

Running Head: Trust in Negotiation

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

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Executive Summary

Around the world, negotiators who fail to trust fail to achieve their goals. In other words, trust appears to be a near-necessity that global negotiators cannot afford to ignore. Yet, fears of exploitation make trust in negotiations scarce, so negotiators also need practical guidance on why to trust, how to trust, and how to work within the level of trust that prevails in their own negotiations. Drawing from 15 years of cross-cultural negotiation research, the current paper first highlights the centrality of trust to negotiation, noting its influence on behaviors and ultimately on outcomes. It then describes the scarcity of trust in negotiations around the world, and especially in certain cultures. The joint importance and scarcity of trust noted, we then provide research-validated guidance for diagnosing the level of trust in negotiation and putting that diagnosis into practice through strategic adjustments. Overall, this approach helps to sensitize global negotiators to the importance and implications of trust.

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

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 details 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 \$2,500 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, towards 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 2,000 crore (approximately \$427 million) investment by Tata. This story and both of its parts 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 must 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 like the presence of airborne oxytocin to its social features like 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’s 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 a new business relationship. Keeping in mind the intra-cultural variation that cultural prototypes allow, as well as the fact that the behavior of negotiators from the majority of cultures has never been systematically studied, the general implication is that Western negotiators tend to assume that their counterparts are trustworthy until proven otherwise, whereas East and South Asian negotiators tend to assume that their counterparts are untrustworthy until they prove that they are trustworthy. The message is that culture can strongly influence how much trust a negotiator brings to the table, so global negotiators will almost certainly face counterparts who vary in their level of trust. With an appreciation for the wide cultural variation that is possible in trust, global negotiators are ready to understand *how* negotiators trust, using that understanding to diagnose the level of trust in their own negotiations.

How Do Negotiators Trust?

Although trust itself is invisible, negotiators ultimately put their trust or lack of trust into action through their behaviors. This means that negotiators can observe their counterpart's behaviors (and their own) to diagnose the level of trust in their negotiation. As noted, creating value requires information-sharing, and information-sharing requires trust. Thus, information-sharing lies between trust and value creation, and a careful examination of information-sharing behaviors should shed light on both trust and likely outcomes.

As a practical matter, negotiators from most (though not all) cultures go about sharing information by exchanging in a series of questions and answers (Q&A). Specifically, negotiators engage in Q&A by asking well-intended questions about their counterpart's interests and priorities, and by reciprocally answering their counterpart's questions about interests and priorities. What they try not to do is engage in an early and/or sustained exchange of substantiated offers: a value-claiming strategy that we have called S&O for substantiation and offers. Although all negotiators eventually need to make and substantiate offers, trusting negotiators delay this process until they have reached enough insight to propose offers with trade-offs that create value.

In cultures around the world, it appears that trust is a prerequisite for Q&A but not for S&O. Q&A requires trust because both asking questions and providing information, though critical for value creation, can make the negotiator vulnerable to exploitation by the counterpart. Questions can reveal what negotiators do not know, allowing counterparts to fill the void with self-interested answers. Information can reveal what negotiators truly value, allowing counterparts to "hold them hostage" before providing it. Trusting negotiators assume that their counterparts will neither exploit nor hold hostage, but will answer their questions reciprocally and use their information benevolently. Trusting negotiators try Q&A and reciprocate their

counterpart's Q&A. Distrusting negotiators neither try Q&A nor reciprocate it routinely. If the counterpart will take advantage of Q&A, why ask questions that they will not answer honestly, or share information that they will use to their own advantage?

Instead, low-trust negotiators rely on S&O. Unlike Q&A, neither substantiation nor offers makes a negotiator particularly vulnerable, so neither requires much trust. As noted, people often equate negotiation with value-claiming behaviors like making and substantiating offers in their own interest. They expect S&O. Thus, negotiators routinely exchange offers that ask for more or offer less than they are ultimately willing to accept, and neither their own S&O nor their counterpart's S&O is particularly revealing with respect to interests and priorities. Car buyers already know that car dealers want high prices and will cite numerous "bells and whistles" to substantiate them. Employers already know that employees want high salaries and will cite numerous accomplishments to support them. Since S&O primarily reveals information about positions (what negotiators want), not interests and priorities, S&O does not require much trust. To protect the wary negotiator from exploitation, S&O sacrifices the information-sharing typically required for value creation.

To explore these relationships, we have conducted research across several cultures. Our studies have shown, first, a clear relationship between trust and negotiation behaviors: Negotiators who trust one another engage in more Q&A than those who do not, whereas those who lack trust fall back on S&O. In a study of Indian and American executives, for example, we found that low trust was associated with higher self-reported S&O, lower insight, and lower value creation. Likewise, a separate study found that negotiators from a relatively-low trust culture (India) engaged in more S&O and less Q&A than negotiators from a high-trust culture (the U.S.). These differential behaviors explained the Indian negotiators' lower insight and

lower value creation (see Figures 1 and 2). These and other studies suggest that Q&A requires trust, whereas S&O does not.

Our research has also demonstrated the relationships among Q&A, S&O, insight, and value creation in a variety of ways, among a variety of groups and cultures. In short, it suggests that Q&A, insight, and value creation are all positively linked, whereas S&O predicts less insight and less value creation. A study of Indian MBA students, for example, revealed positive relationships between self-reported Q&A and actual insight and value creation. When prompted to engage in S&O, however, a comparable group of Indian MBAs achieved lower insight and created less value. Similarly, a study of American, Indian, and East Asian executives revealed a negative relationship between self-reported S&O and actual insight, which positively predicted value creation. Overall, this research consistently suggests that, whatever their culture, negotiators using Q&A instead of S&O tend to understand when one of their low-priority issues is a high-priority issue for their counterpart (and vice-versa), and this type of insight facilitates tradeoffs that create value. Although slight variations in these effects have emerged across studies, their overall consistency is striking, especially as our analyses have often revealed that only one negotiator's behavior sways the entire negotiation process and outcome.

Insert Figures 1 and 2 about here

Overall, then, our research on culture and negotiation suggests that behaviors at the bargaining table are both indicative of trust and predictive of likely outcomes. Negotiators who trust one another tend to engage in Q&A, while negotiators who distrust tend to engage in S&O. Q&A surfaces important information about the parties' interests and priorities that S&O, while

protecting the parties from exploitation, generally does not. With this information in hand, the parties reach insights that allow them to make tradeoffs and create value, which ultimately increases the resources available to claim; without this information, they can only engage in value claiming, which severely restricts the value that they can claim and may sometimes preclude agreement.

At a basic level, then, negotiators should be able to both diagnose trust and anticipate outcomes by observing the behavior of their counterparts and themselves. Negotiators who observe Q&A and/or the absence of S&O can safely assume that they have established a basic level of trust and will likely create value; negotiators who observe predominant S&O can assume more trust and value creation remain possible. Our research suggests that negotiators prompted to reflect on a recent negotiation can, in fact, diagnose how much they and their counterpart trusted one another and whether Q&A or S&O predominated. Empirical support comes from the answers of negotiators in countries around the world (e.g. Qatar, India, China, and the U.S.) to questions like those in Figure 3, which correspond closely to our independent coding and quantitative analysis on their audio-recorded negotiations. Other people's research also provides ample reason to presume that negotiators can adjust their behaviors, midstream, based on observations of trust and behaviors. With an understanding of how trust reveals itself through behaviors, then, negotiators can adapt by stimulating existing trust, seeding potential trust, or circumventing the absence of trust.

Insert Figure 3 about here

How Can Negotiators Adapt to Trust?

Given that negotiators have a good sense of how much Q&A and S&O they and their counterpart are using, and that they can adjust their behavior dynamically, they should be able to benefit from real-time adjustments based on the prevailing level of trust. Our guide for making these adjustments starts by calling on negotiators to assess which of three trust “levels” is likely to prevail, or does prevail, in their negotiation. As indicated in Figure 4, at Level 1, the parties trust one another and/or are working under the assumption of trust. At Level 2, trust seems possible but is not yet realized. At Level 3, trust seems impossible, and the parties are likely to be negotiating with S&O. Generally speaking, the more Q&A and less S&O that negotiators observe, the closer they are to Level 1; the more S&O and less Q&A that they observe, the closer they are to Level 3.

Each of these levels, which emerge from research by us and others, describes a qualitatively different trust situation. Though negotiations can and do progress through the trust levels over time, we assume that, at any particular point in time, negotiators can classify the negotiation into one and only one level. Doing so should allow negotiators to make the appropriate set of strategic adjustments by implementing one or more of the strategies within each level (see Figure 4). To illustrate the three levels and their real-world relevance, we now return to the Tata Motors negotiation, which proceeded roughly from Level 3 to Level 2 with West Bengal, then switched to Level 1 with Gujarat. This example provides context for the levels, after which we describe them in more detail.

Insert Figure 4 about here

Case Study: Tata and Trust

Going back to our case study, Tata's pull-out from West Bengal signaled "no agreement" among the three, principal parties: West Bengal's ruling party, its political opposition, and Tata. During the entire period when "negotiations" concerning the West Bengal plant captured the national limelight, the three parties actually held few face-to-face meetings. The distrust between the ruling party and its opposition, as well as within the ruling party, prevented that party from making many positive overtures toward Tata at all. Ultimately, the profound lack of trust among all three parties led them to resort to indirect substantiation behaviors, such as press conferences and street agitations.

Level 3: Trust does not seem possible. Given that the parties relied on indirect forms of substantiation, negotiations initially focused almost entirely on value claiming, i.e., "slicing the pie." All three parties contributed to the prevalence of distrust: First, the opposition party could have initiated direct negotiations with either the government or Tata. Instead, they resorted to "emotional" tactics by fanning the anger of the farmers and the local community about the forcible land acquisition, directing this anger at both Tata and the State Government. Second, the government could have negotiated with either counterpart over the terms of the land acquisition. At a minimum, it could have attempted to educate the general public about the economic benefits that Tata would bring to the state. Instead, the issue ended up before Kolkata High Court in January 2008.

A key demand (i.e., offer) of the opposition party, which may have met their interests and curtailed their aggressive tactics, was the return of 400 acres to the farmers. As per the land acquisition act, however, land must be transferred for public purposes, not for private business development. Even though the government had acquired the land for the use of a private business, Tata's counsel forcefully rejected this offer by arguing that returning the land to

farmers would accrue to their private interest rather than the public benefit. Instead of making this point in court, the Tata and/or the government could have engaged the opposition in a negotiation about distributing the public benefits of the Tata plant. The fact that they did not really engage with either party caused the opposition to portray Tata's position as thinly-veiled attempt to appropriate the land, causing further antagonism between the farmers and Tata.

Level 2: Trust seems possible. As agitations escalated, Governor Gopal Krishna Gandhi, grandson of Mahatma Gandhi, tried to put negotiations back on-track by acting as a facilitator and refocusing the various parties on the problem, their shared vision for the future, and their collective interests and priorities. Gandhi's facilitation seemed to produce an agreement concerning land issues between the ruling party and opposition on September 7th, but it fell apart ten days later when the opposition blamed the ruling party for backtracking—threatening a slip back to Level 3. In hindsight, Governor Gandhi's intervention was too late in the process, and although he brokered an agreement, it was never implemented because the process was already broken.

In October, Tata issued a press release stating that they were halting construction of the West Bengal Nano factory and were looking for alternative sites. The opposition then focused on the loss of livelihood and reminded the farmers that their prior land would now lay fallow, landing the failed negotiation squarely in Level 3.

Level 1: Trust is Present. After the breakdown with West Bengal, Tata Motors was forced to seek an alternate location and negotiation partner. After some intense and, importantly, behind-the-scenes negotiations, Tata Group Chairman Ratan Tata and Gujarat Chief Minister Narendra Modi held a joint press conference on October 7th to announce that the Nano plant would be located in Gujarat. The negotiation between Tata and Gujarat stands in stark contrast to

the negotiation in West Bengal. In Gujarat, all of the negotiations were conducted behind closed doors, allowing the parties to build trust without political consequences; the press and the public were neither invited nor involved. Indeed, from the initial announcement through the development of the plant and automotive hub that now surrounds it, Tata and the Gujarat government have consistently negotiated their issues in private and announced their solutions in public.

One reason that the Gujarat negotiation never acquired political overtones is that, starting with the press conference, Gujarat and Tata both portrayed the Tata group as a local rather than an outsider: During the conference, for example, Ratan Tata described the deal as a “homecoming,” perhaps referring to the group founder’s decision more than 100 years earlier to donate a cattle farm to Gujarat after a severe drought. Additionally, the parties emphasized that Tata Group had been active in Gujarat for many decades, regularly participating in the government’s “Vibrant Gujarat” summits to bring investment into the state. Ratan Tata further solidified trust by telling the media that he was impressed with the government’s speed in facilitating the project and land acquisition. In response, he promised to become a model corporate citizen and stand for all that Gujarat stands for.

All of these events served to build and establish trust even before the negotiation began. We see evidence of further trust during the negotiation. For example, Tata expressed concern about the shortage of skilled workers in the area around the factory. Gujarat responded by indicating that they shared an interest in developing the local workforce. This paved the way for value creation: the government offered “skilled manpower guarantee” if Tata agreed to partner in training, which they gladly did.

To head off the kind of political backlash seen in West Bengal, the Gujarat government also made sure to address Tata's interests in ways that would not alienate the public or mobilize the opposition party. For example, a resolution passed shortly after Tata's decision authorized an INR 9,500 crore (approximately \$2 billion) loan with a far-below-market rate of 0.1%, payable in 20 years. To head off public criticism, however, Tata agreed to pay a 200% value-added tax per month based on the plant's production capacity, as well as \$81,000 per acre of land acquired. In response, the government agreed to build a four-lane road from the project site to the state capital, put up a waste disposal plant, build a natural gas pipeline to the plant, set up effluent treatment plants, and provide 100 acres of living space for employees—all of which probably helped to placate the public. In short, these agreements made sure that, despite the highly-advantageous terms of the deal, public criticism would be muted.

It is unlikely, of course, that any major construction project will be trouble-free. At one point, about 3000 farmers protested, assuming that their land was being taken away for free. The government quickly responded by declaring the price of the land to be \$108,000 per acre, four-times higher than the prevailing market price. The protests ended soon after, with the farmers cooperating and agreeing to the land acquisition. Additionally, such events were not revealed in the media until after the Tata plant was built.

The quality of the relationship between Tata and the Gujarat government was not lost on other foreign direct investors. At this writing, the area surrounding the Tata plant has mushroomed into an automotive hub, due to additional investments by French car maker PSA Peugeot Citroen and by the Ford Motor Company. This development, of course, creates additional value for both the Gujarat government and for Tata. With that we turn to a review of

the three levels of trust, referring frequently to Figure 4. We start with Level 1 because that is where we advise negotiators to start, if possible.

Level 1: Trust is Present

At Level 1, trust is present or is assumed to be present. Based on our research, we would advise negotiators around the world to try to start at Level 1. Barring clear evidence to the contrary, assume that the counterpart is trustworthy. Starting at Level 1 is probably the single-best way to maximize the chances that the negotiation will end up creating value. By starting from the assumption of trust, negotiators' early verbal and non-verbal behavior signals their own trustworthiness and cues reciprocity—potentially starting a “virtuous cycle” that, by demonstrating trustworthiness, elicits trustworthy behavior.

Whether they are assuming trust or find themselves happily immersed in a Level 1 negotiation, the behaviors at this level can help negotiators reinforce and build upon existing trust. Even before negotiating, for example, negotiators can try to personalize their counterpart (and themselves, to their counterparts) by meeting and getting to know them—possibly (and especially in East Asian cultures) through an introduction by a common connection. As anyone familiar with social networking knows, common connections can help to humanize people and suggest their essential trustworthiness. Negotiators can also reinforce trust even before negotiating by thoroughly understanding their own interests and priorities, and striving to understand their counterpart's. This will increase the chances that, once the parties start negotiating, their attempts at Q&A will prove fruitful.

Once at the bargaining table, negotiators can take some initial steps to set a trusting tone. Done authentically, “schmoozing” with the counterpart—which often involves highlighting similarities and seeming likable and cheery—can send implicit signals of humanity,

commonality, and trustworthiness. More substantive, perhaps, are efforts to immediately focus on Q&A. Figure 4 lists a number of specific ways to do so, which we will not repeat here. The common thread among these behaviors is their emphasis on asking questions and sharing information about interests and priorities, in a way that convinces the counterpart to do so reciprocally. Once immersed in Q&A, negotiators can take some tangible steps to stay there. They can, for example, paraphrase and summarize the counterpart's statements to convey that they are listening, and hew to a consistent and predictable pattern of behavior, which should help to decrease the perceived risk of Q&A. Finally, they can resist the temptation to exchange and substantiate offers early in the negotiation, keeping any offers that happen to arise tentative. Whichever of these behaviors they choose, negotiators may find it easier to remain at Level 1 if they follow the Tata-Gujarat example by ensuring a sense of privacy.

Level 2: Trust Seems Possible

At Level 2, trust is not present but is assumed to be possible. Negotiators often find themselves at this level for one of two reasons: because they did not initially assume trust, or because they did but their counterpart responded with skepticism or untrustworthy behavior. In either case, the behaviors at this level are intended to help kick-start a trusting exchange among negotiators who are motivated and able to trust. In short, underlying the Level 2 strategies is the goal of moving the negotiation back toward Level 1, or at least preventing it from moving to Level 3.

One way to accomplish that is to move beyond points of contention by focusing on points of agreement. Negotiators can often agree to treat the negotiation as a problem-solving exercise, even if they cannot agree on the particulars of the problem or are not particularly fond of each other. They can often agree to adopt a future focus or shared vision, which, even if very general,

can help them move beyond the trust violations or disagreements of the past, toward problem-solving about the future. Or, if these strategies are not working, they may be able to identify a common enemy that is causing them to adopt a tough stance. This may help to reinforce their essential similarity and, again, focus the negotiation on problem-solving.

Negotiators at Level 2 who realize that they are slipping toward Level 3 may find it particularly useful to take steps that manage the negotiation process. When S&O seems prevalent, for example, they can try to inject Q&A periodically by sharing a little of their own priority information and asking about the counterpart's priorities in return, with the goal of steering the negotiation to Q&A. Relatedly, they can attempt a process intervention, which labels the negotiation process ("We're making a lot of offers...") as ineffective ("wouldn't it be better to discuss our underlying interests?"). They can send a mixed message, which communicates their firmness ("There is no way I'll be able to go that high...") but also their desire to engage in Q&A ("so let's talk about how we can both meet our interests"). If worse comes to worst, they can propose a break.

To reiterate, the idea underlying many of these behavioral initiatives is the psychological truism that people tend to reciprocate the behavior that others direct at them. Thus, the Level 2 strategies, implemented effectively, stand a good chance of at least preventing the negotiators from slipping to Level 3, and a reasonable chance of redirecting the negotiation to Level 1. To tie the levels back to culture, Level 2 represents the prototypical American and Western European approach for starting the negotiation of a new business relationship. Our research suggests that many negotiators from these cultures start such negotiations by assuming that their counterparts could potentially be trusted, unless they prove otherwise. Thus, they start at Level 2 with the intent of moving toward Level 1 if all goes well. As noted, though, we encourage all negotiators

to start at the more proactive Level 1 rather than taking the wait-and-see, reactive approach of Level 2.

Level 3: Trust Does Not Seem Possible

At Level 3, the parties do not trust each other and presume that establishing trust via the Level 2 behaviors is unlikely to work. Negotiators often find themselves at this level because their personality or culture inclines them toward distrust or because their counterpart's behavior has undermined trust. Our research has suggested that Indian and Japanese negotiators, when negotiating a new business venture, prototypically start at this level, assuming their counterparts are untrustworthy unless and until they convincingly show otherwise.

At this level, Q&A is not an immediate possibility; it reveals too much and requires too much trust. Our research indicates that the most effective negotiators who find themselves at Level 3 can take steps that are consonant with S&O but that—critically—may still allow them to infer information about priorities and interests in the absence of trust. In other words, the Level 3 behaviors listed in Figure 4 offer a partial, albeit imperfect detour around trust. Negotiators at Level 3, for example might introduce new issues or issues on which they know they should agree (“compatible issues”), both of which could signal their interests without explicitly stating them. Alternatively, they could initiate a contingent contract, which makes the terms of agreement contingent on a future event, thereby signaling beliefs about the future and moving beyond a potential point of substantiation. Or they could make multi-issue offers (i.e., offers containing terms on multiple issues) or even multiple equivalent simultaneous offers (“MESOs,” i.e., multiple multi-issue offers). By proposing differentially configured offers—whether as a series of multi-issue offers with different values or a set of multi-issue offers with equivalent value—negotiators can indirectly signal the relative importance that they attach to each issue. Likewise,

by comparing a series of multi-issue offers or MESOs, negotiators can infer the issues' relative importance to their counterpart. For example, a series of multi-issue offers in which price does not change but financing terms do change might indicate that price is more important. Critically, counterparts' responses to such offers may also communicate their interests and priorities.

If all else fails, negotiators who find themselves at Level 3 could engage in the standard S&O tactics listed in Figure 4. In essence, the "Influence," "Rational," and "Emotional" categories refer to substantiation, and the "Bargaining" category refers to offers. In order for these tactics to communicate any information, however, the parties must "read between the lines" to determine what the varying degrees of substantiation and varying permutations of offers indicate about their counterpart's interests and priorities. For example, if a negotiator substantiates single-issue offers on price more strongly than single-issue offers on financing, this could indicate that price is more important. Although this approach sounds difficult in practice, it appears to be exactly what prototypical Japanese negotiators do: they engage in sustained S&O, eventually extracting the "big picture" about their counterpart's interests and priorities. Although Japanese negotiators appear to use this approach automatically and intuitively, negotiators from other cultures who wish to use it may need to enlist the help of a spreadsheet or other tool that allows them to track the offers and extract the relevant insights.

Conclusion

In negotiations, the need to find acceptable agreements is ultimately a cultural universal. Because many negotiations only yield acceptable agreements after the negotiators have created value, however, the need for value creation can also become a cultural universal. Because value creation is difficult or even impossible in the absence of information-sharing, the need to share information can, in turn, become a cultural universal. And because the members of most cultures

find it difficult to share information without trust, the need to trust in negotiation can become the ultimate cultural universal. The current paper attempted to demonstrate, first, that trust is critical in negotiations around the world. Without it, negotiators cannot share the information needed to create the value needed to walk away satisfied—objectively or subjectively.

Even if the need to trust in negotiations is universal, the propensity to trust is not. The members of different cultures bring different trust propensities to the bargaining table, raising the likelihood that global negotiators will face counterparts with widely varying levels of trust. That makes it important for negotiators to diagnose the level of trust that prevails in their own negotiations, using whatever clues are the available. The most prominent set of clues, we have argued, are negotiators' behaviors, with questions and answers (Q&A) suggesting the possibility of a trusting exchange and value creation, and substantiation and offers (S&O) suggesting the need to develop trust, or else get mired in value claiming. Of course, some S&O will and should happen in every negotiation, but the trusting negotiator should not let it predominate or observe it predominating until late in a negotiation. With these realizations in hand, negotiators can then adapt their behavior to the prevailing level of trust. We have described three such levels, discussing a set of tangible strategies that negotiators can use to place or keep themselves at Level 1, capitalize on the trust potential of Level 2, or work around the trust disparity of Level 3.

We hope that the current paper has attuned global negotiators to the meaning and importance of trust. We hope that they now understand why some counterparts around the world will not trust, but also understand why they nevertheless should still try to develop trust. We hope that global negotiators can use the behaviors that they see around them to quickly diagnose their trust situation. Finally, we hope that they can use the strategies in Figure 4 to create value, whatever their level of trust.

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Figure 1: Trust and Behaviors

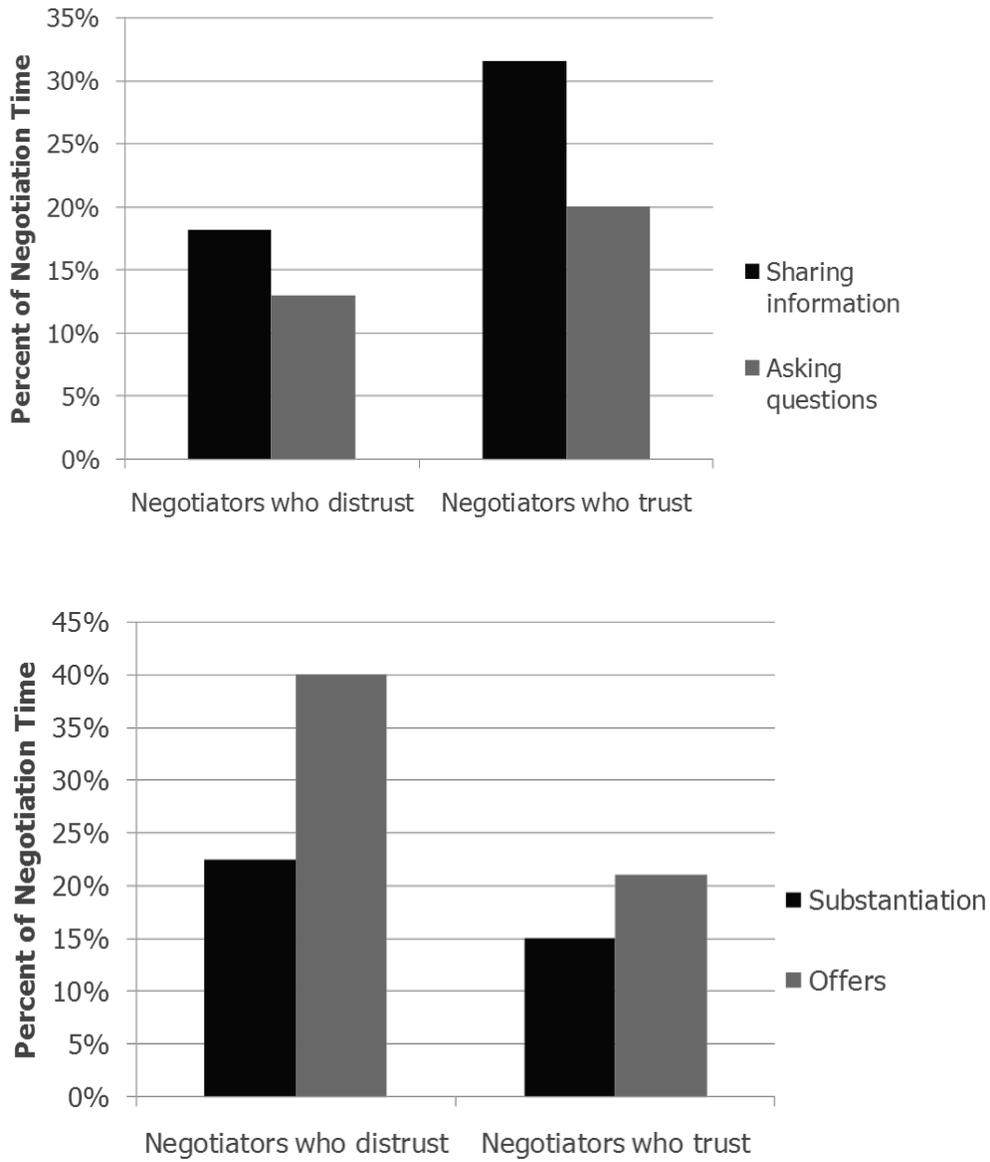


Figure 2: Trust, Insight, and Value Creation

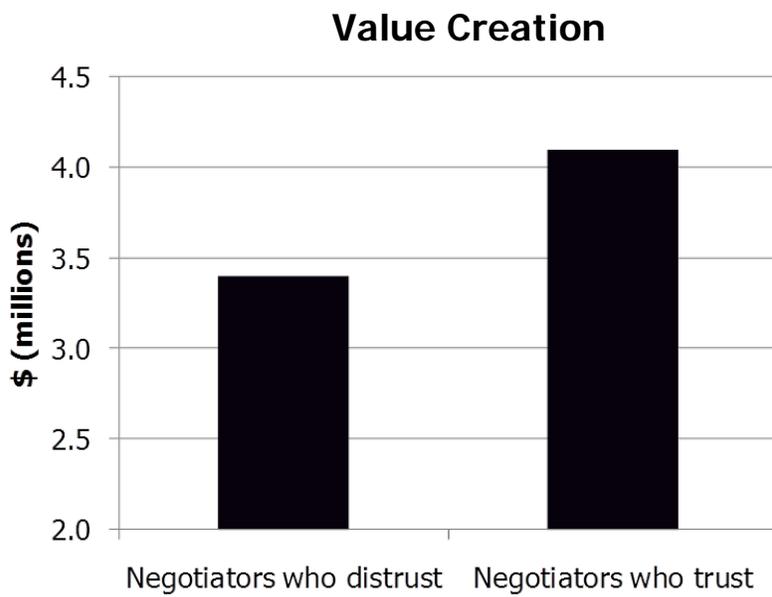
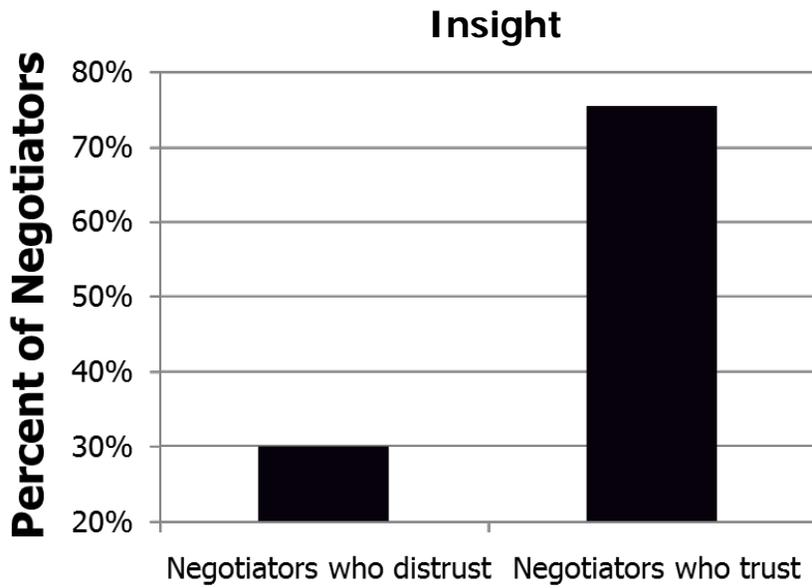


Figure 3: Questions about Trust and Strategy

Assessing Trust

- How much do I trust the other party?
- How much does the other party trust me?
- How much do I distrust the other party?
- How much does the other party distrust me?

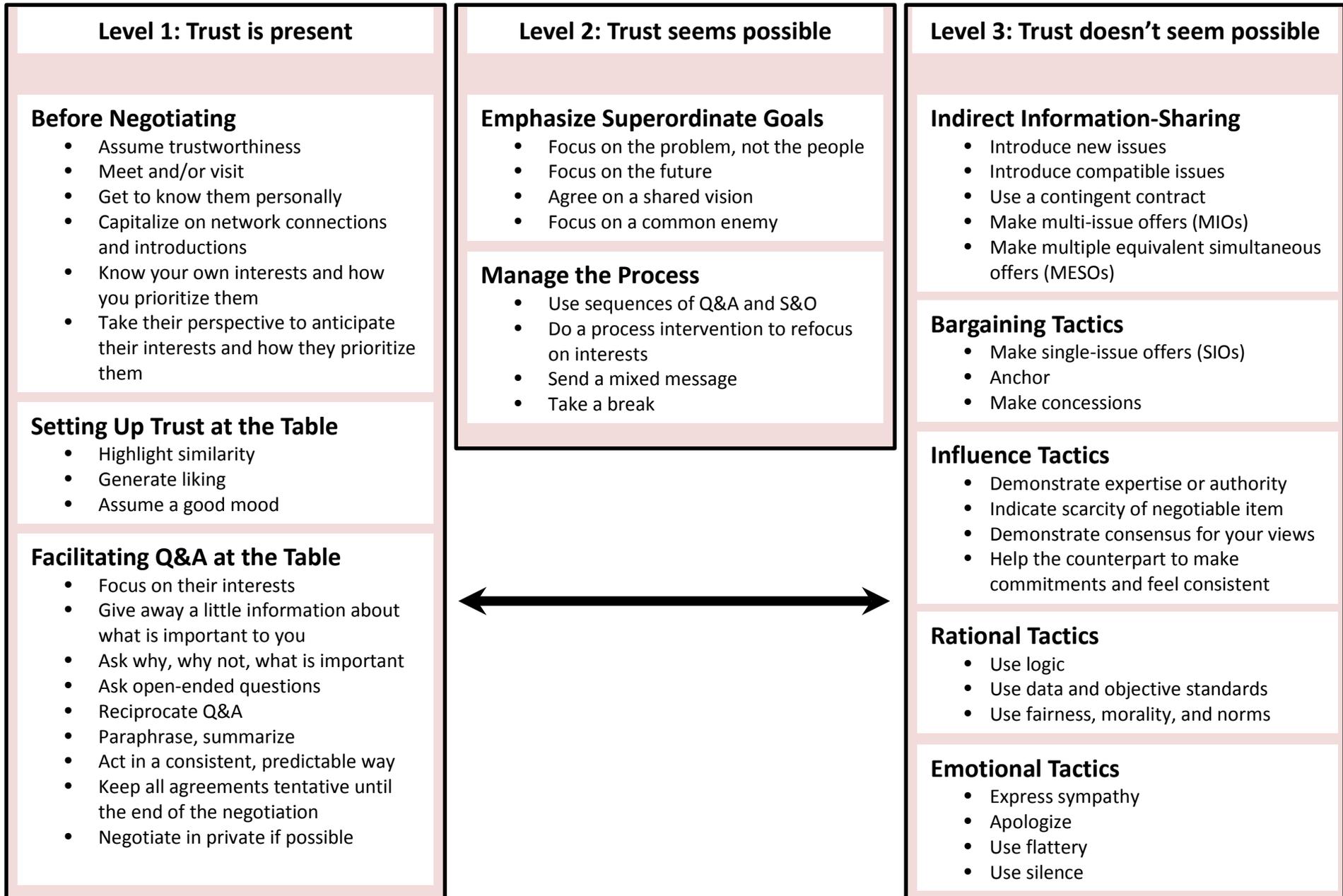
Assessing Q&A Strategy

- I'm comfortable discussing our common interests.
- I'll ask the other party what their needs were.
- I'll ask the other party what their priorities were.
- I'm willing to tell the other party about my priorities.
- I like to paraphrase and give back my understanding of their needs and priorities.
- I'm willing to share information about my interests.

Assessing S&O Strategy

- I expect the other party will use information I provide against me.
- I am willing to use information provided by the other party against him/her.
- I generally exaggerate my positions on the issues.
- I expect the other party will stretch the truth about his/her positions on the issues.
- I expect the other party will lie about his/her no agreement alternative (BATNA).
- I expect threats and counterthreats.

Figure 4: Levels of Trust and Adaptive Strategies



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