At work, negotiate your way to leadership success

To meet your goals as a leader, you will need to negotiate others’ expectations and your role.

In 1994, the Walt Disney Company faced an unexpected succession decision after its president and CEO, Frank Wells, died in a helicopter crash. Disney chairman and CEO Michael Eisner believed his longtime friend Michael Ovitz, the founder and majority owner of successful Hollywood talent firm Creative Artists Agency, or CAA, as it is known, was the perfect choice for the position of president.

At CAA, Ovitz was earning $20 to $25 million per year, far more than Disney had paid Wells—and, indeed, more than any CEO in the United States was earning at the time. But to land him, Eisner felt compelled to match Ovitz’s current salary. After discussions with the chair of the Disney board’s compensation committee, Eisner agreed to pay Ovitz $24.1 million per year. Ovitz also negotiated a potentially lucrative termination clause in the event he was fired without cause within five years.

But when Eisner told Disney’s two other senior-most executives that he was hiring Ovitz, they both said outright that they would not report to Ovitz. According to the executives, Ovitz would be a bad fit with Disney. Nonetheless, Eisner pushed ahead with his decision and secured the unanimous approval of Disney’s board.

The hiring proved disastrous. Ovitz had expected that he and Eisner would co-lead Disney, but Eisner and other top Disney executives believed that Eisner should remain in full control. In the wake of the resulting turmoil, Eisner felt compelled to dismiss Ovitz after just 14 months on the job. Despite the short stay at Disney, Ovitz walked away with severance payments of $38 million in cash and about $100 million in Disney stock options, an astounding figure that triggered a shareholder lawsuit that took 10 years and many more millions to litigate.

In Ovitz’s agreement with Disney, what went wrong? He thoroughly negotiated the terms of his employment with Eisner but failed to negotiate the role he would play within the organization.

We tend to think of leaders as people who seldom need to negotiate. According to popular belief, their position of power enables leaders to issue directives without discussion, spend more time talking than listening, and easily tamp down troublesome conflict.

Nothing could be further from the truth, writes Tufts University professor Jeswald Salacuse in his new book Real Leaders Negotiate! Gaining, Using, and Keeping the Power to Lead Through Negotiation (Palgrave Macmillan, 2017). Whether a leader is a CEO, department head, or manager on the night shift, she will find it necessary to negotiate constantly to lead other people. Leaders not only negotiate often but also have to negotiate to achieve their goals, according to Salacuse. And

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to do so, they must draw on negotiation skills not normally associated with a top-down leadership style, such as listening closely, collaborating, and making concessions.

The primary tasks of leadership— including setting a direction, creating a team, managing conflict, and motivating others—all require strong negotiating skills, writes Salacuse. And to become effective leaders in the first place, we need to negotiate a compelling role for ourselves within the organization.

We negotiate our roles not only during the hiring process but also with our coworkers throughout the length of our tenure.

Two leadership negotiations

Whether you are applying for a leadership position with a new company or seeking to move up in your current organization, you will face two significant negotiations: one for your position and one for your role, writes Salacuse in Real Leaders Negotiate!

The process of negotiating your position includes discussing and agreeing on your title and responsibilities, determining how much power you will have, bargaining over pay and benefits, and so on, with those who have the authority to appoint you. Although such negotiations can continue after you’re on the job, you will agree on most of the terms before your first day of work. Eisner and Ovitz appear to have spent ample time negotiating the financial terms of Ovitz’s position at Disney, for example.

By contrast, negotiating your role involves reaching agreement with many others in the organization on the functions, priorities, and limitations of your job. We negotiate our roles not only during the hiring process but also with our coworkers throughout the length of our tenure. We do so by discussing any concerns they have about our abilities and qualifications, listening to their hopes and fears for the organization, and working with them to set the scope of our duties.

Leaders often focus so much on negotiating their positions that they neglect to adequately negotiate their roles, according to Salacuse. Ovitz was very successful at negotiating high compensation, but he failed to negotiate the role he would play as Disney’s president. A failure to negotiate those differences led to an untenable situation.

The roles we play

How can we effectively negotiate our leadership roles? Salacuse finds guidance in “role theory,” a school of thought from the social sciences. Drawing on theatrical metaphors, role theory assumes that our behavior is influenced by our social roles, just as stage actors act according to their roles in a play. The expectations that others have of us, and our own expectations of ourselves, in turn determine our social roles.

The role that a leader chooses to play is influenced by the expectations of those who hired her and her followers, as well as her expectations for herself. Conflict can arise when those expectations vary from one group to the next, as happened with Ovitz at Disney. By negotiating our role, we can better align expectations and head off conflict.

Salacuse recalls how he negotiated a new role when he was being considered for the position of dean at Tufts’ Fletcher School of Law and Diplomacy in the 1980s. During visits to the school, Salacuse asked the various people he met with, including students and high-ranking university officials, to share any concerns they had about the school. Many constituents shared the view that the school was resting on its laurels. In particular, the university provost told Salacuse that he was being recruited specifically to strengthen the caliber of the school’s faculty.

Consequently, upon taking the position of dean, Salacuse broke from his predecessors, who had been former U.S. ambassadors rather than academics, by becoming actively involved in the hiring and promotion of the school’s teachers and scholars. In one case, after consulting
with a review committee, Salacuse decided not to renew the contract of a young instructor who was the protégé of a senior faculty member known for being territorial and combative. As part of a campaign to have the decision reversed, the faculty member sought to convince students that Salacuse had acted arbitrarily and beyond his authority as dean.

Salacuse held an open meeting for students at which he explained the decision and responded to questions for more than two hours. By taking time to answer questions openly and honestly, Salacuse convinced the students that he had acted appropriately and within his role, and the controversy dissipated. During his eight-year tenure as dean, Salacuse oversaw the turnover of 70% of the Fletcher School’s faculty and achieved his goal of rebuilding the caliber of the school. By negotiating the scope of his role both before being hired and on the job, Salacuse positioned himself to achieve his goals as well as the school’s.

5 guidelines for negotiating your leadership role

In Real Leaders Negotiate! Salacuse gives the following advice for leaders looking to set themselves up for success:

1. Don’t over-rely on your job description. It’s too easy to jump to incorrect assumptions about how you should behave on the job based on your understanding of the position’s requirements. You should not assume that the functions and tasks you feel called to carry out as leader align with how those you are to lead view your position. Instead, prepare to negotiate your role with constituents both within and outside the organization.

2. Consider the expectations set by your predecessors. When negotiating a new business deal, we often start with a clean slate—but this is usually not the case when negotiating a leadership role. Your counterparts will have certain expectations of how you should carry out your role based on the habits and precedents of those who filled the job before you. It’s crucial to understand those expectations. If you want to go in a different direction, you will need to develop a strategy to shift others’ expectations.

3. Assess constituents’ level of support. As you plan your role-negotiation campaign, identify the various constituents involved to determine who supports you already and whom you will need to persuade to come on board. This support will be critical to your ability to pursue your goals. Don’t allow yourself to become isolated and alone in the organization, as Ovitz appeared to do.

4. Negotiate your role constantly. It would be a mistake to view negotiation of your leadership role as a one-off deal that can be concluded a month or two into your tenure. In fact, the best leaders continually negotiate their roles, working to understand and adjust others’ expectations as they set new initiatives and goals. Just as diplomats tend and cultivate their relationships with other nations, writes Salacuse, leaders of all types need to strive to stay connected to their constituents, both within and outside the organization.

5. Prepare for changes in scope. Your own actions and those of others may cause the nature and scope of your leadership role to change over time. It’s often the case that organizations give successful leaders increased autonomy as time goes on. But if decisions you make turn out poorly, don’t be surprised if your superiors place new limitations on your role. Stay attuned to those shifts and continue to negotiate your level of freedom.

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The party that makes the first offer in a negotiation generally gets the best deal, multiple negotiation studies suggest. The first offer presented serves as an anchor that draws subsequent offers in its direction.

Negotiation researchers also have found that precise numerical first offers are more effective than rounder offers. For example, a house with a list price of $255,500 is likely to attract higher bids than houses with list prices of $256,000 or $255,000.

Why are precise first offers more effective than rounder ones, and how can we further capitalize on their benefits? Leuphana University of Lüneberg professor David D. Loschelder and his colleagues examined this question in a new study.

A lack of ambition
In one of their experiments, the researchers had pairs of participants play the roles of seller and buyer in a negotiation simulation involving the sale of a chemical plant. One member of each pair was instructed to make the first offer (sometimes the buyer, sometimes the seller). In addition, those making first offers were encouraged to make either a round offer (such as €5 million or €36 million), a moderately precise offer (such as €5,818,600 or €36,181,300), or a highly precise offer (such as €5,818,614.76 or €36,181,385.24).

Offer recipients judged negotiators who made precise offers to be more knowledgeable.

Like past research, the results showed that more ambitious first offers led to more favorable outcomes for the party who made the first offer. However, those making a highly precise first offer were less ambitious than those who were less precise.

This difference didn’t translate into better deals for those with rounder first offers, though; on the contrary, those who made the most precise first offers came out ahead. Why? First, because offer recipients made less ambitious counteroffers in response to more precise offers, which they did because they judged those who made more precise offers to be more knowledgeable about the value of the commodity; precise offers tend to convey expertise. Second, those who made precise first offers made smaller subsequent concessions than those who made round first offers as the price haggling continued.

Why did those who aimed for precision make less-ambitious first offers than those who made rounder offers? Because they correctly predicted that they would need to make fewer concessions to meet their goal—that is, they anticipated the stronger anchoring effect of their precise offer.

Capitalize on the precision effect
The study’s results lead to the following recommendations:

- Strive to make a precise numerical offer, but make sure it’s no less ambitious than it would be if it were round. An ambitious, precise offer should lead to the best results. Note, however, that precision may not be as effective with experts, who are less likely than amateurs to be anchored by very precise offers when making assessments in their field, Loschelder has found.
- If the other party opens with a round offer, try to capitalize on the benefits of precision by responding with a precise counteroffer.
- Beware the tendency to be strongly anchored by precise offers and to assume that precision conveys knowledge, as that may not be the case.

When their employees get into disagreements with one another, managers have various ways of coping. For example, they can try to mediate the dispute themselves; they can make use of in-house procedures and systems set up for managing disputes, if they exist; or they can refer the case to a professional mediator.

Increasingly, employers are adding another dispute-resolution tool to that list: e-mediation, write Jennifer Parlamis, Noam Ebner, and Lorianne Mitchell in a chapter in the new book *Advancing Workplace Mediation Through Integration of Theory and Practice*. E-mediation, or mediation that relies on some use of information technology, is a type of online dispute resolution, or ODR. According to Parlamis and her coauthors, ODR sprang up in the mid-1990s as businesses and customers began doing business in cyberspace. Companies such as eBay and Amazon set up dispute-resolution platforms on their sites to try to settle disputes over transactions cheaply and quickly.

What is e-mediation?

Like traditional mediation, e-mediation is a voluntary process of resolving disputes with the assistance of a neutral third party, write Parlamis and her coauthors. In e-mediation, the role of technology is often likened to a “fourth party” in the process, and it is used to varying degrees.

For example, e-mediation can be a completely automated system with computer-prompted information gathering, decision making based on disputants’ inputs, and no interaction from a third party at all. For the purpose of resolving workplace conflict, however, e-mediation is more likely to involve the “delivery of personalized, individual, as-close-to-traditional-as-possible mediation—at a distance,” write the chapter’s authors. Although workplace mediation is often conducted between parties who are located far apart, it can also incorporate in-person meetings.

Originally, e-mediation relied primarily on text-based communications, such as email. But thanks to videoconferencing services such as Skype and Google Hangouts, parties can now easily and cheaply communicate with one another in real time, while also benefiting from the visual and vocal cues that video conveys. Still, e-mediators continue to use email, text messaging, automated systems, the telephone, and other forms of technology to converse and coordinate during the mediation process.

To date, only a handful of studies have explored the effectiveness of e-mediation in the workplace; however, the early results in this and other contexts suggest that technology-enhanced mediation can be just as effective as traditional mediation. Moreover, parties often find it to be a low-stress process that fosters trust and positive emotions.

### USING E-MEDIATION TO RESOLVE WORKPLACE CONFLICT

An emerging form of online dispute resolution can help organizations manage disputes among employees.

Plugging in to workplace disputes

In their chapter, Parlamis, Ebner, and Mitchell offer best-practice guidelines for managers who are thinking of making e-mediation available in their organizations, including the following:

1. **Seek out experienced e-mediators.** Look for mediators who are trained in delivering long-distance dispute-resolution services. Mediators should have specialized training in technology-aided mediation and a strong understanding of e-mediation practices and procedures, such as which technology to use when.

2. **Use technology early in the mediation process.** Parties can streamline the mediation process by completing computer-assisted assessments of themselves and the dispute before meeting online or in real life. This type of online intake allows the mediator to gain an understanding of the dispute without inviting discord among parties.

3. **Hold e-mediation accountable for results.** To ensure that e-mediation achieves its goals in the workplace over time, assign a point person or committee to monitor its usage and effectiveness in your organization.

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To resolve disputes among long-distance parties. When conflicts arise between employees working in different offices, e-mediation offers a way to manage conflict more cheaply than bringing them together in one location. Organizations may also be able to shorten the duration of disputes by using e-mediation because it reduces scheduling difficulties.

To lessen tensions in emotional disputes. Sometimes, as in family and workplace disputes, parties may be so estranged that they can barely stand to be in the same room, let alone negotiate in person. In such cases, technology can serve as a buffer and allow for more rational and productive discussions—even for employees located in the same office.

To appeal to tech-savvy employees. Younger workers who have used technology throughout their lives are likely to find e-mediation to be a no-brainer and may be especially suited to the process.

To minimize power differences between employees. A study by Katalien Bollen and Martin Euwema of the University of Leuven, Belgium, found that subordinates who mediated a dispute with a superior were significantly more satisfied with technology-supported mediation than with traditional face-to-face mediation. The use of technology seemed to reduce the power differences that employees perceived between them and their superior. Thus, e-mediation may enhance employees’ perceptions that the process is fair and equitable.
How Apple botched its TV expansion deals

When Apple decided to take its Apple TV initiative to the next level, it tried to convince leaders in the media industry to replace their usual ways of doing business with some unconventional proposals. But under the leadership of Apple executive Eddy Cue, the company’s aggressive negotiating strategy led to a series of dead ends, as Shalini Ramachandran and Daisuke Wakabayashi reported in the Wall Street Journal.

A bigger bite out of TV

Apple’s TV business generates just over $1 billion in sales, a sliver of the $233.72 billion Apple earned in its latest fiscal year. But with sales of the iPhone in decline, the company became eager to beef up its TV business.

In 2011, Apple tried to reach deals with cable companies Comcast and Time Warner Cable for joint TV services. But Apple asked for too high a payment from subscribers ($10 per month) and was reluctant to share details about its proposed interface, sources told the Journal.

Two years later, a new series of meetings with Time Warner got off to a rocky start when Cue reportedly showed up 10 minutes late to a meeting at the cable company’s Manhattan offices dressed in jeans, a Hawaiian shirt, and tennis shoes with no socks. Apple’s aggressive demands at that meeting and other meetings that followed—such as saying that viewers should be allowed to skip ads in newly aired shows—led TV channel owners to wonder whether “the Apple guys” had “any idea how this industry works,” one former Time Warner executive told the Journal.

One cable-industry executive summed up Cue’s strategy as simply saying, “We’re Apple.” Another explained to the Journal that the TV industry was comfortable saying no to Apple because it didn’t need a “white knight to come racing in.”

More unfruitful talks

In early 2015, Cue began pitching to media companies such as Disney, Fox, and CBS the idea of putting together a “skinny bundle” of about 25 channels that would include full current and past seasons of their hit shows.

Cue reportedly made unheard-of demands of Disney, including freezing the monthly rate-per-viewer Apple would pay to license Disney channels, such as ESPN and ABC, for several years. In the world of cable TV, channels rely on annual rate increases to drive profits, the Journal reports. Disney and other companies reasoned that if they agreed to Apple’s demand, traditional cable-TV distributors would pressure them to make similar deals.

Once again, talks broke down.

Apple tries to go Hollywood

Following this string of failed negotiations, Apple was unable to announce a streaming TV service when it launched its newest Apple TV set-top box in September 2015.

Apple is now focused on revamping its TV device to allow TV networks and other companies to develop apps, and it’s also hoping to broaden its lineup of original programming. The company has begun meeting with Hollywood executives about creating high-quality shows and perhaps premiering them on Apple’s iTunes.

But those talks may also have gotten off to a rocky start. Hollywood executives reportedly were “bemused” that Apple sent a little-known producer as a middleman to negotiations that typically would involve high-level players from all sides, according to the Journal.

Lessons learned from Apple’s hard-charging style:

- **Study industry practices.** When negotiating in an unfamiliar industry, take time to learn about its dealmaking practices and standards. When you propose an alternative model, it shouldn’t just be because it would help you. Rather, you need to be able to compellingly explain what advantages the new model would offer your counterpart over the prevailing one.

- **Fulfill cultural norms.** Norms surrounding meetings—such as what’s appropriate to wear, who should attend, and whether punctuality is important (hint: It almost always is)—can vary from one industry and culture to the next. When meeting someone for the first time, research the norms of her organization and industry so that you can make a great initial impression.

- **Analyze power levels.** If an aggressive approach worked for you in one negotiation, don’t assume it will automatically transfer to negotiations with other organizations. Apple’s disruptive mentality was effective in industries that were desperate to innovate. The TV industry, by contrast, is not in such dire straits and had less of a need to do business with Apple. Thus, it gained bargaining power from its ability to walk away.
In this monthly feature, we ask experts from the Program on Negotiation to share their latest ideas and insights on negotiation. This month, Harvard Business School professor Max H. Bazerman describes how web-based negotiations could increase efficiency and trust in many realms.

**Negotiation Briefings:** In-person negotiations can offer advantages over electronic negotiations—for example, in terms of rapport building and value creation. But what advantages might web-based negotiation have over face-to-face negotiation?

**Max H. Bazerman:** Web-based negotiation has the ability to solve trust problems by using large quantities of information to make negotiation processes more efficient.

Consider the insurance industry, which is based on a very simple model: People pay premiums for coverage, then file a claim and receive a check when they suffer a loss or damages. Despite this simplicity, insurance companies spend billions on buildings, bureaucrats, and lawyers to pay and contest claims. Why is the claims process so inefficient and costly? Because, far too often, claims processing turns into an adversarial negotiation. Claims professionals often try to avoid paying out claims, while customers sometimes try to over-represent their claims. Online negotiation and dispute resolution have the ability to create a more efficient, more trusting process.

**NB:** How so?

**MHB:** People sometimes exaggerate their claims because they assume their insurance company will not negotiate honestly. Now imagine an online insurance company that wants to gain a reputation for being honest, fair, and fast. It has customers fill out their claims online. Using artificial intelligence and machine learning, the company then can easily determine whether the customer has a history of trying to cheat insurers. If not, the company should feel fairly confident about trusting the customer and making an instant payment. If the company could eventually assert that it pays 85% of its claims within a minute, it could help transform the typical negotiation process in this industry and save a great deal of money for all parties. Online insurance companies could further encourage customers to be honest by drawing on new insights from psychology. We know, for example, from my research with Lisa Shu of the London School of Business and others that if you have people sign a form before they fill it out (signing at the top), they’re more likely to report honestly than when they sign after they fill out the form. Similarly, companies could prompt honesty by reminding customers before they file a claim online that an electronic record of it will exist forever. The company could also ask customers to describe the circumstances of their claim in a video created online. Knowing that they are being recorded should reduce the likelihood that people would be psychologically comfortable making a false claim.

**NB:** Can web-based negotiations help other industries where trust is an issue?

**MHB:** In almost any situation where people are influencing each other’s decisions online and the party providing information has the potential to be dishonest, psychological insights can generate higher integrity and a better process. For example, one of the problems with online reviews is that people often submit biased or even fraudulent reviews. An entrepreneur might get 200 of his friends to write positive online reviews of his new restaurant—or bad reviews about the competition. Figuring out how to solve the honesty problem in that context would also be useful.

**NB:** You’ve discussed advantages of web-based negotiations. When is it better to negotiate in person?

**MHB:** Negotiating in person still has strong advantages for complex negotiations where joint gains and trades are possible. Similarly, if the negotiation is more social, then there may be good reasons to negotiate in person. In online dating, for example, the interactions involved in negotiating the terms of a first date have advantages and disadvantages. There’s obviously enormous efficiency to the single person who wants to sift through hundreds or thousands of options a day. On the other hand, you may not be able to trust the information that others give. There may be ways to improve the information that’s provided in that online world as well.