakia, Bedřich Moldan—a scientist with little diplomatic experience—personally drafted a compromise text rather than negotiating agreement with the various parties. To his surprise and dismay, the Group of 77, a coalition of developing nations, rejected Moldan’s draft on the grounds that it was biased in favor of developed countries—a characterization that Koh called “more perception than reality.” The Group of 77 then announced that it would no longer negotiate under Moldan’s chairmanship.

With Koh standing by Moldan, the committee chose India and Norway to lead their informal negotiations, which eventually reached an impasse. Koh, with Moldan's blessing, agreed to take over the talks on two conditions. First, he asked India and Norway to produce a single negotiating text within 24 hours. Second, he instructed them to narrow the negotiations down to eight countries from the developing world and eight from the developed world. India and Norway agreed. The smaller group finished negotiating within 24 hours, producing a final agreement that was not dramatically different from Moldan's.

Why did Koh succeed where Moldan had failed? First, Koh adopted a more open process that relied on negotiation rather than unilateral decision making. Second, Koh believes that because he was from a developing nation, the Group of 77 viewed him as more sensitive than Moldan to their aspirations to develop economically yet sustainably. "I think being seen as a man from the south was psychologically helpful," Koh said.

The story illustrates the importance of creating both the reality and the perception of neutrality when negotiating consensus among multiple parties.

First published in the August 2014 issue of the *Negotiation Briefings* newsletter.

Lead the Way: Resolving In-House Disputes

YOU ENTER YOUR NEW POSITION AS CEO of a fast-growing technology firm with enthusiasm. As you articulate an organizational vision, you create product-centered work groups for the purpose of speeding delivery of new products to market.

Soon you realize that the very divisional loyalties that helped build the company are stifling cross-functional work. Some groups have resorted to turf wars. And while most of your company's board is sold on your change initiative, certain stalwarts are questioning whether it's all smoke and no fire. You're facing a leadership challenge: uniting the company while maintaining the board's support for your vision.

As you think strategically about how to convert conflict into productivity, you can gain special insights from *alternative dispute resolution*, or ADR.

Although leaders like to think of themselves as negotiators, they rarely recognize themselves as mediators and arbitrators, observes Howard Raiffa, the Frank Plumpton Ramsey Professor of Managerial Economics Emeritus at Harvard University. Yet the more strategically you approach conflict, the better equipped you'll be to use it as an opportunity for organizational growth and change. This article describes several common ADR techniques and show you how to tailor them to a variety of leadership objectives.

Three dispute-resolution techniques. Here are the three most common ADR techniques and some tips on applying them to conflicts in your workplace.

1. Mediation. Typically, mediators are neutral third parties who help conflicting parties reach a voluntary agreement. The goal of mediation is to build consensus around a mutually beneficial solution.

Rather than imposing this solution, mediators encourage parties to explore the interests and concerns that underlie their positions. Returning to our opening scenario, you obviously have no authority to impose an agreement among your board members regarding your change initiative. As a mediator, however, you may be able to guide the board's deliberations by consulting with individual members. Mediators often facilitate joint problem solving by helping parties draft proposals and counterproposals. Taking the lead on identifying points of agreement may be particularly beneficial when disputants mistrust one another.

Private meetings can set the groundwork for group summits of all disputants. Summits can maximize information sharing and foster creative solutions while also providing a forum for public commitments—a powerful influence tool, according to Nobel Laureate Thomas Schelling of the University of Maryland. After all, once parties publicly proclaim their positions, they increase the personal costs of backing away later.

2. Arbitration. Arbitrators—or organizational leaders playing the part of arbitrators—listen to each side of the conflict and then unilaterally decide and announce a binding outcome. Imagine that the technicians and marketing professionals in one of your company's work groups disagreed about whether certain software should be updated. Following an arbitration approach, you

would hear out each side and then decide yourself whether the technicians should invest time in the effort.

Clearly, arbitration has the advantage of giving you control over the outcome of disputes. Because leaders have a stake in how in-house conflicts are resolved, having control may sometimes be more important to you than helping parties work out issues on their own. Note, however, that arbitration motivates disputants to present information strategically to win their cases—and thus may reduce the quality and quantity of information available to you, the arbitrator.

3. Med-arb. When managing conflict among subordinates, you have the authority to impose solutions. Yet long-term success may rest on your ability to help others work together to resolve issues. This paradox suggests that a hybrid ADR approach may be ideal for tackling workplace conflict: mediation-arbitration, or med-arb. In med-arb, the third party begins by acting as a mediator who helps disputants cooperate on a solution; if mediation fails, the third party shifts to the role of arbitrator and imposes a solution.

How might you apply a med-arb strategy to the workgroup conflict between technicians and marketers? Initially, you'd encourage them to brainstorm proposals themselves. Suppose they reach agreement on some but not all the issues involved. You'd then step in and settle the remaining points of conflict.

While still retaining your ability to impose a decision, med-arb taps the strength of mediation to enhance information sharing, promote creative problem solving, and engender ownership of the outcome. Dispute-resolution scholars such as Stephen B. Goldberg and Jeanne Brett of Northwestern University have shown that the more control parties perceive themselves to have over a decision-making process, the fairer they view the process and the more willing they are to accept and abide by the solution.

Match the process with your objectives. When deciding how to manage workplace conflicts, consider the various strengths and weaknesses of the three ADR processes. Here are six common leadership objectives with some suggested dispute-resolution strategies.

Objective #1: Finding lasting solutions to problems. Suppose that members of a work team complain that others in their group are slow to respond to e-mail

and phone messages. If the unresponsive members believe their responsibility is to attend to other priorities, such apparent attitude problems could reflect deeper organizational issues. Mediation might encourage members to take responsibility for generating lasting solutions.

Because you ultimately retain the authority to impose a decision, your attempt at mediation might actually be more akin to med-arb. Employees anticipating a managerial directive may behave as if they're entering a trial rather than a problem-solving process. If so, emphasize that you expect everyone to take responsibility for the outcome.

Objective #2: Increasing perceived fairness. When you intervene in organizational conflicts, you inevitably have ongoing relationships to manage and a personal stake in how problems are resolved. If you believe that disputants will question your impartiality due to past alliances, decisions, or practices—or if you yourself are concerned about your ability to be fair—factor these concerns into the ADR process you choose.

In interviews with managers about their experiences intervening in disputes, Blair Sheppard, current CEO of Duke Corporate Education, a not-for-profit specializing in executive-education programs; John Minton, CEO of Havatar Associates, a management consulting firm; and David Saunders, the dean of faculty management at the University of Calgary, found that managers who were especially concerned about fairness were likely to exert control in the early stages of the dispute-resolution process.

Unfortunately, this managerial impulse toward a process that resembles arbitration runs counter to the advice of numerous experts. To maximize perceived fairness, Brett, Goldberg, and other ADR scholars advise using mediation or med-arb strategies.

Objective #3: Maximizing value. When using mediation rather than arbitration techniques, you gain a stronger opportunity to work with your employees to develop creative, value-generating solutions to their disputes. Professional mediators tend to be better equipped than arbitrators to elicit information about the interests and perceptions that underlie parties' positions.

How can you learn to think like a mediator? Howard Raiffa advises leaders to act as “contract embellishers,” using the privileged information gained in

private meetings to improve proposals for agreement in ways that enhance the value gained by all.

Objective #4: Minimizing time costs. Mediation facilitates more creative problem solving and engenders greater ownership of the agreement than arbitration, but it is likely to take more time than an arbitration process. As a result, you'll have to weigh the benefits of mediation against time factors. Conflict that flares in the face of an impending deadline may be best resolved—if only in the short run—by an arbitration approach in which you hear out all sides and impose a decision.

Objective #5: Establishing policy or precedent. Some conflicts raise implications that should be elevated to the level of policy, note Frank Sander, professor emeritus of Harvard Law School, and Stephen Goldberg. Suppose that within the cross-functional work group described earlier, the technicians updated the software in record time, but it was slow to market due to a distribution problem. Now team members are fighting over how to divvy up credit and blame.

You might be tempted to try a mediation strategy to help the parties work out their own problems, but that might not be the best choice. This team's idiosyncratic solution might set an undesirable precedent for other teams approaching similar problems, and the question of how to align compensation with work goals is a strategic one that probably should be addressed at the organizational level.

When a conflict raises questions of policy or precedent, your best approach may be to hear out all sides and then reach a decision, arbitration-style.

Objective #6: Redressing an ethical violation or power imbalance. Mediation may be the wrong approach for conflicts that raise possible ethical violations, according to Sander and Goldberg. They also note that mediation may be inappropriate when disempowered parties cannot adequately represent themselves or advocate for their interests. Suppose that a manager was verbally abusive to a junior technician, and you brought the two employees together with the intention of helping them iron out their differences. Fearful for her career, the technician would be unlikely to participate fully in the problem-solving

process. A mediation approach might simply replicate the abusive relationship. Furthermore, abusive behavior warrants an organizational response.

When unethical behavior or inequities must be redressed, you may need to censure offenses publicly and categorically rather than working out private solutions.

By Hannah Riley Bowles (Harvard Kennedy School).

First published in the April 2007 issue of the *Negotiation Briefings* newsletter.

Tension at the Office? Negotiate Workplace Conflict

AS CHIEF INVESTMENT OFFICER AT JPMORGAN CHASE, Ina Drew earned the respect of her peers; subordinates; and, most notably, her boss, bank CEO Jamie Dimon. Upon being appointed head of the bank in 2005, Dimon put Drew in charge of the chief investment office (CIO), which manages the bank's overall risks and many billions in highly liquid securities.

During morning conference calls in the midst of the 2008 financial crisis, the New York Times reports, Drew would grill the traders in her office about their positions and the risks they would face in the day ahead. While other banks suffered huge losses, Drew helped her company navigate the choppy waters relatively unscathed.

But in 2010, Drew contracted Lyme disease and was frequently absent from the office. The lack of a leader caused "long-simmering internal divisions and clashing egos" to surface in her unit, according to the Times.

In 2011, Achilles Macris, head of the CIO's London office, dropped caps on risk control that had required traders to exit positions when their losses topped \$20 million, according to the Wall Street Journal.

As Macris expanded trades in London, his counterpart in New York, Althea Duersten, raised objections. But she was "routinely shouted down" by Macris, former traders told the Times. The tension between Macris and Duersten left traders feeling nervous and distracted.

On April 6, 2012, the Wall Street Journal ran an article on a rogue CIO trader in the London office who was reportedly putting the bank at risk with his massive

bets. The article prompted Dimon to take a closer look at the CIO's books and notice the mounting losses—up to \$100 million daily.

On May 10, Dimon publicly disclosed \$2 billion in losses (now estimated to be at least \$3 billion), setting off a storm of criticism and scrutiny of JPMorgan Chase. In the resulting scandal, Drew was fired, and the stellar reputations of Dimon and his bank were tarnished.

When we think of negotiation, we tend to picture a formal, painstaking dealmaking process with individuals or a team from outside our organizations. Yet every workday, we engage in seemingly small but significant negotiations with our coworkers over issues such as project assignments, departmental funding, and vacation requests.

If a serious conflict arises from one of these negotiations, it becomes difficult for us to stay focused on our jobs, and the organization can suffer. Here are several targeted negotiation strategies to help you address dysfunctional conflict in the workplace, both as an employee and as a manager.

Reappraise anger.

The morning conference calls Ms. Drew had presided over devolved into shouting matches between her deputies in New York and London, the traders said.

—New York Times

Negotiation researchers have found that anger can trigger several harmful cognitive biases, including overconfidence, unrealistic optimism, and aggression. In one study, negotiators who were angry at each other were less successful at both claiming and creating value than were negotiators who viewed each other positively. Anger can also cause people to become more tolerant of risk, which could partially explain the JP Morgan Chase London CIO's increasingly reckless trades and the decision to loosen risk-control measures. And, obviously, anger distracts workers from their tasks and fosters a tense, competitive workplace.

You might conclude that negotiators should try to tamp down angry feelings whenever they arise. Yet anger can be a useful emotion to feel and express. Anger insulates us from indecision and overanalysis, and displays of anger communicate to others how seriously we take the issue at stake.

Even if we could suppress angry feelings, this wouldn't necessarily be a wise strategy. In one negotiation study, James Gross of Stanford University, Jane Richards of the University of Texas at Austin, and Oliver John of the University of California at Berkeley compared the relative costs of two forms of emotional regulation: 1) suppression, or attempts to tamp down our emotions, and 2) reappraisal, or attempts to control our emotions by changing how we think about a given situation. In this study, relative to those who engaged in reappraisal, participants who suppressed their emotions had impaired cognitive processing, and their counterparts liked them less.

How can you successfully reappraise feelings such as anger? Consider when you may be subject to strong emotional experiences and reappraise the situation beforehand, suggests Stanford University professor Margaret A. Neale. As an example, before a conference call with a coworker you've been butting heads with, think about what the other party might say that would cause you to react emotionally. If you anticipate a threat, consider what the threat might suggest about what the other side values, says Neale. This type of reappraisal may help you head off an emotional reaction and build bridges with your coworker.

Respond to challenging moves.

“The strife distracted everyone because no one could push back,” said one trader in the office who insisted on anonymity. . . . “I think everything spiraled because of the personality issues.”

—New York Times

As the New York and London CIO offices at JPMorgan Chase negotiated trades and risk, they also implicitly negotiated many other issues, including power, relationships, and performance.

Whenever negotiators are bargaining over concrete issues such as price, they are simultaneously conducting a parallel negotiation regarding the terms of their relationship, write Deborah M. Kolb and Judith Williams in their book *Everyday Negotiation: Navigating the Hidden Agendas in Bargaining* (Jossey-Bass, 2003). This “shadow negotiation” takes place under the surface, and it explains why discussions of concrete, seemingly rational matters can lead to angry outbursts, hurt feelings, and simmering conflict.

Negotiators make several “moves” to question each other’s legitimacy and assert their own power, note Kolb and Williams. A negotiator may challenge your competence or expertise—for example, by saying you don’t have the experience to perform a particular task. Someone might demean your ideas in a way that it makes it difficult for you to respond, perhaps by saying, “You can’t be serious!” And a coworker might criticize your style with a line such as “Stop being so sensitive.” By challenging, demeaning, and criticizing you, the other party (whether consciously or not) may be attempting to provoke you into an emotional response that will shift the balance of power.

How can you defend yourself against such moves without being accused of overreacting? Kolb and Williams suggest several responses, which they call “turns”:

- *Interrupt* the move by taking a break, which should give everyone time to gain control of their emotions, in addition to halting momentum that is going against you.

- *Try naming* the move; that is, let your coworker know that you recognize it as a power play. If someone says, “You can’t be serious!” in response to one of your ideas, you might respond, “Actually, I’m quite serious. Instead of cutting me off, how about if you give me a chance to clarify my plan?”

- *Correct* the move, substituting the other side’s negative remarks with a more positive interpretation of your behavior. If a coworker incorrectly blames you for a decision that went wrong, rather than lashing out, provide him or your boss with hard evidence of the facts.

- *Divert* the move by shifting the focus away from the implications of the move and back to the issue at hand. To the person who criticizes you as overly

Banking on an honest accounting

JPMorgan Chase CEO Jamie Dimon has a reputation as an exacting boss. During Monday-morning operating committee meetings, the *Wall Street Journal* reports, Dimon routinely grills the heads of the bank’s various businesses about problems in their units, asking about everything from the performance of client investments to mobile phone charges. One business head reportedly compared the ordeal to a “full-body scan.”

Yet Dimon gradually paid less attention to the CIO’s trading activities because of his confidence in its head, Ina Drew, and the hefty profits her unit generated. When Dimon asked her about the *Journal’s* article on high-risk trades in the CIO’s London office, Drew assured him and the rest of the bank’s operating committee that the trading strategy was financially sound. Based on Drew’s assessment, Dimon publicly called reports of the CIO’s trades a “complete tempest in a teapot.”

Dimon soon realized his mistake in taking Drew’s opinion at face value, as CIO losses began to appear on the books. The crisis illustrates the need for managers to hold their employees accountable—even when discussions and negotiations occur in perfect harmony.

sensitive, you could say, “I think it’d be best if we avoid personal judgments and concentrate on the proposal.”

Kolb and Williams’s moves-and-turns framework serves as a reminder of the hidden personal dynamics that underlie everyday negotiations, including those among coworkers, and helps you respond to them as productively as possible.

Mediate a resolution.

Drew returned from sick leave, but she relocated to an executive office removed from the trading floor and took a more hands-off approach to managing her team.

—New York Times

When conflict among employees is disrupting morale, it’s time for managers to intervene. Techniques that professional mediators use can help to resolve workplace strife, writes Tufts University professor Jeswald Salacuse in his book *Leading Leaders: How to Manage Smart, Talented, Rich, and Powerful People* (Amacom, 2006).

In mediation, the disputants work together to reach a resolution that is satisfactory to both sides. The collaborative nature of mediation increases the odds that the parties will abide by any agreement they reach. The mediator’s role is to assist disputants in crafting a resolution by encouraging them to share information about their interests and explore creative solutions.

It isn’t realistic for managers to take on the mantle of an impartial mediator. Because they have an interest in furthering the organization’s goals and restoring harmony, managers must balance their own opinions and allegiances when mediating disputes. But they can adapt mediation skills with the goal of furthering the organization as a whole.

In 2011, New York’s Metropolitan Opera peacefully reached a new contract with the union representing its choristers, dancers, stage manager, and staff directors by bringing in Joseph Volpe, the opera’s retired general manager, as its lead negotiator. Although Volpe represented management, his history as a union member—he had started as a carpenter at the Met and worked his way up the organization—allowed him to promote compromise across the two groups and serve as a *de facto* mediator. Undoubtedly, Volpe’s experience as both employee

and manager allowed him to understand both sides' interests and bridge divides between them.

If listening closely and encouraging problem solving doesn't bring employees together, managers have other tools at their disposal. For example, leaders can leverage punishment and rewards to resolve employee conflicts, writes Salacuse. If two unit heads have been openly fighting over an account, you could threaten to penalize them or their departments—say, by giving the account to a third unit or by decreasing their funding—to motivate them to negotiate a resolution. Alternatively, you could reward disputants for setting aside their differences, whether with praise, additional funding, or some other valued resource.

Create accountability.

“The big lesson I learned: Don't get complacent despite a successful track record,” Mr. Dimon said in an interview. . . . “No one or no unit can get a free pass.”

—Wall Street Journal

In the early years of her tenure as CIO chief at JPMorgan Chase, Ina Drew is reported to have been a detail-oriented boss who quizzed her traders carefully about their decisions and the risks they were taking, according to the *Wall Street Journal*. Only after she was on sick leave did destructive conflict flare up between the New York and London offices.

It's no surprise that interoffice negotiations turned tense when employees were no longer held accountable for their decisions. Making employees accountable for their decisions helps them control their emotions and engage in more systematic thinking, Jennifer Lerner of the Harvard Kennedy School and Philip Tetlock of the University of California at Berkeley have found in their research. For accountability to be effective, employees should be held responsible not only for their outcomes but also for the processes they follow.

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