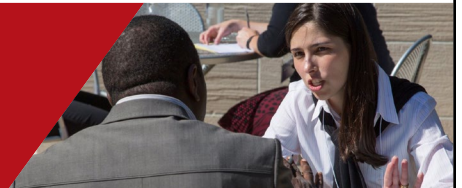




# NEGOTIATE STRONG RELATIONSHIPS AT WORK AND AT HOME

FREE REPORT





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## Value long-term relationships

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A CRITICAL DECISION in negotiation is choosing whom to deal with in the first place. When many partners are available, we often turn to people with whom we're familiar and comfortable. When trust is critical to negotiation success, selecting known partners increases the likelihood that the other side will be willing to make a deal.

Have you bought a house or a car recently? If so, you may well have made the purchase through someone you know and were happy you had done so. In one study, researchers found that people who used their social ties when making a large purchase were more satisfied with the process—and with their purchase—than were people who dealt with strangers.

Negotiating with friends and acquaintances saves time and increases joint gains—but only up to a point. Researchers have found that people with strong outside alternatives tend to reap smaller profits in negotiations with friends than they would in negotiations outside their network. Conversely, parties with fewer options gain more when dealing with friends.

Some negotiators trade away possible economic gains in favor of maintaining or enhancing a relationship. People in committed relationships, whether business or personal, often signal loyalty by choosing to ignore negotiation opportunities with others. Whether this is a wise move or not depends on your long-term objectives for both the negotiation and the relationship.

**Relationships and attributions.** People hold positive images (or illusions, depending on your point of view) of individuals they feel close to. When negotiations go poorly, positive attributions provide a cushion of trust. Even if you're in a bad mood, it probably won't affect the positive attributions you hold

of those you trust. The negative spirals of ill will common in negotiations among strangers rarely occur among friends and colleagues.

But a close relationship can also negatively affect our interpretations of the other side's negotiating behavior. In general, we expect more from those with whom we have a pre-existing relationship. A marginal offer that might seem reasonable when delivered by a stranger, therefore, could seem like a betrayal when coming from a friend. You might be able to mitigate this effect, however, by trying to understand the negotiation from your friend's or colleague's perspective.

**Coordination and information sharing.** Shared rules for interaction ease coordination in negotiations. Comparing negotiation processes between strangers and friends, Angela Keros and I found that strangers often struggle to find a method of interaction that works for both sides. The result frequently is an impasse. In contrast, friends are able to coordinate a negotiation's relational, procedural, and informational acts in ways that enhance information sharing and accurate interpretation.

The benefits of information sharing among friends and acquaintances in negotiation settings are multifold. Professor Brian Uzzi of Northwestern University has found that bankers share detailed information and engage in joint problem solving when dealing with others they know well, but do not do so when negotiating with new customers. Similarly, Marc-David Seidel and colleagues discovered that, at a high-tech firm hiring new employees, candidates with a friend already working in the organization were more likely to be offered increases from the company's initial salary offers. Minorities, who were less likely to know people in the company, negotiated smaller increases than did whites. When minority candidates were matched with white candidates on within company relationships, however, difference in negotiated increases disappeared.

Ultimately, the relationship itself—whether it continues and the parties' satisfaction with it—is a critical measure of negotiation success or failure. After all, a single deal is of limited value, while strong, stable relationships can provide rewards across years of negotiations.

By Kathleen L. McGinn.

Adapted from "For Better or Worse: How Relationships Affect Negotiations."

First published in the November 2004 issue of *Negotiation Briefings*.

OVER THE YEARS, numerous firms had approached NewsQuest CEO Tamara Barrett about acquiring her company, a closely-held news distributor (names and details of this story have been changed). Barrett rebuffed all of these inquiries; potential buyers seemed overly concerned with economic efficiency and lacked an appreciation of NewsQuest's convivial corporate culture.

One day, Barrett received a phone call from Susan Hammond, head of a communications conglomerate, to discuss a possible acquisition of NewsQuest. During their short, pleasant conversation, the two CEOs discovered that they had a few acquaintances in common and had attended the same university. Something about the tone of this inquiry seemed different, and Barrett agreed to meet with Hammond. A successful first meeting led to ongoing negotiations. Within just a few months, a deal was struck.

Why did Hammond succeed when so many before her had failed? Hammond's personality was not especially charismatic, nor was her company much different than others whose inquiries Barrett had dismissed. Rather, Hammond created an initial rapport with her counterpart that she carefully built as talks progressed.

In negotiation, rapport is a powerful force that can promote mutually beneficial agreements. Negotiators who already have a good working relationship are fortunate to have rapport built into their interactions. Strangers, however—especially those whose communications are limited to telephone or computer—may unwittingly find themselves engaged in a series of increasingly tense exchanges. Here, I will show you the value of building rapport from the very start of talks.

**What is rapport?** Rapport can be thought of as a state of positive mutual attention marked by harmony and affinity. When two negotiators share rapport, they feel in sync with each other and focused on the interaction.

Negotiation often involves some degree of conflict, whether you're hashing out a potentially profitable deal or trying to resolve a nasty dispute. By nipping in the bud the impulse to become agitated, rapport between negotiators works as a kind of social tranquilizer. Rapport determines whether negotiators develop the

trust necessary to understand each other's interests and reach a strong agreement.

In face-to-face interactions, we engage in subtle rapport-promoting behavior without even trying, such as facing the other person, leaning forward, and making eye contact. Negotiators with a high level of rapport take turns speaking and show signs of understanding, such as nods. High rapport also is marked by a great deal of mimicry—of posture, facial expressions, tone of voice, and mannerisms—which often occurs without conscious awareness.

To increase rapport—and the likelihood of achieving the most beneficial agreement possible—follow these guidelines:

**1. Go the extra mile.** When it comes to building rapport during negotiations, there's no substitute for a face-to-face meeting. As Tamara Barrett and Susan Hammond discovered after their initial phone call, negotiators who meet in person gain access to a multitude of important nonverbal cues. Your counterpart's furrowed brow, for instance, may be an instant signal that the offer you placed on the table is undesirable.

By contrast, many hallmarks of rapport, such as eye contact and mimicry, are impossible when bargaining remotely. When negotiators have had no prior relationship or contact, communication technologies can perpetuate unfamiliarity and distrust. Negotiators are left imagining a vague, abstract opponent who is unlike themselves and unworthy of an investment of effort. To make matters worse, the greeting rituals of face-to-face interaction, such as small talk and personal disclosure, often fall by the wayside in telephone or e-mail exchanges. The impersonal nature of e-mail, in particular, makes it difficult to establish feelings of trust and interpersonal connection, which can lead to misunderstandings and even impasse.

**2. Chat first, negotiate later.** Experimental research confirms that small talk sets the stage for an atmosphere of positivity, trust, and openness that ultimately creates value. Even when talks must occur remotely, negotiators can build substantial rapport through prenegotiation chats.

An experiment I conducted confirms the value of “schmoozing” for negotiators. In a negotiation simulation, participants interacted via e-mail with strangers in other states regarding the purchase of a new car. I instructed half

of the negotiating pairs to speak on the phone with each other for five minutes before e-mailing. They were allowed to discuss any topic except one—the upcoming negotiation. The other half of the negotiating pairs skipped the phone call and went straight to e-mail.

The brief, informal phone chats provided negotiators an early opportunity to establish common ground, even if the conversations themselves were exceedingly trivial (“The weather is nice here in Chicago”; “Yes, it’s nice in North Carolina, too.”) Small talk created rapport before bargaining even began. Those who had engaged in small talk felt more cooperative toward their counterparts, shared and reciprocated more information, made fewer threats, and developed more respect and trust than did those who skipped small talk. This rapport had an economic payoff: “small talk” negotiators were more than four times more likely to reach agreement than their “no small talk” counterparts, who more often than not walked away from offers that would have left them better off.

**3. Let the other party know you.** Consider that the degree to which you perceive another person to share similar traits and attitudes, and to be worthy of your generosity or assistance, depends on how connected you feel to that person.

Many negotiations are not one-shot deals but complex transactions involving a series of discussions over time—situations ripe for developing shared affiliations that provide the groundwork for rapport. Nurturing mutual self-disclosure can reap benefits when unexpected opportunities arise. Early in his relationship with a large multinational client, Mike, a salesperson with a small database company, made a point of chatting with the accounts payable clerk about the latest sports scores during routine phone calls. Later on, these superficial points of contact seemed to pay dividends when a dispute arose over an invoice. Mike’s supervisor was prepared to threaten a lawsuit, which might have ended the companies’ relationship. But before the dispute spiraled out of control, the clerk advised Mike to “sit tight” for a few weeks. After that time passed, the client paid the invoice without further prompting. Mike’s early disclosure about his interest in sports may have saved his company many thousands of dollars.

Shrewd negotiators are proactive rapport builders who go the extra mile for face-to-face discussions, make time for small talk, and reveal their personalities



and interests. More generally, an open flow of information will lead you toward the right combination of options and issues you need to structure a deal of maximum value for both sides.

By Janice Nadler.

Adapted from “Build Rapport—and a Better Deal.”

First published in the March 2007 issue of *Negotiation Briefings*.

## Manage satisfaction and conflict

ONE OF MY MBA STUDENTS recently told me a story that shows how important it is to ensure that your negotiation counterpart is satisfied. Two customers made purchases at my student’s family’s appliance store. One customer bought several appliances and negotiated a steep discount for his business—so steep, in fact, that the store barely made a profit on the sale. Nonetheless, the customer left the store feeling dissatisfied, believing he should have received an even better deal for purchasing so many appliances at once. Not long after, the customer began to complain about the items he’d bought, insisting on service and replacements. As a result, the store lost money on a customer who felt his large volume of business had created a windfall for the store.

Soon after this customer made his purchases, a second customer bought a single item and received a very small discount. From this deal, the appliance store made a large profit, but the customer left the store quite satisfied. This customer went on to recommend the store to family members and friends, and ultimately generated a great deal of follow-up business.

This story illustrates two important principles of negotiator satisfaction. First, your counterpart’s satisfaction level can swing a deal to either a loss or a large profit. Second, your counterpart’s level of satisfaction is a function of their perceptions of the deal—perceptions that may or may not be closely related to reality.

**Why satisfaction matters.** Why should you care whether the other side is pleased with the deal or not? First, because satisfied negotiators are more likely to uphold the terms of a deal. Even a lengthy contract cannot cover every possible contingency, and the costs of enforcement are high.

Second, if your counterpart is satisfied with the deal, she is also more likely to seek you out again and recommend you for future business. The more satisfied she is, the more cooperatively she will approach future negotiations. Conversely, a dissatisfied counterpart is likely to try to “even the score” in the next round of talks.

As the following points demonstrate, ensuring that your counterpart is satisfied with a particular deal requires you to manage several aspects of the negotiation process, including his outcome expectations, his perceptions of your outcome, the comparisons he makes with others, and his overall negotiation experience.

**1. Outcome expectations.** Prior to and during a negotiation, people develop expectations about the type of deal they will receive. Work by business-school professors Richard Oliver and Bruce Barry of Vanderbilt University and Sundar Balakrishnan of the University of Washington demonstrates that negotiators automatically compare their actual outcome with the outcome they expected prior to negotiating. As a result of this process, two negotiators with the exact same outcome can feel very differently about their deal. For example, consider two car buyers who both purchased the same model car for \$30,000. The buyer who expected to pay \$29,000 will be dissatisfied with this deal, while the buyer who expected to pay \$31,000 will be quite pleased.

Skilled negotiators manage expectations prior to and during a negotiation. Some managers do this instinctively. For example, in the month prior to salary negotiations with employees, managers may broadcast the message that this has been a difficult year for the company. After having their expectations lowered, some employees may be satisfied to receive even a small cost-of-living raise.

Your reaction to an opening offer also can influence your counterpart’s expectations. By reacting with a surprised look, a laugh, or a flinch, you can lower your counterpart’s expectations about the feasible bargaining zone. Conversely, by appearing very cooperative or particularly eager for agreement, you may raise the other side’s expectations.

**2. Perceptions of your outcome.** Just as negotiators evaluate how a good deal is for themselves, they also assess how good a deal is for their counterpart.

Social psychologists George Loewenstein at Carnegie Mellon University, Leigh Thompson at Northwestern University, and Max Bazerman at Harvard University have demonstrated that negotiator satisfaction is affected by social utility—the comparisons that people make between their outcome and their counterpart's outcome. As car salespeople have learned, be modest about your gains from a deal, and commend your counterpart for their hard bargaining.

**3. Social comparisons.** My own work with Yale psychologist Nathan Novemsky identifies social comparisons as another critical factor in guiding negotiator satisfaction. Not only do negotiators compare their profit from a deal with the profit they imagine their counterpart earned, but they compare their profit with the profits of other negotiators in a similar situation. For example, a car buyer is likely not only to assess how much the dealership made off of him but also to compare his price with the deal his neighbor got. If the buyer's neighbor bought the same model car for a higher price, he is likely to be more satisfied with his purchase than if his neighbor got a better deal.

As a negotiator, you need to recognize the limitations you face in developing a complete and accurate social comparison set. In addition, you should seek to guide the comparisons that your counterpart selects. When engaged in labor negotiations, for instance, a management team might highlight recent labor contracts in which other unions received less advantageous terms than the union desires.

**4. Negotiation experience.** Research on procedural justice by social psychologist Jerald Greenberg of Ohio State University has found that we attach a great deal of importance not only to our outcomes but also to how we achieved these outcomes. In particular, people feel more satisfied when a negotiation involves procedures that they perceive to be fair—even when the outcome is unfavorable to them.

To guide these perceptions, give your negotiation counterpart a voice in the decision process. Even when you are in a position of power, be sure to acknowledge your counterpart's perspective and invite him to express his views, to suggest alternatives, and to react to initial proposals.

You can also enhance perceptions of fairness after an outcome has been

reached by providing detailed explanations for unappealing actions or outcomes. These explanations, though time-consuming in the short run, can help your counterpart develop a much more favorable view of the process—and ultimately save you substantial time and effort later.

By Maurice Schweitzer.

Adapted from “Is Your Counterpart Satisfied?”

First published in the April 2006 issue of *Negotiation Briefings*.

DAN, VICE PRESIDENT OF A LANDSCAPE ARCHITECTURAL FIRM, had a new design project to assign. In the past, Carrie, a landscape designer with strong skills, had complained when given extra work, so Dan handed the job to a recently hired employee who seemed eager to take on new tasks. Later that week, Carrie confronted Dan about the decision. “Why didn’t you give me that project?” Carrie asked. “I can’t believe you gave the job to someone who just started here.”

Dan realized he had made a mistake—not about who should have gotten the project, but in how he handled the situation. For some time, he had been concerned about what he viewed as Carrie’s poor attitude. Dan knew he should have spoken with Carrie directly. Instead, he had avoided having a difficult conversation. Now he felt guilty, Carrie was angry, and the new employee had been put in an awkward position.

When you’re reluctant to talk about something, it can be tempting to avoid conflict altogether. Yet managers need to be willing to communicate openly with their bosses, colleagues, and clients—to get the information they need and to impart the information others need from them.

In their book *Difficult Conversations: How to Discuss What Matters Most* (Penguin Books, 2000), authors Douglas Stone, Bruce Patton, and Sheila Heen tell us how to engage in the conversations in our professional or personal lives that make us uncomfortable. Tough, honest conversations are critical for managers, whether they need to change the group culture, manage conflict on a team, give a negative performance evaluation, disagree with others in a group, or offer an apology.

The authors of *Difficult Conversations* suggest that every tough conversation is made up of three separate conversations: the “What happened?” conversation,

the “feelings” conversation, and the “identity” conversation. The key to managing difficult conversations is to understand that all three levels are operating at the same time.

■ **The “What happened?” conversation.** This focuses on the substance of the discussion, with the intent of separating *impact* from *intention*. Someone’s message may make you feel angry or perplexed. Before reacting, check with the other person to see what her *intention* was. After all, what seems crystal clear to you may look very different to someone else.

Dan launched such a conversation by telling Carrie that in assigning the project to the new hire, he didn’t intend to express disrespect for Carrie or her work; he thought she disliked being given extra projects. Surprised, Carrie explained that she sometimes avoided taking on additional work simply because she was committed to meeting her regular deadlines while also meeting her own high quality standards. But when her schedule had room, she welcomed additional projects, especially when they could expand her skill set and hence her value to the firm.

■ **The “feelings” conversation.** Stone, Patton, and Heen also stress the important role that emotions play in difficult conversations. Dan might be feeling anger, frustration, or annoyance with Carrie and also with himself. Carrie may be feeling hurt, misunderstood, and disappointed. When feelings are managed poorly, they can sabotage good communication; when handled well, they can actually improve working relationships.

Recognizing the full range of feelings we are experiencing at any given time is not easy. Yet being comfortable acknowledging complex and competing feelings is not only an important step in self-awareness, but can ensure that your negotiating partner understands your motives and behavior.

■ **The “identity” conversation.** Finally, you’ll need to consider what a particular conflict represents to you personally. The authors note that identity issues “often underlie what concerns us most during difficult conversations,” including questions such as, “Am I competent? Am I a good person?”

“Even before you begin,” Douglas Stone says, “ask yourself whether the conversation has the potential to challenge how you view yourself. Consider how the other party’s self-image might be affected as well.”

Dan likes to think of himself as fair, reasonable, and approachable. Is he a bad manager because he failed to talk to Carrie before making the decision to give the project to someone else? As for Carrie, the conflict impacts her sense of identity as a competent worker and team player. Is Dan right? Is she a complainer? The challenge for both Dan and Carrie will be to feel fundamentally good about themselves while remaining open to improvement.

“When you start the conversation,” Stone says, “ask open-ended questions, such as, ‘How do you feel in general about getting feedback? Do you welcome it as a way to get useful information, or is it hard for you to hear?’ You can also ask, ‘What motivates you in the workplace? How are things going from your point of view?’”

In the course of their difficult conversation, Dan apologized to Carrie for not consulting with her on his decision and also shared his concerns about her attitude. They resolved to communicate more regularly, and Dan promised to look for a project for Carrie that would meet her long-term interests.

By Susan Hackley.

Adapted from “How to Say What Matters Most.”

First published in the August 2005 issue of *Negotiation Briefings*.

## Navigate your most important relationships

GETTING A GOOD NIGHT’S SLEEP and eating a healthy dinner might seem like obvious goals for parents to have for their young children, but kids won’t always agree. When faced with back talk, tantrums, and tears, most parents vacillate between laying down the law and giving in, depending on how irritated or exhausted they are in the moment.

Scott Brown, a founding member of the Harvard Negotiation Project at Harvard Law School and the father of four young children, suggests that there’s a better way to cope with family conflict. In his book *How to Negotiate with Kids... Even When You Think You Shouldn’t* (Viking, 2003), he outlines a framework that’s based on the same mutual-gains negotiation techniques described in this newsletter. Although his advice is tailored to kids aged two to 12, the principles extend to teenagers and adult children as well.

**Short-term fixes, long-term solutions.** According to Brown, most parents tend to fall into two broad categories. Hard bargainers go overboard setting rules and administering punishments; their kids often respond by breaking these rules and withdrawing emotionally. By contrast, accommodators reward bad behavior with one concession after another. Fearful that their children will dislike them or rebel, these parents become overly permissive. Children of accommodators fail to learn limits and to respect the needs of others.

For a much smaller group of parents, relationship-centered goals are key. These parents rely on collaborative negotiation techniques to build trust and strengthen family ties. Just as smart business negotiators avoid bullying tactics and undue concessions, relationship-centered parents engage in a problem solving process that enhances cooperation and satisfaction for the entire family. Rather than pretending that conflict always can be avoided or behaving as though kids must be dominated, these parents teach their children to deal with conflict in productive ways.

Families that negotiate together build stronger long-term relationships and produce more self-disciplined, adaptive children. The following six principles of “persuasive parenting” from Brown’s book will empower you and your child to negotiate lasting, creative solutions to conflict.

**1. Deal with your own emotions first.** The feelings that flood us during times of stress block rational thought and lead to knee-jerk reactions that exacerbate conflict with our kids. That doesn’t mean you need to hide your emotions from your children when you’re upset. The trick is to strike the right balance between emotion and reason.

As in professional negotiations, thorough preparation is the first step. Think about your hot-button issues in advance. When your temper flares, try to find a few quiet moments to take some deep breaths.

Next, consider your child’s perspective. If your son has tracked mud from the front door to the couch, think about what he may be feeling. He might have had a bad day at school, just as you’re worn out from work. When we think about our children’s inner lives, we have more sympathy for their behavior and gain more control over our own emotions, writes Brown.



**2. Help her cope with her emotions.** As parents know, children tend to be more emotional than adults. When we disapprove of a child's emotions or respond to them with cold, hard logic, says Brown, she's likely to feel ashamed or misunderstood. Suppose your daughter starts to cry because her older brother gets to stay up later than she does. She's not going to be comforted by your explanation that she'll get to stay up later as well in a few years.

For this reason, you'll need to prepare for your child's emotions and help her cope with them. If bedtime is particularly stressful for your daughter, set aside time to read and talk with her. By paying close attention, you can identify your child's hot buttons. And when you help her face minor disappointments, you create a safe environment for emotional growth.

**3. Listen to learn.** Students of negotiation understand the value of active listening. Listening improves your counterpart's mood and costs you nothing but time. And when you listen, you learn about the other party's interests rather than his positions.

Unfortunately, most parents don't listen well, according to Brown—and their kids would be the first to agree. You may be so busy that multitasking seems to be the only option, but you're not likely to listen well to your child while you're driving or preparing dinner. Instead, schedule quiet time to find out what's on your kid's mind. Listen closely and acknowledge his feelings, resisting the urge to jump in with solutions and judgments.

**4. Talk to teach.** How can you teach your child lessons without provoking arguments and conflicts? Start with short reminders rather than lectures, advises Brown. Saying, "Shoes!" may be sufficient when your kid starts tracking in mud.

You can also influence children through framing, a persuasion technique discussed in other issues of Negotiation. Rather than ordering your child to be in bed in five minutes, set a kitchen timer and ask if she can set an Olympic record for the speediest bedtime.

When you are talking to your child about feelings, be sure to share your own: "It's frustrating to me when you track in mud, because I work hard to keep the house clean." By doing so, you teach empathy and show your child that emotions are normal.



**5. Use persuasion instead of coercion.** According to Brown, the most effective limits are those that children establish themselves. Like any negotiator, when a child feels empowered to participate in a solution, he'll cooperate better with an agreement.

Suppose your 11-year-old tells you that he and his friends are planning to go downtown at night without any adults. Rather than staking out a position ("Over my dead body!"), begin by summing up both his and your concerns: "I understand that you think you're old enough to hang out downtown with your friends. Downtown can be dangerous, though, and I think you're still too young."

Next, work to brainstorm an agreement that meets both his and your needs. "We just want to go to the movies," your son might say. "What's the big deal?" If you see his point, you might agree to drive him and his friends to a matinee downtown and pick them up immediately afterward.

**6. Discipline wisely.** What's the best way to encourage good behavior and discourage bad behavior in children? Psychological research has shown that traditional forms of punishment and rewards, such as groundings and gold stars, may improve behavior in the short term, writes Brown, but these effects tend to be short-lived.

You can administer effective discipline by negotiating rules with your child before conflicts escalate. Don't take your son and his friends to the movies without negotiating the consequences of rule breaking beforehand, for instance. When your child does disobey, administer the agreed-upon punishment consistently and calmly. When you do so, you teach self-discipline and internal values rather than simply showing your child how to read your moods.

By the Editors, *Negotiation Briefings*, February 2008.

"Negotiate Better Relationships with Your Children" (Reprinted in its entirety.)

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WHAT HAPPENS WHEN family members go into business together? In a few lucky cases, harmony and success follow without effort. More often, however, history, emotions, and competing visions of the firm's future complicate matters. Because of the risk posed to relationships outside of the office, many avoid confrontation

with family members and hope that the tension will pass. Others behave in ways that make matters worse, jeopardizing not only the viability of the company but the family itself.

Imagine the predicament faced by a 68-year-old CEO and board chairman of a large newspaper chain that has been in his family for three generations. During his tenure, he built up the business from a local, highly respected newspaper into a national empire of more than 30 local dailies and several cable TV outlets. The CEO would like to turn the business over to one of his three children in the next few years and enjoy his retirement. But which child to choose? The eldest, age 40, is a successful pediatrician with no real interest in running a newspaper business. The middle child, age 38, has an MBA from a prestigious university and runs a small, successful video-game production company. The youngest, who is 34, has focused more on exotic travel adventures than on school or work.

Because of her entrepreneurial spirit and business know-how, the middle child seems most capable of taking over the business. Yet it's the youngest who speaks openly about wanting to fill his father's shoes. The CEO worries about whether this son has the stability and experience needed to run such a large operation. To complicate matters, several internal vice presidents are well qualified to take over the helm.

Given such complications, it's tempting to follow the age-old advice against mixing business with family. Yet this could mean passing up lucrative opportunities, not to mention the potential rewards of working closely with loved ones. Moreover, in situations such as inheritance and divorce, avoiding such negotiations is simply not possible. Here are four guidelines to make these negotiations easier and more fruitful for everyone:

- 1. Prepare for complications.** An awareness and analysis of the complications listed above—related to interests, options, criteria, relationships, and alternatives— will dramatically increase your odds of negotiation success. Careful consideration of the web of relationships in your family and in your business will help you avoid pitfalls that could offend or impose on other members of your organization—including your family.

**2. Strive for transparency.** Once you've identified the various challenges of resolving your family dispute, it may be tempting to hope that they simply won't come up. This would be a mistake. When you brush aside difficult issues, other family members may play out long-held animosities in the course of negotiating the business issues at stake. Better to be explicit and transparent about the challenges and issues implicated by the negotiation.

When sitting down with his three children to discuss succession, for instance, the media-company CEO might say: "I want to begin by acknowledging that we probably each have strong feelings about what we're discussing today. I hope we can talk about our concerns in a way that is forthright and that honors our wonderful family. If we reach an impasse, let's try to work things out in a spirit of understanding." Addressing difficult issues upfront can seem scary or timeconsuming, but it can often make dispute resolution easier in the long run.

**3. Consult a neutral adviser.** At times your negotiation may get stuck on a particularly contentious issue. Typically, this is when negative emotions surface, as family members dig in their heels and dredge up years of history that don't help resolve the conflict.

At the first sign of trouble, consider raising the possibility of hiring a neutral third-party, whether a mediator, a family therapist, a mutually trusted friend, or a business expert. Imagine, for example, that the CEO and his children agree that selling cable TV outlets in certain markets should be part of their transition plan. The issue is complicated by the fact that the eldest child's spouse happens to work for one of the stations that the other two children think should be on the selling block. Putting this question to a majority vote might lead to hurt feelings, and it might be similarly unwise for the CEO to make this call on his own. Seeking the counsel of an agreed-upon mediator might be a suitable way to resolve this question and avoid a major family crisis.

In this case, the CEO wisely enlisted the aid of a business analyst who provided data about the pros and cons of various transition plans. The family then worked with a professional mediator who helped facilitate the process of the sale of the TV outlets by separating emotional issues from substantive ones.

**4. Plan ahead.** While many sources of disputes in the operation and management of a family-run business are unpredictable, you can plan for others, such as those related to succession, inheritance, and strategic planning. Whenever possible, family members entering into a business relationship should agree explicitly and in advance on the norms, standards, and processes they will use to resolve disputes that may arise. To ensure that all relevant stakeholders remain in agreement, it also makes sense to revisit these dispute-resolution provisions when individual family members enter, leave, or invest in the business. Finally, when planning to manage business and family, keep in mind that you may face special legal and financial issues, such as inheritance law, tax implications, nepotism, and divorce or antitrust concerns.

By Frank E.A. Sander and Robert C. Bordone.

Adapted from “All in the Family: Managing Disputes with Relatives.”

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