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## Inventive negotiation: Getting beyond yes

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*Mountain climbing is less about getting to the top, and more about getting to the bottom.*

Thomas Edison wasn't just an inventor. He was an *inventive negotiator*. Contemplate the array of companies he created – 171 in all. Fifty were in countries ranging from Argentina to Canada, from Japan, China, and India to Italy, Germany, and France. He dabbled with partners in electric cars, batteries, cement, chemicals, and office machines. The creative teams he developed laid the foundations for today's music, movie, and telecommunications industries.

Historians list 22 inventors of incandescent lamps prior to Edison, but his team's design improved on the others in three ways: better incandescent material, a higher vacuum, and higher electrical resistance allowing power to be distributed from a centralized source. But the better bulb by itself wasn't the reason for Edison's success. He and his partners also developed the basic grid to bring the electricity from a distant generator across the wires to the bulbs. Edison's AC system had dominated the DC of Nikola Tesla, his one-time employee, and American rival Westinghouse. Now General Electric (GE) makes everything from toasters to turbo-machinery.

By the time Thomas Edison applied for patent #223,898 for his version of the light bulb, he had already formed the Edison Electric Light Company in New York City. He'd sold his vision: "We will make electricity so cheap that only the rich will burn candles," which helped him line up investors like the Vanderbilts and J. P. Morgan. Within a decade, he'd recruited dozens of the smartest engineers in the world and built the world's first industrial laboratory in Menlo Park, NJ.

He owned the American market (some 60 million people at the time), but his dreams were bigger: the entire British Empire (about 400 million). And one man stood in his way.

Joseph Swan held the British patent for pretty much the same technology, and he was suing Edison there. Where others would have seen this as an obstacle, Edison saw it as an opportunity. Soon he had persuaded Swan that partnership was a better idea than litigation – a move that would make both of them enormously wealthy.

So in 1883, the two partners created the Edison and Swan Electric Light Company (Ediswan) to manufacture and distribute the invention in Britain and its vast empire. Though famously "the sun never set on the British Empire," it apparently set every day on some portion of it. In those places they needed lighting. Thus, Edison's gamble paid off handsomely.

Edison's modern-day likeness was Steve Jobs. Most knew Jobs as a tough negotiator – "It's my way or the highway" – so the caricature went. Jobs was different from this uncomplimentary picture. It is quite true that he and Michael Eisner couldn't agree on much past the companies' original contract involving distribution of *Toy Story*. Once Eisner was replaced by Robert Iger, by all accounts an inventive negotiator himself, a world-class collaborative relationship was quickly established. Edgar Woolard, the former chairman of Apple and former chairman and chief executive officer (CEO) of Dupont, said at the time of the Pixar purchase by Iger-led Disney, "People are misreading Steve Jobs. If he has a good relationship with you, there is nobody better in the world to work with."

Indeed, Iger reported that the first congratulatory call he got upon his appointment as Disney CEO was from Jobs, "He wished me well and hoped we could work together soon." And "soon" happened very soon. Two weeks later Iger found himself on stage in San Jose with Jobs introducing Apple's new video iPod including the availability of *Lost* and *Desperate Housewives*, two of ABC's most popular shows.

Inventive negotiation doesn't just involve good personal relationships between negotiators. Jobs was also known for

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valuing diversity of views in a unique kind of “coffee house” approach to innovation at Apple. Iger demonstrated his collaborative style of leadership at Disney by restoring a good relationship not only with Jobs, but also with Roy Disney (nephew of Walt). Moreover, the Iger selection for CEO was overseen by a famously inventive negotiator himself – Disney chairman (former Senator) George Mitchell.

The key to inventive negotiation is a long-term commitment to working together. When Disney bought Pixar from Jobs, it might have just been a cash transaction, a divide-the-pie argument over price. The actual deal, however, is more than just a deal. It is a long-term relationship of invention. Jobs got Disney stock valued at \$7.4 billion (he paid \$10 million for Pixar in 1986), and that tied Jobs to Disney for the long run.<sup>1</sup> The arrangement also kept the Pixar creative team in charge, with co-founder John Lasseter as Disney chief creative officer and Ed Catmull as president of Disney Animation Studios, both directly reporting to Iger. Apple’s stock price has been stratospheric since, and Disney’s jumped from the \$20s to the \$40s soon after its acquisition of Pixar.

## SPLITTING PIES TO BUILDING PIE FACTORIES

Consider the primordial story of human exchange. That is, two guys, one pie – what are the options?

- (1) One bludgeons the other and takes the entire pie. We call this *homicide*. Albert J. Dunlap (aka “Chainsaw Al”) is infamous for murdering companies such as Scott Paper.
- (2) The two argue over and agree about how the pie should be *divided*. We call this *competitive or zero-sum bargaining*. Think Congress and the Obama administration.
- (3) The two ask each other about why they want the pie. Luckily one prefers the crust and one prefers the fruit, and they *share* it accordingly. We call this *integrative or interest-based bargaining*. This is the approach we teach in business schools these days.
- (4) The two share the pie as they devise a plan to build a pie factory. We call this *inventive negotiation*. The focus becomes a long-term relationship, not just a deal. This last option is the key to profiting from new ideas, particularly in today’s global context. Yes, Steve and Bob built a pie factory!

Listing the bludgeon first, as the most primitive approach, is actually incorrect. We know quite clearly from the new brain science, genetics researchers, and anthropologists that people are hardwired by evolution to collaborate. That’s how our hunter-gather ancestors dominated the southern African savannahs some 200,000 years ago. The only way to compete with the herds, packs, and prides was to work together, share knowledge, combine imaginations, and invent – uses for fire, poison tipped arrows, and so on. Despite the violence reported in the press, even

<sup>1</sup> We, like so many, wonder what might have been, but for Steve Job’s untimely death.

today 99.9% of humans have never bludgeoned another. So humans are deeply predisposed to inventive negotiation.

The invention of farming about 10,000 years ago delivered a variety of bad things to our species: A less healthful diet, nuclear families, crowding, possessions, borders, hierarchy, rulers, weapons, and warfare. The primordial Man of the savannahs never knew any of these.

More recently we use markets – words, numbers, and relationships – to organize human activity. In 1776, Adam Smith justified market competition in his *The Wealth of Nations*. In the 1950s, Morton Deutsch and his students at Columbia documented the value of recognizing mutual interests – cooperation frequently works better than competition. This was a further improvement over violence.

The traditional dialectic of negotiation in America waffles between the competitive approach and integrative bargaining. The competitive, “splitting-the-pie” metaphor reflects a zero-sum sort of fairness that once represented a satisfactory outcome. Expanding the pie before splitting it is considered a big advancement, integrating the needs of both parties and yielding win-win solutions. The emphasis is on interests not positions. Both approaches are deal focused. Neither depends much on building trusting, long-term relationships.

Inventive negotiators, especially international ones, aren’t satisfied with just making deals. Instead, they emphasize sustainable, trusting, and personal commercial relationships that more resemble building pie factories than splitting pies: going beyond traditional, primitive approaches that divide resources toward a more civilized approach that combines them.

This thinking leads to a definition of inventive negotiations. The 20th century definitions, metaphors, and lexicon of negotiation were filled with words such as: problems, conflicts, disputes, dividing things, competitive games, positions, interests, military campaigns, even chess and poker. We use a different set of words: *Inventive negotiation is the use of innovation processes to build long-term relationships for finding and exploiting extraordinary opportunities*. Yes, problems may be solved and conflicts resolved along the way, but the primary question of inventive negotiation is “What are the opportunities here?”

Luminaries in the negotiation field, such as Roger Fisher and William Ury in *Getting to Yes*, often briefly mention creative processes in the context of describing traditional integrative bargaining. We prescribe a comprehensive shift in philosophy and processes that includes fourteen principles:

- (1) Inventive negotiation is older than history, and more advanced than the future – and it’s based on the most basic human talent: imagination.
- (2) It begins with a glimmer of opportunity, the vision that things can be better – even world-changing.
- (3) You have to find just the right partners and sell them on your vision.
- (4) Then you build relationships – with those on the other side.
- (5) You create the system that makes these relationships happen.
- (6) You add exactly the right people in specific situations, including facilitators.

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