NEGOTIATION BRIEFINGS



Volume 17 • Number 5 • May 2014

Beyond walking away: Facing difficult negotiation tactics head-on

Coping with lies, threats, and insults? Here's how to change the game.

In late February, the trial of Jesse Litvak, a former bond trader for Jefferies & Co., got under way in New Haven, Conn. Litvak was charged with defrauding investors of \$2 million by behaving deceptively in his trades of mortgage-backed securities in the aftermath of the 2008 financial crisis. In one bond negotiation, Litvak is alleged to have falsely claimed that a third party was selling bonds that his firm, Jefferies, actually held.

Such deception, if it occurred, may hardly be limited to Litvak. At the trial, former customers of Litvak's testified that lies and misrepresentation are common in bond negotiations, as reported by Bloomberg News. One customer admitted to lying to Litvak about how much he valued a bond, adding, "Generally, I try to be truthful." Another customer stated under oath that encouraging a negotiating counterpart to believe something false "is one of the strategies" commonly used in his business.

The type of deception that Litvak's customers describe is unfortunately not unique to bond trading. In your own negotiations, you may have caught counterparts in lies or been highly suspicious of certain claims.

Lying is just one difficult tactic that negotiators face at the bargaining table. Others include "take it or leave it" offers, bluffs, threats, warnings, personal insults, and dirty tricks.

Take the efforts of trial lawyers in California to raise the \$250,000 cap on damages for pain and suffering in medical malpractice suits. Working for the lawyers' group Consumer Attorneys of America,

Chris Lehane, a former adviser to President Bill Clinton, created a video calling for random drug-and-alcohol tests of doctors (an idea from a focus-group member). Then Lehane played hardball: He had the video air on the side of a truck that circled the hotel where the California Medical Association was meeting in 2013.

"Everyone has a game plan until you punch them in the mouth," Lehane told the *New York Times* when asked about his overall strategy. "So let's punch them in the mouth."

How should you respond to those who believe that (figuratively speaking) punching you in the mouth is the best way for them to get what they want? How can you convince those who view lies and threats as necessary evils that focusing on shared interests offers richer rewards? Experts from the Program on Negotiation at Harvard Law School have outlined several strategies that can help you defuse difficult tactics and foster a more collaborative mind-set.

Preparing for difficult tactics

When we are confronted with a difficult tactic, from an insult to an apparent lie, it can be hard to respond rationally. Difficult tactics knock us off balance, upset us emotionally, and often threaten our feelings of self-worth and competence, according to Harvard Law School professor Robert C. Bordone. The sense that we are being mistreated often leads us to replace reasoned analysis with hotheaded reactions.

IN THIS ISSUE

- 4 Get past "us" versus "them" A new book addresses contemporary moral conflicts
- 7 Facebook's purchase of WhatsAppBehind the eye-popping acquisition
- 8 Dear Negotiation Coach Cooling off after conflict

WHAT'S NEW

Learn to navigate challenges and seize opportunities in our new course, Women and Career Negotiations, held June 19, 2014, in Cambridge, Mass. Visit www.executive.pon.harvard.edu to find out more.

Trying to turn a stonewaller into a problem solver? Download the **NEW** Negotiation Briefings Special Report, "Dealing with Difficult People," by visiting www.pon.harvard.edu/free-reports

IN FUTURE ISSUES

Balance empathy and assertiveness When honor becomes an issue

For an **ELECTRONIC VERSION** of this issue, log in to your account at **www.pon.harvard.edu**

Editorial Staff

Susan Hackley	Managing Director
James Kerwin	Assistant Director
Guhan Subramanian	Academic Editor
Katherine Shonk	Editor

Editorial Board

Board members are leading negotiation faculty, researchers, and consultants affiliated with the Program on Negotiation at Harvard Law School.

Max H. BazermanHarvard Business School
Iris Bohnet Harvard Kennedy School Robert C. Bordone Harvard Law School
John S. Hammond John S. Hammond
& Associates
Deborah M. KolbSimmons School
of Management
David LaxLax Sebenius, LLC
Robert Mnookin Harvard Law School
Bruce Patton Vantage Partners, LLC
Jeswald SalacuseTufts Fletcher School
James Sebenius Harvard Business School
Guhan Subramanian Harvard Law School and
Harvard Business School
Lawrence Susskind Massachusetts Institute
of Technology
Michael WheelerHarvard Business School

Ordering and Customer Service

Subscribers: An electronic version of this issue is available at www.pon.harvard.edu.

Individual subscriptions: Please visit www.pon.harvard.edu.

U.S.: \$197 per year. Outside U.S.: \$217 per year. Single-issue PDF: \$25. Single-article PDF: \$10.

To share Negotiation Briefings with others in your organization, call 800-391-8629 or 301-528-2676, or e-mail negotiation@law.harvard.edu and request information about site licenses.

Editorial Correspondence

E-mail negotiation@law.harvard.edu, or write to: *Negotiation Briefings*, Program on Negotiation, Harvard Law School, 1563 Massachusetts Avenue, 513 Pound Hall, Cambridge, MA 02138-2903.

Permissions

Quotation of up to 50 words per article is permitted with attribution to *Negotiation Briefings*. Otherwise, material may not be republished, quoted, or reproduced in any form without permission from the Program on Negotiation. For permissions, call 800-391-8629 or 301-528-2676, or e-mail negotiation@law.harvard.edu.

Negotiation Briefings is published monthly by the Program on Negotiation at Harvard Law School, an interdisciplinary university consortium that works to connect rigorous research and scholarship on negotiation and dispute resolution with a deep understanding of practice. Articles draw on a variety of sources, including published reports, interviews, and scholarly research.

© 2014 President and Fellows of Harvard College (ISSN 1546-9522).

POSTMASTER: Send address changes to Negotiation Briefings, Program on Negotiation, P.O. Box 230, Boyds, MD 20841-0230. continued from page 1

Difficult tactics also narrow our perceptions of the options available to us in negotiation, according to Bordone. Feeling trapped by an unappealing offer or a threat, we typically identify only a few responses: Give in to the other person's demands, reciprocate with difficult tactics of our own (and risk escalating the situation), or exit the negotiation altogether.

Through careful preparation, we may be able to head off the common tendency to overreact to difficult tactics. Bordone advises us to ask ourselves the following questions before beginning an important negotiation:

- What might this person say that would knock me off balance?
- What might I say in response?
- If I do lose my cool, what will I do to regain my balance?

Planning how you'll respond to a difficult tactic lessens the odds that you will have a strong emotional reaction that will heighten conflict.

Diagnose the tactic

Thinking about the ways you might be challenged by the other party sets you up to diagnose the tactic you are facing rather than simply reacting to it.

Begin your diagnosis by considering the assumptions you hold about the possible motivations behind the threat, apparent lie, or other hardball tactic. A common conclusion, for instance, would be that your counterpart is simply not a nice person. But wait: What if she is used to working in an industry where "shading the truth" is the norm? What if her company rewards her based solely on the price she negotiates? What if she is under stress and having trouble staying focused? Clearly, there is a whole host of reasons someone might resort to difficult tactics—and it's up to you to identify which one (or more) it is.

Active listening, described in the sidebar on the next page, is one tool that can help you uncover a counterpart's motivations and turn talks in a more productive direction. By drawing information out of the other party, you will begin to identify a range of responses beyond retaliating, backing down, or walking away.

Reframe the negotiation

Difficult tactics often reflect a focus on positions, not interests. A budget director who tells a department head that he won't accept anything less than an across-the-board 5% budget cut this quarter is stating a clear position, but the interests that underlie the demand remain murky.

As you know, identifying each side's interests in a negotiation is a crucial step toward collaborating to identify new sources of value to be divided. But how can you convince a hard bargainer to reframe the negotiation—that is, to move beyond a shallow focus on positions to a deeper consideration of interests?

To reframe, begin by treating the other side's hard-line position as important information rather than rejecting it, writes William Ury in his book *Getting Past No: Negotiating in Difficult Situations* (Bantam, 1993). By doing so, you can avoid an argument over positions and enlist the other party as a creative problem solver.

Treat the other side's hardline position as important information rather than rejecting it.

In *Getting Past No*, Ury offers numerous strategies to persuade the other party to share valuable information. Here are five of them:

- 1. Ask "Why?" questions. Open-ended questions such as "Why is it especially important that we cut our budget by 5% this quarter?" display an interest in your counterpart's concerns that can deepen the conversation.
- 2. Ask "Why not?" As Ury notes, people who are reluctant to reveal their concerns may be only too happy to criticize yours. Therefore, asking questions such as "Why don't we cut the marketing budget instead?" may

provoke your counterpart to reveal a wealth of information about his concerns (such as the likely effect on sales, his reputation, etc.) in the process of shooting down your idea.

- **3. Ask "What if?"** Engage the other party in a brainstorming session by posing questions, such as "What if I could help you convince the CEO that my department's new initiative will save the company well over 5% this quarter?"
- 4. Ask for advice. It may sound surprising, but you can often disarm a hard bargainer simply by asking for her guidance. If you need an administrator's approval for an exception to company policy, for example, ask her how she would recommend that you proceed. She is likely to be flattered by the request and offer some helpful ideas.
- 5. Ask "What makes that fair?" If the other party's position strikes you as unreasonable, Ury suggests that you say something such as this: "You must have good reasons for thinking that's a fair solution. I'd like to hear them." Then mention any fairness standards that you consider to be more relevant to the discussion, such as market practice or past precedent. (For more on fairness in negotiation, see the article "Get Past 'Us' Versus 'Them'" on page 4.)

Name the game

Sometimes a negotiator will be so attached to her hard-bargaining stance that you may need to confront her directly about the game she's playing.

Naming the tactic that you've observed shows the other party that it is transparent and thus less effective than she might think, explain Deborah M. Kolb and Judith Williams in their book *Everyday Negotiation: Navigating the Hidden Agendas in Bargaining* (Jossey-Bass, 2003).

Naming must be executed with care: Talk about the person's behavior, not her character, lest the discussion degenerate into name-calling, caution Kolb and Williams. Moreover, whether you make





Be a more active listener

At a recent ward meeting in a Chicago suburb, discussion of an initiative to add new bike lanes to a busy street was under way. An older gentleman stood up and became agitated as he argued repeatedly that he considered the lanes to be a waste of money. A few minutes into the man's speech, the alderman interrupted him, thanked him for his opinion, and called on someone else to speak.

After the meeting, a bike activist approached the man. "I can tell that you feel really strongly about the bike lanes," she said. "Can you tell me more about why?" The man repeated his view that he thought the lanes would be a waste of money.

"I hear you saying that you think the lanes aren't essential," the bike activist said. "It sounds like you're concerned about how city funds are being spent."

The man agreed. He then revealed that his wife was wheelchair-bound. In his experience, the street under discussion was already too dangerous for her to cross. "Adding bike lanes will only make it worse," he said.

"So, I hear that you're very worried about your wife's safety," the bike activist said. The man agreed. The activist shared her own fear of riding her bike on the busy street with her toddler in tow. The two commiserated about careless motorists and ended up talking to their alderman about how they might address their shared concern.

In this exchange, the bike activist engaged in active listening, which involves three key components, according to Robert C. Bordone:

- 1. Paraphrase. Restate your counterpart's main ideas as accurately and thoroughly as possible, resisting the urge to address only the points that you find meaningful: "I hear you saying that you think the lanes aren't essential."
- **2. Inquire.** Ask open-ended questions that require elaboration, with the goal of encouraging the other person to reveal the reasoning behind his positions, demands, and conclusions: "Can you tell me more about why?"
- 3. Acknowledge. Listen for the feelings underlying your counterpart's message and reflect them back to convey your understanding: "So, I hear that you're very worried about your wife's safety." Don't fear strong emotions: Bringing pent-up feelings to the surface typically helps dissipate them and allows parties to engage in joint problem solving.

continued on page 4

a joking aside about the tactic or deliver a serious challenge, use a label that the other party is likely to recognize and accept as valid.

Because most negotiators will abandon a tactic that is backfiring, naming can be as simple as pointing out that a strategy is ineffective. Kolb and Williams tell the story of Gloria, a media executive who had a difficult time reaching a literary agent on the phone to discuss TV rights for one of his writer's books. To her shock, when she finally got through to the agent, he started attacking her competence. Rather than getting angry, Gloria kept her cool and said, "Obviously you are having a bad day. Why don't I get back to you?"

Several days later, Gloria learned that the agent's attack had been a stalling tactic: He didn't have the TV rights yet and, in a panic, went on the offensive. She was right to disengage and postpone a potential negotiation until another day.

After you name a difficult tactic, it's crucial to listen actively to your counterpart's reaction. Consider how you might respond if a colleague says she will replace you on an assignment if you don't give her full credit for work you engaged in jointly. "I feel as if you're implying that you may take me off the case, but maybe that's not your intention," you could say. "Please tell me more about what you're trying to convey." If your tone is respectful and nonthreatening, you should be able to open up a conversation about how to meet both your needs.

■

GET PAST "US" VERSUS "THEM"

A new book applies an old philosophy to resolving contemporary moral conflicts.

The massive London Terrace apartment complex in Manhattan's Chelsea neighborhood has long been dubbed a "city within a city." Comprising 1,665 apartments spread across 14 buildings, the complex was designed to be a self-contained community upon its opening in 1931, from its underground passageways to a roof designed for sunbathing. But the complex's sense of unity has fractured over the years, as evidenced by a recent conflict over one of its prize amenities: an indoor swimming pool.

The dispute dates back to 1987, when apartments in the complex's four corner buildings, known as London Terrace Towers, were spruced up and converted into co-op units. The 10 smaller buildings between the towers, the London Terrace Gardens, remained rentals.

In 1991, the Towers' co-op owners tried to block the Gardens' renters from using the pool located in one of the Towers, reports the New York Times—one of only about 150 indoor pools in Manhattan. In protest, Gardens residents staged a rent strike. In 1994, the Gardens' landlord, Rose Associates, signed a 20-year deal to pay \$250,000 a year for renters to swim in the pool in addition to half of the pool's annual operating costs of \$300,000.

With the contract set to expire this past February, Rose Associates reportedly offered \$500,000 per year for pool use for renters, plus contributions to operating costs. The Towers board demanded \$1.7 million, according to the Times. The threat that renters would be locked out loomed once again.

Barrie Olsen, a Gardens renter and pool user, noted that when complex residents are using the pool, no one can tell who's a renter and who's an owner. "There's never been a feeling there's a difference between them and us," she told the Times, adding that perhaps this was starting to change.

The dispute at the London Terrace may at heart be a simple case of one party wanting another party to bear its fair share of a joint financial burden. But with co-op owners potentially barring renters from using the pool, the conflict threatens to escalate under the burden of economic and class distinctions—"us" versus "them."

Conflicts between groups are inevitable in modern life, writes Harvard University professor Joshua Greene in his book Moral Tribes: Emotion, Reason, and the Gap Between Us and Them (Penguin, 2013). The tendency to separate ourselves into distinct groups arose from the tribal lives of our ancestors, who had to get along with members of their own tribe and fend off threats from members of other tribes to survive. As technology and a population explosion draw them ever closer together, groups—from neighbors to companies to nations—face the difficult challenge of negotiating differences involving questions of fairness, values, and morality.

In *Moral Tribes*, Greene explains why moral conflicts between groups are so challenging and offers a new spin on an old philosophical theory as a

Learn from the best.

Advance your negotiation capabilities by taking part in an Executive Education program offered by the **Program on Negotiation at Harvard Law School**.

Negotiation and Leadership: Dealing with Difficult People and Problems. An intensive three-day program that's designed to accelerate your negotiation capabilities.

Harvard Negotiation Institute Summer Programs. Six programs—ranging from two to five days—each focused on a critical aspect of negotiation, from mediating disputes to successful dealmaking.

Harvard Negotiation Master Class. Exclusively for PON alumni, this advanced program offers unprecedented access to negotiation experts from Harvard Law School, MIT, Harvard Business School, and Harvard Medical School.

PROGRAM ON NEGOTIATION AT HARVARD LAW SCHOOL

To register or learn more, visit pon.harvard.edu

means of resolving these differences through negotiation.

A common tragedy

Human conflicts typically spring from one of two challenges, writes Greene. First, we face the *problem of cooperation*, or the tension between doing what is best for ourselves as individuals and doing what is best for society at large.

The problem of cooperation is often illustrated with ecologist Garrett Hardin's well-known parable, "the tragedy of the commons." According to the parable, a single group of herders shares a common pasture. Each herder has self-interested motives to add to his flock to maximize his profits when he sells the animals at the market. Fortunately, each herder also has a broader interest in ensuring that the pasture is managed sustainably. If flocks grow too big, the pasture will be depleted and there will be nothing left for any of the animals to eat.

As the parable illustrates, the problem of cooperation is difficult but not unsolvable, writes Greene, thanks in part to how our sense of morality has evolved. We have become open to cooperating with other members of the groups to which we belong. For example, we aspire to obey laws, treat others kindly, and engage in actions that will benefit society, such as recycling. Our natural inclination to behave ethically is often reciprocated by others.

When morality isn't commonsense

Unfortunately, we have a harder time cooperating with members of groups to which we do not belong. Greene illustrates this dilemma with a new parable, "the tragedy of commonsense morality."

According to this parable, four tribes of herders live on the four sides of a great forest. Each tribe has established very different rules based on differing conceptions of morality. One tribe, for instance, gives each family the same number of sheep to be tended on a common pasture, another tribe gives each family its own plot of land and allows families to buy land from one another, and so on.

One summer the forest separating the four tribes is transformed into a perfect grazing pasture after a fire and heavy rains. The four tribes rush in to claim the land, each trying to impose its own morality: one tribe insists that the pasture should be managed jointly by the tribes, another tries to divide up the land, and so on. These differing views turn into bitter fights that eventually lead to violence. Disputes further escalate when tribal members violate the rules and customs of other tribes.

The tribes are in conflict "not because they are fundamentally selfish but because they have incompatible visions of what a moral society should be," writes Greene. This view explains why individuals, organizations, political parties, and governments clash on issues ranging from the appropriate role of government in citizens' lives to gay marriage to environmental crises. Even a swimming pool can become a moral battleground between those who view it as a resource to be shared and those who do not.

What's fair is fair?

Notably, our sense of what constitutes a fair solution to a moral conflict depends a great deal on where we stand. In 1995, for example, U.S. News & World Report asked some of its readers, "If someone sues you and you win the case, should he pay your legal costs?" Eighty-five percent of respondents said yes. Others were asked, "If you sue someone and lose the case, should you pay his costs?" Now only 44% agreed. This anecdote suggests that our sense of fairness is biased by egocentrism, or the tendency to have difficulty seeing a situation from another person's perspective. We assume that we are much less likely than others to file a frivolous lawsuit—and thus should not be held responsible if we lose the case.

Research by Carnegie Mellon University professors Linda Babcock and George Loewenstein and their colleagues supports this conclusion. In one set of experiments, they assigned participants to the role of plaintiff or defendant for a simulated settlement negotiation that was based on a real case involving a motorcyclist who had been hit by a car.



London Terrace, New York City

Before negotiating, the participants read materials about the actual case. The participants were asked to guess what the judge in the actual case had deemed to be a fair settlement. Despite knowing that they would be rewarded based on the accuracy of their guesses, those who would be playing the role of plaintiff made significantly higher guesses about the judge's award than did those who would be playing the role of defendant.

Moreover, the farther apart plaintiffs' and defendants' guesses were, the more likely they were to reach an impasse in their subsequent negotiation. By contrast, participants who were not told which role they would be playing in the negotiation when they made their guesses were much more likely to reach agreement.

Egocentrism and the tendency for our fairness perceptions to be biased in our favor make it difficult for us to come to agreement, this research suggests, both when we are making judgments on our own behalf and when we are making judgments regarding the groups to which we belong, including our families and organizations.

Egocentrism, biased fairness, and other common cognitive biases, including the tendency to escalate commitment to conflict, help explain why an argument over swimming-pool access lasted

continued on page 6

18 months in the early 1990s and flared up again this year when the existing contract ended. Renters had a selfish motivation to view the pool as a shared resource. Co-op owners had a selfish motivation to believe that the pool was theirs alone.

A utilitarian solution

If we are hardwired to follow our own group's view of what constitutes a fair and moral outcome, then how can we effectively negotiate with those who see things differently?

In *Moral Tribes*, Greene writes that *utilitarianism*, a philosophy developed by Jeremy Bentham and John Stuart Mill in the 1860s, offers the best framework to help us fairly and rationally resolve our disagreements. Utilitarianism dictates that we should choose the solution that maximizes happiness and reduces suffering in society at large. Under utilitarianism, the moral value of an action is determined only by its outcome.

As "Of Footbridges and Trolleys," below, suggests, our emotions and biases can prevent us from applying utilitarian

logic consistently. But when considered carefully, utilitarianism's goal of creating the greatest amount of happiness guides us toward the morally correct action. As Greene discusses in his book, it offers solutions to the greatest moral conflicts of our time, including health care and carbon emissions. And it suggests that all the residents of the London Terrace apartment complex should share the benefits and costs of the swimming pool.

6 rules for resolving moral differences

How can we navigate our most contentious "us versus them" negotiations? Greene offers six rules, summarized here:

- 1. Question your moral instincts. In the face of moral controversy, such as a dispute over an area of land that one or more sides view to be sacred, it would be a mistake to rely on intuition alone.
- 2. Avoid appeals to rights and duties. People often try to "win" moral dilemmas by asserting their rights or calling on others to meet their obligations. Unfortunately, such

- assertions preclude compromise and end negotiations before they can even begin.
- **3. Focus on the facts.** Before forming strong views on policies and practices we don't fully understand, we should seek objective, scientific evidence about how they would actually play out in the real world—and require our counterparts to do the same.
- **4. Beware biased fairness.** As noted earlier, we have incentives to view proposals that favor our side as fair. We need to learn to look beyond this bias and consider each side's perspective.
- **5.** Use a common currency. All of us want to be happy and to be treated well by others. These desires form a "common currency" that allows us to negotiate principled compromises.
- **6. Make small sacrifices.** The logical conclusion of utilitarianism is that those who have resources to spare should share whatever they can with the needy. Though few of us are willing to make this sacrifice, we can at least strive to be more generous toward members of other tribes near and far.





Of footbridges and trolleys: Exposing bias in our negotiations

Our emotions and cognitive biases often prevent us from making decisions that would maximize happiness for all parties in a negotiation and in other realms.

The best illustration of this fact may be philosopher Judith Jarvis Thomson's hypothetical "footbridge dilemma," paraphrased here:

Imagine that a runaway trolley is bearing down on five railway workers. You are standing on a footbridge above the tracks, midway between the trolley and the five workers, next to a railway worker who is wearing a large backpack. The only way to save the five workers is to push the worker standing next to you onto the tracks. His body and backpack would stop the trolley from reaching the other workers. You are not big enough to stop the trolley, and there's no time for you to put on the backpack. Do you push the worker to his death to save the five people below?

For most people, the answer is a resounding no. Yet utilitarianism would support the decision to push the man off the footbridge because doing so would promote the greater good: One person would die instead of five.

Interestingly, people's choices change dramatically when the problem is tweaked. In this alternate version, known as the "trolley problem," you can save the lives of the five people on the track by flipping a switch that would divert the trolley onto a sidetrack where a single workman stands.

For many of us, flipping the switch seems like a regrettable but moral action. Because flipping a switch removes us from the physical violence of pushing someone to his death, we are able to make the tough decision to sacrifice one life in exchange for five. These problems attest to the difficulty of applying utilitarian logic uniformly to our decisions.







Facebook's purchase of WhatsApp: Behind the eye-popping acquisition

In February, the news that Facebook would pay an astounding \$19 billion to acquire text-messaging start-up WhatsApp caused jaws to drop across the tech world and beyond. The agreement, the fifth-largest technology deal ever, offers interesting lessons to guide business negotiators through their most important deals.

Texts and chats

In 2009, Jan Koum, a Ukrainian immigrant, and his friend Brian Acton launched WhatsApp with the goal of creating a text-messaging application that would connect users with family and friends abroad at a low cost. Since its inception, WhatsApp has been ad-free. It now has 450 million global users who pay a 99-cent annual fee for the service.

In 2012, Facebook founder and CEO Mark Zuckerberg approached Koum about the possibility of acquiring his business. Concerned about Facebook's pervasive use of ads and maintaining his company's independence, Koum showed little interest. Nonetheless, a friendship developed between the two men over the course of hikes and dinners. "As we got to know each other, we got to respect each other more," Koum told the *Wall Street Journal*.

Offers, odd and appealing

Facebook wasn't the only high-tech company courting WhatsApp. In 2013, Google made an "odd" proposal to WhatsApp, according to Internet news website The Information: It offered millions for the right to be notified if the messaging app entered into acquisition talks with other companies. The unusual "right to know" offer reportedly was hatched by Google mergers-and-acquistions chief Don Harrison after the company was burned by Facebook's \$1 billion purchase of Instagram in 2012. WhatsApp wisely rejected the offer, perhaps anticipating

that Facebook would have lost interest if it welcomed Google to the competition.

Early this past February, WhatsApp received its official offer from Zuckerberg. Framing it as a partnership, Zuckerberg affirmed that Facebook would not try to force ads on WhatsApp or otherwise complicate the app, according to Koum.

Around this time, according to The Information, Google entered the race, going so far as to notify Sequoia Capital, WhatsApp's venture-capital investor, that it was prepared to outbid Facebook no matter what the cost. But WhatsApp refused to engage with Google, reportedly viewing Facebook as a better match and suspecting that Google was interested primarily in thwarting its competitor.

Zuckerberg and Koum mapped out an arrangement in which WhatsApp would operate separately from the social-media behemoth. At Zuckerberg's insistence, Koum also agreed to accept a seat on Facebook's board of directors. The \$19 billion deal was struck.

In an interview with the *Wall Street Journal*, Koum focused on his and Zuckerberg's common goals rather than on their differences: "We have a shared mission of connecting the world and making it more open."

A new bubble?

Did Facebook overpay for WhatsApp? The deal could pay off if the app meets its goal of one billion users. And the acquisition will give Facebook the stronger presence it has been seeking on mobile devices.

Moreover, the prospect of losing to a competitor can be a legitimate reason to overpay for a commodity, according to Harvard Business School and Harvard Law School professor Guhan Subramanian. In so-called *all-pay auctions*, each bidder believes it will suffer in the marketplace if a

competitor gets the target company. In the end, the winning bidder (here, Facebook) overpays but perhaps suffers less than the losing bidder (Google). Viewed in this light, Facebook's possible overpayment is rational rather than a sign of *competitive arousal*—the type of "auction fever" that leads bidders to try to win at any cost.

Meanwhile, across Silicon Valley, both hopes and fears that the deal would spark a new wave of exorbitant start-up acquisitions abounded. Concern is growing that the WhatsApp purchase marks the start of a high-tech bubble like the one that burst at the turn of this century.

Stand-out negotiating moves in the WhatsApp purchase:

- A strong relationship. Zuckerberg won Koum over by patiently pursuing his friendship and trust. Ultimately, Koum came to view their differences as compatible rather than insurmountable, and their close ties should serve them well when problems inevitably arise in their partnership.
- A calculated overpayment. Often, the winner of an auction or other intensely competitive negotiation relishes only a short-term victory, as there is a good chance it overpaid for the prize. Sometimes the best way to avoid overpaying in an auction is to stay out of it entirely. But when your analysis suggests that you would suffer if a competitor won the prize, overpayment may be a rational move.
- Innovative thinking. Though the strategy didn't work this time, Google's Don Harrison came up with a novel negotiating strategy—the "right to know" offer—that others may adopt more successfully in the future. The strategy could help organizations stay informed about potentially beneficial opportunities and also scare off competitors. ■

Wy former spouse of 18 years and I had an explosive breakup a year ago. After failing to overcome our mutual hostility during divorce mediation, we have avoided each other, communicating primarily through our attorneys. Our divorce is now final, but because we have shared custody of our two teenagers, we need to communicate regularly, and we will inevitably cross paths at their school programs and sporting events. How can we begin to build a civil relationship for the sake of our kids (and ourselves)?

A: We often think of negotiations as having clear starting and ending points, and we also tend to assume that we can walk away from someone if we are not getting along. But as your situation suggests, negotiation with particular counterparts must sometimes be a longterm, even lifetime, endeavor.

Your desire to forge a civil relationship with your ex is a great impulse. You might assume that you can start to break through the rancor and rebuild trust with friendly remarks and gestures. However, it is important to make such overtures with caution when dealing with someone you might view as an "enemy" or other hostile party.

Recent research supports this conclusion. Tanya Menon (Ohio State University), Oliver J. Sheldon (Rutgers University), and Adam D. Galinsky (Columbia University) asked some of their study participants to recall and write about a supportive friend and asked others to write about an unsupportive, hostile person in their lives. Next, the participants were asked to imagine that as they were about to run a race, the person they had written about (friend or foe) approached them and made either a hostile comment ("Don't get your hopes up too high") or a friendly remark ("I'm sure you're gonna win this one"). Next, the participants read that they twisted an ankle during the race because

of a problem with the track and could not finish.

Those who (hypothetically) encountered an enemy acting in a friendly way had so much difficulty making sense of the person's behavior that they blamed him or her for their setback in the race and hoped to avoid running into that person in the future, lest they have more bad luck. By contrast, those who encountered supportive friends, hostile friends, or even hostile enemies were less thrown by the person's remark and avoided such superstitious conclusions.

As these results suggest, acts of kindness can be insufficient to overcome the negativity that shrouds our relationships with our enemies. In fact, such gestures may even prompt a backlash, making us more likely to try to avoid those we distrust or dislike.

In negotiation, we often view the exact same offer less favorably when an enemy rather than a friend proposes it, a phenomenon called reactive devaluation. So, from a strategic standpoint, it may be premature for you to attempt to be especially friendly and generous to your ex at the start of this new stage in your relationship.

Angry, distrustful parties may need a significant cooling-off period before attempting to move forward. During

this period, you might focus on meeting your legal obligations and modeling collaborative behavior for your children. Continue to enlist your lawyers or other intermediaries to sort out any conflicts that arise.

At the same time, recognize that you may recoil on instinct from any olive branch your former spouse might extend. Because your ex may be as eager as you are to restore harmony for your kids' sake, try to accept acts of kindness at face value.

By behaving reliably and at a slight remove, you may be able to arrive at a détente with your ex that eventually leads to friendly conversations at graduations and weddings.

Vastreine Sherre

Katherine Shonk Editor, Negotiation Briefings Program on Negotiation Harvard Law School

SEND A QUESTION TO OUR **NEGOTIATION COACH**

By e-mail: negotiation@law.harvard.edu (Please write "Q and A" in the subject line.) By mail: Negotiation Briefings, Program

on Negotiation, Harvard Law School, 1563 Massachusetts Avenue, 513 Pound Hall, Cambridge, MA 02138-2903

PROGRAM ON NEGOTIATION



Program on Negotiation at Harvard Law School: A university consortium dedicated to developing the theory and practice of dispute resolution Harvard | MIT | Tufts

1563 Massachusetts Avenue, 513 Pound Hall, Cambridge, MA 02138-2903 T: 800-391-8629 (Outside the U.S., please call 301-528-2676) F: 617-495-1416

E: negotiation@law.harvard.edu; www.pon.harvard.edu