MACRO DETERMINANTS OF THE FUTURE OF THE STUDY OF NEGOTIATIONS IN ORGANIZATIONS

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A recent analysis of the state of negotiation research through 1982 (Kochan and Verma, 1983) presented the following rather pessimistic assessment:

...the rejection of the "management principles" approach to organization theory (March and Simon, 1958; Cyert and March, 1963), along with the social turmoil of the 1960's, helped organizational theorists to begin to bring conflict out of the closet and to recognize that conflict may not only be a naturally occurring organizational phenomenon but that it would have positive as well as negative consequences for different organizational actors (Coser, 1956; Pondy, 1967).

Little progress was made in going beyond this elementary point...studying organizational systems, and the discussion of conflict, power and negotiations, is insightful and refreshing, but all of these works still focus on the level of paradigm development and articulation. None of them take us far enough down the conceptual ladder to suggest strategies for organizational design and principles for guiding organizational activities that can be used by individuals interested in influencing or changing organizations or the behavior of individuals within them...In short, useful theories of negotiation within and between (among) organizations have yet to be developed...
This statement articulated both the importance of the topic of negotiations in organizations (a central premise of this volume), and its limited state of development three years ago.

In the three years since Kochan and Verma's paper, research and teaching on the topic of negotiation in organizations has expanded considerably. Evidence of this increased interest includes the creation of elective courses on negotiation at a large number of management schools, a significant increase in the frequency of dispute-related publications in organizational behavior journals, the commonality of symposia and conferences on negotiation related topics, and attention of the management community to the importance of negotiation in their professional lives (Lewicki and Bazerman, 1984). Thus, the state of negotiation research today is very different from the state of research three years ago. Our current assessment will suggest that in some domains of negotiation research, basic intellectual arguments and propositions are now being rigorously tested within organizational settings and translated into prescriptive writings designed to improve the practice of organizational negotiations. In other areas of negotiation research, however, the field has exerted little movement during the preceding period.

In this paper we will take stock of the current state of theory and research on negotiations in organizations by briefly reviewing several different intellectual tracks. The four tracks or intellectual traditions we draw on closely reflect the material covered in this volume and its predecessor (Bazerman and
Lewicki, 1983), as well as some issues that we believe are relevant to negotiation research in organizations, but have not received much attention. We do not seek to provide a general review of literature. Nor do we assert that all of the arguments advanced here are well-documented empirical findings. Rather we attempt to comment on the state of major domains of research which we see as being central to the study of negotiations in organizations, and to thereby stimulate further inquiry. The four domains examined in this paper include: (1) behavioral and analytic models of the negotiation process; (2) third party intervention; (3) coalitions; and (4) macro economic and/or political models of conflict and its resolution. First, however, we will note the developments in the broader environment which are stimulating the rising interest in these subjects.

Environmental Influences on Research Development

Some argue that academia stays ahead of changes in the environment. Others argue that academia learns from and responds to the environment. While we certainly hope that negotiation researchers will influence managerial behavior, ample evidence exists that environmental changes preceded the recent increase in research outputs that we have witnessed in the field of negotiation. In this section, we outline multiple factors which we believe have affected the recent surge in the popularity of negotiation related materials. We will use this analysis of environmental changes as we discuss the four substantive areas.
First, the accelerating technological and societal changes of the 1960's and 1970's led organizational theorists to identify multiple forms of organizational design for horizontal communication (task forces, product teams in a functional hierarchy, matrix organizations, etc.) (Galbraith, 1977). These organizational forms were primarily created because of the failure of traditional hierarchical organizations to respond quickly, to deal with rapidly changing technologies, markets, and environmental demands, and to efficiently involve relevant people across the hierarchy in decisions. These organizational forms delivered speed and flexibility of responsiveness at the expense of clear lines of authority and responsibility. However, the mechanisms for reaching decisions among organizational units, as opposed to up and down the organization, had to be negotiated (Brett and Rognes, 1986). The designers of these new organizational forms thought in terms of the organization's structure, ignoring how these structures would affect the politics of how decisions are made in organizations. Thus, these structural changes implicitly assumed that the creation of communication channels would lead to rational, apolitical decision making. This has not been the case. In reality, the creation of new interdependent organizational units also created new interest group configurations and increased the potential for conflict and the need for effective intraorganizational negotiations (Shull, Delbecq and Cummings, 1969). Managers felt
a need to negotiate that they had not perceived in hierarchical organizations. Thus, the expanded use of matrix organizations, task forces and other organizational designs which attempt to increase horizontal coordination has increased the need and desire of managers to be equipped with skills in negotiation.

A second set of environmental forces that are driving the increased interest in negotiations research are the transformations in markets, technologies and industrial organization structures. These developments produce pressures to renegotiate a variety of contractual relationships and in many cases blur or redefine the boundaries across organizations. The most visible indication of this transformation is the growth of the service sector in more highly developed Western economies. For example, a service based economy requires buyers and sellers to agree on more ambiguously defined "products" that are characteristic of the physical outputs of the manufacturing, mining, or agricultural sectors. The "goods" transacted are often personal services (such as a consulting contract), a commitment to put certain expertise to work on a problem or to provide information (whose ultimate value can only be estimated with considerable uncertainty at the time a contract or agreement is consumated.) What is the nature and scope of the negotiated services? Is the buyer purchasing consulting time or an agreed-upon final product? What is the time horizon relevant to each party? Are the parties engaged in a one-time transaction or do the parties hope to develop a future ongoing relationship,
and thereby bargain as if the quality of the future relationship matters? The answers to those questions are far less defined in a service-based economy than in a manufacturing-based economy.

Note that these service transactions can occur within organizations, or parties can negotiate with external organizations to perform these tasks or supply these services. Thus, one of the most important implications of the transformation to a service economy is the blurring of organizational boundaries and the creation of greater choice about whether to integrate diverse functions into an existing organization or to go into the external market and purchase the services as long as they are needed. The number of transactions or negotiating interactions within and across organizations multiply as the shift continues from a manufacturing-based to a service-based economy.

Accompanying the declining importance of manufacturing as a percentage of total employment, however, is the increased pressure to restructure and reconsider basic business strategies in those surviving manufacturing organizations, in order to compete in the more highly competitive markets of the modern world. A great deal of the turmoil in the U.S. industrial relations system throughout the past decade has arisen out of these restructuring activities and the renegotiations of the employment contracts. The American industrial relations system has been affected so severely because the institutional mechanisms for managing labor conflict have
historically depended heavily on collective bargaining. In contrast, the changes underway call for an expansion of the interactions among workers and employers both above the reach of the bargaining table (the changes in business strategy employers must make to remain competitive) and below the bargaining table at the level of the workplace. These changes are particularly critical as employers struggle to overcome traditional adversarial relations and introduce greater employee commitment and flexibility into the organization of work. The result is that we are moving through a period where management and labor are renegotiating the basic structure and scope of their relationships. It is not surprising, therefore, that this environment calls for renewed attention to effective negotiations, conflict resolution, and integrative bargaining.

A closely related force supporting renewed interest in identifying more efficient forms of conflict resolution is the growing importance of individual bargaining (part of the "me" generation), as opposed to traditional collective bargaining and due process mechanisms in organizations. As organizational boundaries are blurring, traditional union-management relations are breaking down. The labor force includes more mobile, professional, white collar and managerial workers. As a result, we can expect an expansion of individualized negotiations between organizational members and their employers, or with other individuals who have some form of contractual relationship with the organization.

A final set of environmental forces affecting the importance
of negotiation in the workplace is the increased competitiveness of the environment. The slowdowns and fluctuations in national and world economics have created the need for cutbacks in organizations. Conflict is rare when resources are ample. However, when resources are scarce, conflict intensifies and the need for conflict management increases. Increased competition has also resulted from the dramatic increase in foreign suppliers and the deregulation of important sectors of the U.S. economy. The impact of foreign competition is obvious. In addition, legislative changes in the U.S. have created a system of negotiated compliance rather than the dictation of compliance (Drayton, 1981). Entire industries (e.g., all parts of the travel industry) have been deregulated, eliminating government-set rates and allowing a free market with full competitive behavior to prevail.

In summary, we have recently witnessed a number of changes that encourage organizations to negotiate their existence in a more competitive world. These changes are partially responsible for the increased activity by negotiation scholars to the area. More specifically, (1) technological and societal changes, (2) transformation of markets, technologies and industrial structures, (3) the restructuring of manufacturing, (4) the growing importance of the individual, and (5) increased competition have combined to increase the importance of negotiations in organizations. However, the impact of these environmental influences has not been equally felt across
various subareas of the field negotiation research. The sections that follow examine recent developments in four different substantive areas of negotiation research identified earlier.

Models of the Negotiations Process

The body of research that has the deepest roots and has had the greatest impact on recent empirical work and popular essays on negotiations in organizations are the behavioral and analytical theories of bilateral bargaining. Much modern behavioral theory and empirical research on negotiations draws heavily on the conceptual terms and propositions presented in Walton and McKersie (1965) and Thibaut and Kelley (1959), while much of the analytical research draws on the game theoretic models of Von Neuman and Morgenstern (1948), Luce and Raiffa (1957), and Raiffa (1982). The Walton and McKersie descriptive model has received more attention from organizational behavior researchers. The game theoretic models have become more popular in the managerial economics area as their concepts have been and applied to a wider variety of managerial and organizational problems. This section selectively examines each with the intention to integrate the future of the two approaches.

Behavioral Models

The two most important contributions of the Walton and McKersie model that have been applied in organizational research are (1) the mixed-motive nature of negotiating relationships (including the multiple dimensionality of the negotiation process) and (2) the bargaining zone concept. The mixed-motive
concept recognizes that very few intra- or interorganizational relationships are either totally competitive or cooperative. Instead, latent in most relationships are both cooperative and conflictual incentives, motives, and potential outcomes. The mixed-motive model assumes that the essence of successful negotiations is the effective choice of strategies to reflect individual and joint outcomes. To further explore how parties select these strategies, Walton and McKersie introduce four models of the negotiations process: (1) distributive bargaining— the processes used to accommodate conflicting goals; (2) integrative bargaining— the processes used to pursue joint gains given issues of common interest; (3) attitudinal structuring— the processes by which the attitudes of the parties or the affective aspects of their relationship are formed and maintained, and; (4) intraorganizational bargaining— the process of accommodating among different interests within a party to a negotiations process.

The bargaining zone concept suggested that each negotiator has a resistance point, below which he/she would prefer to not reach agreement rather than to settle. If a gap exists between the two parties—that is, there are no points that both parties find acceptable—a negative contract zone exists, and no agreement is the predicted outcome. When resistance points overlap, a positive bargaining zone exists, and an agreement is the likely outcome.

These concepts, and the propositions that Walton and McKersie developed to link them, have been a rich source of insight for
many behavioral researchers working on the boundary of labor-management relations and organizational behavior over the past twenty years (see Kochan, 1980; Strauss, 1979; or Brett and Hammer, 1982 for reviews of this work). For example, the models of multilateral collective bargaining in the public sector that were developed in the 1970s (Kochan, 1973; Juris and Feuille, 1973) were based on the proposition that the differences in goals built into the structure of management of public agencies made intraorganizational bargaining especially complex. Goals were so disparate that the distributive bargaining process often failed to coalesce around two distinct bilateral sets of interests or parties. The parties themselves (e.g. managers, city council members, agency administrators, civil service officials, etc) differed greatly in their perception of the substantive positions or priorities to pursue in negotiations, and over who had the power to decide on priorities. As a result, the persistence of intraorganizational conflicts transformed what was expected to be a two party or bilateral negotiations between a union and a city government into a n-party or multilateral process as each management group attempted to directly assert its interests. This made finding an acceptable contract zone more complex and in many cases prolonged and escalated the conflicts.

More recently, Bazerman and Neale (1983; Bazerman, 1983) have drawn heavily on behavioral decision making research to demonstrate the existence of systematic cognitive barriers to achieving integrative outcomes. Their work identifies cognitive explanations for inefficient agreements (distributive agreements
when integrative agreements were possible) and the fact that negotiators often fail to reach agreement despite the appearance of a positive bargaining zone. Others have taken many of Walton and McKersie's propositions into the laboratory and refined them based on their experimental results (cf. Rubin and Brown, 1975). Still others such as Pruitt, Carnevale, and their colleagues (e.g., Pruitt, 1983; Carnevale, Pruitt and Seilheimer, 1981) have expanded on the theoretical propositions in the model to develop testable hypotheses on how negotiators can achieve integrative bargains.

The common element in the theoretical and empirical work that draws on behavioral negotiation models is that social interactions and outcomes can be improved by increasing the skills of negotiators (organizational participants). These should help the negotiator by training him/her to view the negotiating problem through the conceptual lens of a mixed-motive framework, and to adopt empirically-verified strategies that are well suited to the specific distributive-integrative mix of issues.

**Analytic or Game-Theoretic Models**

Until recently, the summary evaluation offered by Young (1975) accurately portrayed the limited insight that formal game theory models of negotiations had achieved: "The game theoretic conception of bargaining has yielded a number of elegant models but it abstracts away all the dynamic aspects of bargaining and severely limits the applicability of the concept... None of these models produces good predictions or satisfactory
explanations concerning bargaining in the great majority of real world cases" (Young 1975: 304; 391). The recent work of Raiffa (1982) and his colleagues Lax and Sebenius (forthcoming) have gone a long way to rendering Young's assessment obsolete. Raiffa's career transformation from a theoretical mathematician to a policy advisor and management educator has led him to identify ways of improving the achievement of more efficient negotiated outcomes by improving the analytical understanding and skills of negotiators and third party intervenors. His most recent example of a strategy for applying the tools of game theory is illustrated by his proposal for experimentation with "post settlement settlement" intervention strategies (Raiffa, 1985). Lax and Sebenius take the game theory framework further into the realm of practice and prescription by exploring a wide array of tactics for moving the outcomes of mixed motive interactions closer to the efficiency frontier. Greenhalgh and Neslin (1983) further extend these models by developing heuristics for identifying outcomes that lie on the efficient frontier. All of this research provides encouraging signs that the intellectual foundations of both the behavioral and the game-theoretic models have begun to move into the mainstream of organizational research, and are being translated into tangible prescriptions for improving organizational interactions and outcomes. Thus, this general stream of negotiations research has made a significant theoretical, empirical, and normative impact on the study and practice of negotiations within organizations.
The environmental influences identified earlier in this paper have had their greatest impact on the models of the negotiation process identified in this section. These models are the core models for understanding bilateral negotiations.

Much of the success in the diffusion of these models is due to the emergence of these environmental influences. But, we also believe that this success is due to a blurring of the distinction between the behavioral and analytical models. Early in its history, the behavioral model was viewed almost exclusively as a descriptive model. In contrast, the analytical models were exclusively normative, with little consideration for the actual behavior of negotiators. Both had deficiencies. The behavioral approach was not transformed into useful recommendations. In contrast, the analytical models offered the best prescription, assuming that you were describing a rational actor—an assumption with highly questionable validity (March and Simon, 1958; Kahneman and Tversky, 1979). Recent efforts have responded to these deficiencies. Raiffa’s (1962) asymmetrically prescriptive/descriptive framework suggests that decision analysis should prescribe the optimal action, given the best available description of the opposing negotiator. Bazerman and Neale attempt to describe cognitive deficiencies in negotiation with the explicit goal of improving negotiator judgment and moving toward a prescriptive course of action. In both cases, the boundary between description and prescription has been
spanned, reducing the limitations imposed by disciplinary barriers in the initial process models of bilateral negotiation.

The interaction between approaches is also evident in recent work that prescribes the tactics necessary for dealing with the mixed-motive problem. Decision analysts Lax and Sebenius (forthcoming) move from a approach toward a descriptive approach by offering tactical advice consistent with Raiffa's asymmetrically prescriptive/descriptive model. Social psychologists Pruitt and Rubin extend their descriptive framework and also offer prescriptive advice. Similarly, organization behaviorists Lewicki and Litterer (1985) offer theoretical and strategic prescriptions based on the empirical literature on the determinants of effective negotiations. Thus, researchers have arrived at a fruitful middle ground between description and prescription that did not exist a decade earlier.

In addition to the empirical and theoretical research spawned by the early bilateral theories, there has been a recent outpouring of popular books that use (implicitly or explicitly) the earlier conceptual frameworks. For example, many of the propositions developed and diffused to a popular, practitioner audience by Fisher and Ury (1981) and Nierenberg (1973) are derivatives of the earlier behavioral models.

The prospects for continued progress within this research tradition are good given the number of individuals now using these concepts as part of their own research paradigms. In addition, the environmental influences identified
earlier provide the impetus for further diffusion. Finally, funding agencies (e.g., the American Arbitration Association, the National Institute for Dispute Resolution, the Hewlett Foundation) are taking an unprecedented interest in the cross-disciplinary development of the models identified in this section. In summary, the foundation for research on bilateral negotiations is poised for further development and diffusion over the next decade.

Third Parties in Organizations

One special feature of negotiations within organizations is that the existence of a hierarchical structure (which exists in most organizations) makes third parties naturally available to the parties in conflict. The third party may not know of the conflict. The third party may not choose to get involved even if he/she knows that the conflict exists. Using the third party may have adverse consequences to the parties. However, in a traditional hierarchy, any pair of individuals has some boss in common, and that boss may choose to exercise the structural mandate and decide how to deal with the conflict. This structural perspective, combined with the inherent existence of conflict in organizations, suggests that the role of third party decisions and the impact of potential third parties on negotiated outcomes should be a central concern of organizational researchers.

The study of third parties is not new to organizational research. However, much of this research has studied third parties who are not acting in a line management capacity. For
example, the organizational development area has extensively
discussed the role of a "process consultant" (Walton, 1969). Process consultants attempt to defuse tension and improve the communication process between the parties, without explicit attending to their substantive differences. In the labor relations field, extensive theoretical and empirical analysis has been accumulated on mediation and alternative forms of arbitration (Kochan, 1980). Other research (e.g., Farber and Katz, 1979) has given considerable attention to the interaction between alternative third party procedures and negotiated outcomes. However, only recently have organizational researchers noted that the manager with conflicting subordinates is faced with many of the same choices as "independent" third parties. With this realization, research has begun to identify generic issues that are central to the choices of managers as third parties.

Two major questions have been raised for consideration. First, what third party procedure should be adopted? Should the manager stay out of the conflict, mediate, arbitrate, or use some alternative--yet unnamed--procedure? These questions are central to the sections in this volume on mediation and procedural justice. The answer may depend on the nature of the conflict, individual differences in the third party, and a host of other moderating variables that are specific to the managerial domain. Sheppard (1983) has provided a taxonomy of alternative forms of managerial intervention and suggested when they might be used. However, the systematic examination of the third party procedures
chosen by managers and their comparative effectiveness is only beginning (e.g., Lewicki and Sheppard, 1985).

Second, how do third parties in organizations make decisions? The question of how they should make decisions has been the subject of debate among philosophers for centuries (cf. Bazerman, 1985 for one review). However, descriptive examination of these decisions has been minimal. These decisions usually concern issues of distributive justice—i.e., who will receive what outcomes, and by what decision rule. Bazerman (1985) found that experienced labor management arbitrators tend to make decisions that maintain the status quo. Tversky and Kahneman's (1974) anchoring heuristic can be used to predict that managers and organizations will tend to make these decisions by examining how similar decisions were made in the past, and make insufficient adjustments for present circumstances. Consider the manager’s conflictual task of distributing a limited and insufficient amount of pay to ten subordinates. One could use a zero-based budgeting approach and totally reconsider the value of all employees each year. In contrast, most organizations make adjustments from the employee’s past salary, and typically within a very narrow band of percentage adjustments determined by organizational policy. This process makes last year’s anchor the central determinant in how salaries will be distributed for the upcoming year. Inequities are unlikely to be remedied under these kinds of decision rules.
These two questions outline a set of concerns that important to all managers; yet the organization's procedures and the manager's third party "style" are often taken for granted. Little consideration is given to the fact that research which suggests different procedures may lead to very different levels of personal and organizational effectiveness. However, environmental changes are forcing researchers and practitioners to seriously examine these issues. Overloaded courts are now forcing organizations to consider alternative dispute resolution procedures. Problems which used to be resolved in court cases are now negotiated resolutions worked out by anti-litigation oriented attorneys, brought before a mini-trial, or handled by a low cost, contractually agreed upon arbitration procedure. The reduction of unionization has dramatized the importance of third party procedures for handling non-union grievances, making organizational roles such as ombudsman central to many organizations (Rowe and Baker, 1984). Decentralization, and the parallel call for profit maximization by the strategic business unit, has created the need for corporate mechanisms for handling interdivisional disputes.

The literature on third party intervention has produced a wealth of information that will be useful for the developing area of negotiation in organizations. The issues of alternative forms of third party intervention, procedural justice, and distributive justice are all central to organizational functioning. However, organizational researchers are only beginning to incorporate these issues into research and teaching. This area has a bright
future and is headed in the appropriate directions. The challenge is to develop these models over the next five years so that they have a significant impact on the empirical research and the development of teachable principles about negotiation and dispute management.

Coalitions

The argument that coalition behavior constitutes an important set of organizational actions at the broad level of organizational theory is well accepted and has been documented in earlier chapters in this volume (e.g., Cobb; Pearce, Stevenson, and Porter). In contrast, the incorporation of this topic into micro organizational behavior, theory, research, and application has been minimal. The seeds of the study of coalition behavior as a topic of organizational scholars can be found in the work of Cyert and March (1963). The author suggested that an organization’s goals can best be described by the goals of the organization’s dominant coalition. Pennings and Goodman (1977) used this framework to define organizational effectiveness as the fulfillment of the goals of the organization’s dominant coalition. Other uses of the coalition concept are evident in the theoretical work of Thompson (1967), Pfeffer and Salancik (1978), and Mintzberg (1983).

While organizational researchers have discussed the importance of coalitions in organizations, empirical work has been limited to three disciplines: game theory, social psychology, and political science (Murnighan, 1978). Each area has adopted a different philosophical approach, used a
different methodology, and most importantly, asked a different set of questions. Game theoretic approaches have focused on the development of sophisticated mathematical representations of the coalition-oriented behavior of maximally rational actors (cf. Rapoport, 1960). Social psychological models have focused on the impact of the amount and kind of resources that each actor brings to a potential coalition task (Komorita, 1974). Finally, political models focus on the ability of a coalition to its implement the goals following its formation (e.g., DeSwann, 1973; River, 1962).

Each of these three disciplines has generated very high quality work. A thorough review of the literature, however, suggests that little overlap or infiltration has occurred among disciplines (Murnighan, 1978), and that this research has had virtually no impact on the study of coalitions in organizational behavior. Given the lack of infiltration, it is appropriate to ask whether the study of coalitions is useful for understanding decision-making entities in organizations. While the lack of research suggests that the answer is "no", the intuitive answer appears to be "yes". Both theorists and practitioners can identify the relevance of coalition behavior for understanding various organizational issues: how power is derived in organizations, how key decision making groups such as an executive committee or a task force will act, or understanding how corporate networks form and operate. Given this anecdotal evidence, and the rich disciplinary research, why has so little infiltration occurred and what changes are necessary to advance
coalition behavior as an organization topic?

To begin to answer this question, we return to examining the impact of the environment. Consider the following paragraph from a recent Boston Globe article (3/4/85, pg. 14):

With its only convention center due to close for three years and 1500 new rooms opening at the same time, Boston has been facing the financial nightmare every tourism official dreads.

But in a unique, hard-won agreement, three hotels (within a half mile radius of the center) that were once fiercely competitive have joined forces to keep conventioneers coming to Boston by marketing their space as a package.

These short paragraphs illustrate the importance of environmental changes on the creation of new coalitions, and new agreements within defined coalitions. This same theme is replayed in a statement often made by the President of the Amalgamated Clothing and Textile Workers Union (ACTWU), the national union that fought over a decade against the J.P. Stevens company for the right to represent Stevens’ employees. The President of ACTWU has noted at least twice in the past year that while his union fights with Stevens over union representation issues, it works cooperatively with this company and others in the textile industry in lobbying Congress for favorable trade policies. The union also works jointly with the U.S. textile industry on new technologies designed to keep the industry competitive in world markets.
Thus, fierce competitors (different U.S. textile firms) and protagonists (the union and the employers) formed coalitions when environmental changes made their interests compatible and joint gains possible. However, note that these are temporary or partial coalitions, limited to specific issues within the wider scope of the parties' interactions, and hence likely to be unstable.

Social psychologists have long recognized the importance of a common enemy for creating bonds. The threats posed to many firms by increased international and domestic competition provide the incentives for new partnerships. Two examples are (1) the recent increase in cooperation between unions and some employers (Kochan, Mckersie, and Katz, 1985; Katz, 1985) and (2) the number of cooperative mergers that we witness today. Both call for the coalition of forces that previously viewed their coalition partner as an opposing force.

Fundamental internal change in the definition of the business unit also creates the need for new coalitions. With the economy shifting from a manufacturing-based economy to a service-based economy, the creation of new partnerships is apparent. We now have "full service financial planning centers," composed of services that were represented in a half a dozen different organizations just five years ago. The internal workings of many service organizations also create the need for new coalitions within the firm. For example, consulting organizations often revolve around project teams that form as a new project is
defined. This form of organization suggests that the continual formation and reformation of operating coalitions may partially replace the hierarchy as the dominant organization structure of many companies.

These examples attempt to illustrate that there are fundamental social changes occurring, and that a byproduct of these changes is an increase in the importance of coalition formation and action. Coalitions are of growing importance and the organizational environment can be expected to be amenable to research that focuses on coalition behavior. However, this favorable environment does not guarantee the diffusion of coalition work. Coalition research must offer something useful to the organizational behavior audience. It is not unfair to conclude that the field of organizational behavior has not viewed past coalition research as directly useful. However, a number of barriers exist that have inhibited the diffusion process. Identification of these barriers the first step toward improving the influence of coalition research in the organizational arena.

Murnighan (this volume) attributes this lack of cross-fertilization of coalition research to two causes. First, the language of coalition theory and its highly formalized models (particularly those with a game theory base) may be less tractable than most imported research in organizational behavior. Second, previous empirical research has been done almost exclusively in the laboratory. In addition, we argue
that the literature’s assumptions of the rational decision maker inhibits the usefulness of its advice, since one’s coalition partners may not exhibit this presumed rationality. We also argue that coalition research has not infiltrated the organizational arena because the specific areas of coalition that have received attention have not been optimally targeted from an organizational behavior standpoint, the range has been narrow, and important issues have been unaddressed. Many of these unaddressed issues need attention for coalition concepts to be useful to the organizational behavior audience. For example, there has been virtually no discussion of norm formation of coalitions (with the exception of Bettenhausen and Murnighan, in press), tactics for coalition formation, the decision processes of coalition actors, and environmental influences on shifting coalitions. Each of these domains would be of interest to organizational behavior. In addition, the bilateral negotiation that occurs between pairs of members in an emerging coalition have not studied. This limits the connection between coalition research and models of negotiation. In this regard, Murnighan’s dyadic perspective (this volume) moves in the right direction. Finally, in order to move coalition research under the rubric of negotiation research, we conceptualize coalition settings as individuals/organizations facing a mixed-motive task in which they must reserve sufficient independence of action to assert their distributive interests, while simultaneously trying to achieve the integrative opportunities of a viable coalition.
In conclusion, we have asserted that (1) coalitions are important to the study of organizational behavior, (2) the infiltration of disciplinary ideas has been minimal, and (3) observable barriers must be overcome and important topics must be investigated for more effective dissemination to take place in the future. We think that these barriers are manageable and hope to see future work in this area.

**Macro Conflict Models**

The study of conflict and its resolution has a long and rich tradition within several branches of economics and political science, yet relatively few of the concepts or their applications have been integrated into the study of negotiations within organizations. Within economics, the role of conflicting economic interests, transactions among collective units or economic agents, and competitive behavior are deeply embedded in the models of institutional economics (Commons, 1928; Coase, 1937) and theories of imperfect competition and oligopoly (Edgeworth, 1881; Boulding, 1962). Interactions among parties with separate and often conflicting interests who share power is also the essence of political science. Indeed, the major debates among political theories revolve not around the question of "does conflict exist?", but, "why does it exist?" "and how should society’s institutions (the state, capital, labor, other interest groups, etc.) be structured to manage these different interests?"

Given the complementary nature of these theories of economic and institutional relationships, researchers or organizational negotiation might benefit from further examination of the
insights to be found in this broad intellectual domain. While these themes have surrounded research questions addressed in this volume and its predecessor (Bazerman and Lewicki, 1983), little of this information has infiltrated directly the organizational arena. We will highlight a few interesting, but highly controversial, propositions of direct applicability that illustrate the potential benefits of deeper utilization and empirical testing of this work.

Institutional economists and liberal pluralist political theorists start from the proposition that society is composed of multiple interest groups and that an effective society is one that is able to negotiate acceptable and efficient accommodations or transactions between or among these groups. But an equally important proposition is that these transactions are not costless, nor are all outcomes necessarily efficient. Instead, the costs of transactions, as measured by the cost of time, resources, or lost opportunities, can be large enough to offset any democratic or political value gained from the relationship. Thus, collective or organizational interactions and transactions are often judged against the outcome that would be produced by the free market (Williamson, 1975; Olson, 1982). If market outcomes are equally "efficient" (i.e., the outcomes leave the parties as well or better off than a negotiated or collective transaction) and if the market produces these outcomes more efficiently than negotiations (i.e., with fewer transactions costs) then markets will prevail. The formal organization of interest groups into interacting parties will not occur or occur.
While these general propositions have dominated the economics and political science literatures for decades, they have also been translated into more specific models of conflict and negotiations through the work of Boulding (1962), Olson (1962, 1982), Williamson (1975), and Schelling (1960, 1978, 1984). What follows is not presented as a comprehensive summary of the implications of these models for organizational negotiations. However, an overview of needed areas of organizational research may illustrate how central many of these ideas are to organizational settings.

A central proposition in the transaction cost models is that markets serve as the alternative to organizational interactions and that organizations ("hierarchies" in Williamson's terminology) emerge and survive only when they are more efficient and effective than the market in producing valued outcomes. Institutional economists tend to state the problem in more democratic or pluralistic terms--institutions will arise when groups with conflicting interests interact in settings where neither has the power to unilaterally determine the outcome (Commons, 1928). Yet even when these negotiations occur, they occur in the context of markets which constrain the parties' discretion. The more competitive the market, the narrower the discretion and the less slack available for transaction costs. For example, in the context of labor management negotiations, these propositions imply that the greater the product market competition a firm and its employees face, the less discretion they have in setting wages and other contract terms and the
greater the loss in market share and employment that can be
expected from a strike.

A key implication for organizational negotiations is that the
negotiating processes and outcomes are implicitly or explicitly
subject to an "efficiency" test. Stated more precisely,
negotiations processes will only survive within or among
organizations to the extent that they enhance the effectiveness of
the organization(s) and the key interests within them. Just as
Fisher and Ury (1981) argue that negotiators should constantly
consider their next best alternative to a negotiated settlement,
market forces exert pressures on organizational participants to
consider their best alternative to the negotiation process
itself. Thus, researchers and practitioners need to evaluate the
results of organizational negotiations against their next best
alternative organizational or market process and outcome. Thus,
organizational research should focus not only on the prediction
of negotiated outcomes, but also on the conditions under which
organizational actors will choose to negotiate.

Again an example from labor management relations may help
illustrate the importance of this point. A recent study showed
that a significant proportion of the decline in unionization in
the private sector of the U.S. economy since 1960 occurred
because previously unionized employers experienced increasing
incentives and opportunities to open, maintain, and expand new
plants on a nonunion basis. Rather than intensifying their
efforts to negotiate hard with unions to bring about changes
needed to remain competitive in a changing economy, many of these
firms chose to escape from the bargaining relationship whenever it was feasible to do so (Kochan, McKersie and Chalykoff, 1985).

Olson's (1962, 1982) theories of collective behavior take the above argument one step further by emphasizing that the structure of interest group configuration, coalition formation, and collective representation is critical to producing efficient societal, and by implication, organizational, outcomes. A similar argument has been made recently in analyzing the strategic choices made by management and labor in response to changing markets, technologies, and labor-management relations (Piore and Sabel, 1984; Kochan, McKersie, and Katz, forthcoming). Piore and Sabel argue that the growing specialization of markets and the flexibility of production required by new technology will demand increased organizational interdependence. As firms seek out more specialized market niches, and attempt quicker adaptation of products, production methods, and work relationships to meet more specialized and varied market demands, organizations will be more constantly renegotiating their relationships with suppliers, customers, co-producers and employees. Negotiations within and among organizations will therefore increase, and the demand for integrative (cooperative or joint gain) outcomes will intensify. Economies (or those organizations within a given economy) will prosper if they perform these negotiations and cooperative tasks efficiently and effectively; however, if they remain fixed in a world view of the mass production marketplace of the past, or if they fail to transform what have traditionally been adversarial into
cooperative relationships, they will decline.

Recent industrial relations theory and institutional practice complements Piore and Sabel’s thinking. This research argues that by responding to increasing competitive markets and changing technologies, as well as the values and strategies of key managerial decision-makers, corporate managers are forcing fundamental renegotiations of the structure of industrial relations in at the workplace, in collective bargaining, and at the strategic decision making level within corporations, labor organizations and governments (Kochan, McKersie, and Katz, forthcoming). The ability of these groups to coherently restructure their industrial relations systems in relationship to these three levels of activity will determine the extent to which industrial relations contributes to or constrains organizational effectiveness, the welfare of workers, and the achievement of society’s economic and democratic goals.

Thus, the current period is one of searching for more efficient and effective structures for responding to important changes in external markets and technologies, and ways to accommodate individual needs and interests. In analyzing these negotiations, organizational theorists need to consider the market, technological and business strategy forces that drive the restructuring effort, and influence the negotiated relationships that emerge. In summary, the theory and practice of negotiations within organizations need to more seriously consider the external and internal organizational contexts in which they occur.

Olson’s work on collective interactions is more pessimistic.
In his early (1962) work, he used the concepts of "public goods" and "free riders" to identify an important paradox that applies to all negotiations involving collectivities (coalitions of individuals into groups or representative organizations). The paradox is that while the primary contribution of collective representation in society is to further democracy by enfranchising otherwise powerless individuals, to do so requires a degree of coercion by the collective to get individuals to join and maintain membership. That is, a free rider problem exists when a set of individuals share a common interest in organizing but each has the incentive to not participate actively (by contributing dues or personal resources) as long as enough of the others in the group do so. The free rider problem has been identified by a number of scholars from various disciplines and is conceptually similar to the "social problem" (Dawes, 1980) and the "problem of the commons" (Hardin, 1968). The seriousness of the problem is expected to increase as group size increases, therefore, large collective groups (unions or cartels) tend to impose sanctions or require group membership for all those benefiting from the results of the negotiations. Thus, achieving effective negotiations that further democracy requires coercion of individuals.

In his more recent work, Olson (1982) takes an even more pessimistic tone. He argues that it is very difficult to structure and maintain efficient interest groups. Interest groups tend to proliferate over time and produce even more narrow interests groups that seek to perpetuate themselves rather than
broad societal objectives. Thus, that societies that allow the
growth of more special interest group structures, who exercise
power through negotiation rather than allowing market forces to
play freely, are doomed to economic decline. Translated to the
organizational level, Olson’s argument poses the ultimate
challenge to negotiation theorists and practitioners. The more a
structure encourages negotiation processes to proliferate within
or between organizations, the more difficult it will be to
structure and manage the negotiations in ways that achieve
efficient and effective outcomes. In addition, the more
participation is encouraged within organizations composed of
individuals or groups with diverse interests, the more difficult
the management task will be. While one need not (indeed we do
not) accept all of Olson’s arguments, he has thrown theoretical
and practical down to those who see negotiations as becoming an
increasingly vital part of organizational life.

An organizational level example might help illustrate the
central theoretical and practical relevance of these ideas for
research on organizational negotiations and conflict resolution.
Two recent studies documented the negative effects that poor
management of workplace industrial relations conflicts can have
on organizational performance. Specifically both studies found
that the higher the number of unresolved grievances, the larger
the numbers of demands introduced in plant level contract
negotiations, the longer it took to reach an agreement in
negotiations, and the more hostile the attitudes in the plant
between management and labor, the lower the labor efficiency and
the lower the product quality of the plant (Katz, Kochan and Gobeille, 1984; Katz, Kochan and Weber, 1985). Yet among the fifty plants studied in this research, some had developed effective means of resolving their differences and thereby enhanced organizational performance while others fell into a high conflict/low trust pattern that produced negative performance effects. Thus, it is not the existence of conflict or the need for negotiations per se that we see potentially leading to negative organizational or societal performance, but the failure to identify and achieve effective negotiations and conflict resolution or management. The challenge for negotiations researchers, therefore, is not to encourage the suppression of conflict and negotiations in settings where they are essential for the management of diverse interests but to provide the theoretical ideas and practical skills needed to improve the effectiveness of conflict resolution.

The point of reviewing models of conflict with an economics, political science or industrial relations base is to draw attention to an important set of macro theoretical arguments that organizational negotiations theorists and researchers need to address. Because these theoretical arguments have largely been couched in the language of economic or political theory, been applied in the context of industrial organization or labor management relations, and focused on formal institutional structures and relationships (union-management relations), they have been largely inaccessible to the work of organizational behavior researchers. Given the environmental conditions
discussed at the outset of this paper, the issues addressed in these macro models are becoming increasingly important to micro-level negotiations within organizations. This trend presents a challenging opportunity for progress in the theory and practice of negotiations.

In summary, we see the issues raised by these macro level frameworks as offering new challenges to the development of a negotiations literature in organizations. However, this domain of negotiation is far less developed than others we have reviewed. While the models of the negotiation process are well developed, and the third parties and coalitions literatures are just being integrated into the organizational arena, macro models of conflict are often not identified as part of the negotiation turf. This section is meant to focus on the challenges offered by this area to the negotiation research community.

**Conclusions and Implications**

We started this analysis by noting that the contemporary environment is challenging researchers to produce new insights into effective negotiations within organizations. In addition, there are a number of encouraging signs that the research profession has been making considerable progress in recent years. All indications are that the environment and a community of scholars interested in negotiations in organizations will continue to make theoretical and empirical research advances in the coming years.

To effectively translate this research into organizational practices, researchers will need to continue to test the
implications of their models and to integrate more fully the micro and macro perspective on models of coalitions and conflict management.

The macro models of conflict appear to be the least well integrated and utilized in organizational negotiations research, and yet we believe that they pose the deepest intellectual and practical challenges to the field. The intellectual challenge arises from our belief that while future organizational relations will increase in the number and complexity of negotiations processes, some macro theorists propose that societies are not good at designing effective structures and conflict resolution processes for managing complex interest groups. For the current optimism about the future of research and practice of negotiation in organizations to endure, we believe that this proposition will have to be shown to be incorrect.

The third party dispute resolution literature may offer part of the answer to this challenge, since its central role is to build on theories of conflict and negotiation to design effective conflict resolution processes. Given increased experimentation with third party procedures both within and outside of the original labor-management and legal arenas, organizational researchers have fertile empirical laboratories from which to draw. We are further encouraged by the growing interest of important client and funding organizations such as the American Arbitration Association, the Society for Professionals in Dispute Resolution, the National Institute for Dispute Resolution, etc. in supporting and providing access to ongoing dispute resolution
processes and professionals. Thus, we have reason to expect significant activity and progress in the near future from researchers and practitioners in this area. The key to meeting this expectation lies in demonstrating the contextual relevance of existing models to different organizational settings. In turn, this requires organizational researchers to deepen their own understanding of the multiple contexts in which organizational negotiations occur. This was one of the keys to the successful diffusion and institutionalization of third party mediation, arbitration, and related conflict resolution procedures in the practice of labor-management relations. The same level of understanding will be needed to have an equally strong impact on organizational negotiations and conflict resolution systems.

The coalition literature faces the challenge of translating the empirical insights from laboratory experiments and micro models of coalition behavior into the more macro models of coalitions found in actual organizations. This area of research may be a position similar to that held by formal models of negotiations prior to their conversion into practical management tools. Work that demonstrates the relevance of formal models to the real world of organizational coalitions would be received with equal enthusiasm.
In summary, we have reason to be considerably more positive about the state of negotiations in organizations research and its applicability than the assessment made three years ago by Kochan and Verma (1983). Whether another positive assessment is warranted three or four years hence will depend on the ability of researchers working in this area to address the challenges posed by the papers in this volume.
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