

Available online at www.sciencedirect.com

ScienceDirect

journal homepage: www.elsevier.com/locate/orgdyn

Trust me, I'm a negotiator: Diagnosing trust to negotiate effectively, globally



Brian C. Gunia, Jeanne M. Brett, Amit K. Nandkeolyar

Negotiating effectively is no easy task, especially around the world. Yet, accumulating research from numerous cultures points toward a relatively straightforward conclusion: trust—the willingness to make yourself vulnerable by revealing information that a negotiation counterpart could use against you—is the most direct route to high-quality agreements that satisfy both parties. At the same time, negotiators from around the world are reluctant to trust each other, fearing exploitation. Though understandable, their reluctance contributes to negotiation outcomes that either fail to maximize value, or fail altogether. Consider a recent negotiation in India, which we analyze in detail later in the manuscript.

On October 3rd, 2008, Tata Motors—owner of marquee automotive brands like Jaguar and Land Rover and a member of the \$80 billion Tata group—announced that it was abandoning negotiations with the Indian state of West Bengal: the culmination of a two-year attempt to produce the world's cheapest car there (the \$2500 Nano). The announcement sent shock waves across business communities in India and abroad. If Tata, one of India's most reputed businesses, could not negotiate to open a production facility in West Bengal, who could? With the cold feet of many potential investors, West Bengal's industrialization ground to a halt, and the ruling Left Front government lost the state elections after 34 years of continuous rule.

The collapse had its roots in politics: West Bengal had fallen behind other Indian states in catching the wave of industrial development. In response, the Left Front government announced an “all-out” effort to woo Tata's Nano plant, bringing much-needed jobs and prosperity. Even before negotiations began, however, the government stoked a full-blown conflict: they used a controversial land acquisition bill to seize 997 acres of farmland, toward Tata's 1000-acre requirement. Reports of forced evacuations, inadequate compensation, and delayed housing alternatives for displaced farmers proliferated, prompting massive resistance from farmers, politically fanned by a major opposition party.

Ideological cracks also developed within the Left Front government: rank-and-file members complained that party leaders had violated core communist convictions by aggressively recruiting Tata, an epitome of capitalism.

Thus, negotiations between Tata and West Bengal's ruling party commenced during a toxic stand-off between the ruling party and its opposition. This helps to explain why the negotiations suffered from a substantial trust deficit from the outset, which ultimately convinced Tata to abandon West Bengal in favor of another Indian state: Gujarat. As discussed below, the behavior of the Tata and West Bengal negotiators revealed deep-seated distrust that ultimately led to an impasse. In sharp contrast, the behavior of the Tata and Gujarat negotiators revealed the presence of trust, which produced a mutually beneficial deal with an INR 2000 crore (approximately \$427 million) investment by Tata. Both parts of this story illustrate the importance of trust, as described below.

Fifteen years of negotiation research, most recently in developing countries, has led us to conclude that trust is an infrequent but critically important feature of negotiations. In all corners of the world, when negotiators do not trust, the tactics that they use generate poor-quality agreements at best, and lead to impasses at worst, as with Tata. What to do? We advise negotiators to: (1) understand why negotiators trust; (2) diagnose the level of trust in their own negotiation; and (3) adjust their strategies accordingly. In an age of cultural diversity, our goal is to call negotiators' attention to the near-universal importance of trust, which can substantially improve their performance at the bargaining table.

WHY TRUST IN NEGOTIATION?

Trust is critical in negotiation because, to reach agreements that satisfy both parties, negotiators typically need to engage in value creation behaviors that are too risky in the absence of trust. Negotiation scholars have long noted

that negotiations consist of both value claiming and value creation. Value claiming, or “slicing the pie,” includes behaviors that influence the distribution of resources (e.g., making the first offer). Value creation, or “growing the pie,” includes behaviors that increase the resources available to claim. Without value creation, negotiators often cannot find enough value to claim, and without trust, negotiators often find it hard to create value.

In particular, they often fail to share the relevant information: value creation often requires negotiators to trade-off their interests (i.e., their reasons for taking the positions that they take) based on their priorities (i.e., which interests are more or less important to them). To do that, each negotiator may have to accept less-than-optimal terms on their low-priority interests in return for optimal terms on their high-priority interests. To do that, negotiators need to understand not only their own interests and priorities, but also something about their counterpart's interests and priorities, i.e., they need to reach “insight.” Many years of negotiation research show that the most efficient way to reach insight is through an exchange of honest information, and honestly sharing information, of course, requires the negotiators to achieve some level of trust.

In essence, trusting allows negotiators to share a little confidential information about their interests and priorities, even though their counterpart could use that information to exploit them. Trusting negotiators assume that exploitation will not occur, but rather that their counterpart will share some information in return. Trust, then, amounts to a bet that the counterpart will reciprocate rather than exploit. As it turns out, trusting represents a fairly good bet. The universal norm of reciprocity means that people reciprocate the behaviors directed toward them, in social interactions from greeting behavior to negotiation. For example, negotiators engage in reciprocal trust, cooperation, information-sharing, and even non-verbal behavior (by mimicking each other's gestures). Of course, reciprocity is a two-way street: in addition to trust and cooperation, negotiators also reciprocate distrust and competition. In short, reciprocity synchronizes two people around an early pattern of behaviors, so trusting enough to kick-start a reciprocal information-sharing cycle is both critical and advisable. Wise negotiators understand what trust is, what it does for information-sharing, how it operates through reciprocity to produce tradeoffs, and how its absence can produce unhelpful reciprocity that can derail a negotiation.

That negotiators should trust does not necessarily mean that they do. In general, people decide whether to trust for a multitude of reasons. They may have a tendency to trust based on their culture, personality, or past experiences. Or they may condition their trust on characteristics of their immediate environment, from its physical features (e.g., the presence of airborne oxytocin) to its social features (e.g., the behavior of others). Among the many factors that could influence trust in negotiations, our research has focused on culture, showing that negotiators' culture can strongly influence how much they trust one another. Informally defined as the unique character of a group and formally defined as the complex, loosely integrated system of psychological, sociological, economic, and political processes that groups develop to address their problems of social

interaction; culture can influence a wide range of behaviors at and away from the bargaining table.

When thinking about culture's influence on negotiation, it is important to demarcate and conceptualize culture carefully. Research on culture and negotiation has typically demarcated culture using national boundaries. Though not the only method of demarcation, national boundaries are useful because the members of different nations operate under different social, political, and economic structures that reflect and also shape their behavior. Thus, despite important differences within nations, the social, political, and economic similarities among members of the same nation have made nations an appropriate unit-of-analysis.

A careful conceptualization of culture also avoids two common, but faulty oversimplifications: assuming that culture has invariant effects across people (cultural stereotypes) and across situations (cultural fixity). A cultural stereotype is an assumption that all members of a culture have the same characteristic—that is there is no variation within culture. Stereotyping a culture as “low-trust,” for example, implies that all members of the culture are equally low-trust. Instead, we focus on cultural prototypes, which describe a culture's central tendency but recognize variation within a culture. Prototyping a culture as “low-trust” implies that the “average” member of that culture is likely to exhibit lower trust than the “average” member of a “high-trust” culture. Prototypes allow for the possibility of both individual differences and subcultures within a nation, while stereotypes allow for neither. Cultural fixity, in turn, implies that culture has the same effects across situations—that members of a “low-trust” culture would show little trust in every domain of their lives. Instead, we adopt cultural constructivism, which implies that the effects of culture depend on the situation—that members of a “low-trust” culture in negotiation actually may trust one another a great deal in a family setting, for example.

With these caveats in mind, it is important to state clearly that culture can have a profound impact on how much people trust one another, in general and in negotiation. For example, an extensive international study called the World Values Survey reveals substantial nation-level variation in trust, along with the general finding that people from nations that prioritize realizing one's potential generally tend to trust others more readily than people from nations prioritizing survival (which are often less economically developed). Other studies have noted a broad tendency for the members of certain Western countries to display more generalized trust than the members of certain Eastern countries. Still other studies have demonstrated marked differences in generalized trust among particular country comparisons; to name just a few: Denmark vs. Korea, Sweden vs. Tanzania, and the U.S. vs. Japan, with the former displaying more trust in each case. Importantly, though, many of these studies suggest that trust depends on the situation, consistent with the cultural constructivism perspective noted above.

In the situation of negotiation, we and others have documented marked cultural differences in trust. Generalizing from studies conducted in several North American, Western European, East Asian, and South Asian nations, the overall finding appears to be that “Western” negotiators trust one another more readily than “East Asian” or “South Asian” negotiators—at least when they are negotiating the terms of

Download English Version:

<https://daneshyari.com/en/article/10440176>

Download Persian Version:

<https://daneshyari.com/article/10440176>

[Daneshyari.com](https://daneshyari.com)