

**THE RELATIONAL FOUNDATIONS OF STRATEGIC CHOICE IN
NEGOTIATION**

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Representing negotiations as social exchanges highlights negotiators' implicit obligations to honor exchanges and the risk that they will fail to do so. Based on their representation of the underlying relationship, negotiators are oriented to one of four relational risks (failures in reliability, predictability, benevolence or integrity). The salience of a specific relational risk shifts negotiators' strategic focus and elicits a distinct strategic cluster (deterrence, co-ordination, obligation, collaboration) aimed at offsetting or neutralizing these relational risks.

DYADIC NEGOTIATION

RELATIONAL RISK

SOCIAL EXCHANGE

INTERPERSONAL INFERENCE

STRATEGIC CHOICE

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Social exchanges provide the foundation for our relationships (Blau, 1964). Many aspects of our organizational relationships are built on the expectation that favors will be repaid and obligations will be honored. Indeed, organizations and their employees rely on each others' willingness to reciprocate favors and obligations. The role of social exchange in organizational life is embodied in constructs such as psychological contracts and organizational citizenship behavior. Defined as a "reciprocal act of benefit" (Molm, Takahashi & Peters, 2000: 1396), an exchange is initiated whenever we offer valued resources to another person. The critical feature of exchange relationships is the *implicit* obligation of the recipient of a valued resource to return resources of comparable value to the giver. Because the obligation is implicit, whenever we initiate an exchange we increase our vulnerability to the actions of another person and open ourselves to the possibility of exploitation.

The features of vulnerability and exploitation that are at the heart of social exchanges are also evident in deal-making negotiations. Deal-making negotiations can be characterized as a series of *micro-exchanges*, in which individuals offer their opponents goods, information, status or esteem with the implicit expectation that such offers will be reciprocated (Blau, 1964; Flynn, 2003; Flynn & Brockner, 2003; Foa & Foa, 1980; Lawler & Yoon, 1992). The risk and uncertainty associated with any social exchange is magnified in negotiation as negotiators attempt to manage the tension between finding solutions that benefit both parties and those that deliver a greater share of resources to one individual

(Malhotra & Murnighan, 2002). While the need to find mutually beneficial solutions requires individuals to open themselves to the risk of exploitation by the other party, the desire to improve personal outcomes encourages negotiators to engage in opportunistic betrayal. Consequently, individuals – including negotiators - who initiate exchanges face relational risk, defined as “the degree to which decision-makers are concerned with their partners’ opportunistic behavior in cooperative efforts” (Das & Teng, 2001a: p449).

For several decades, negotiation research has been primarily concerned with the economic aspects of deal-making. Reflecting this emphasis, in his Dual Concern Model Pruitt (1981) argued that negotiators’ strategic choices are shaped by the concern they hold for their own and the other party’s outcomes. In this article, we shift focus to the relational aspects of deal-making. Our goal is to develop a parallel model of strategic choice based on relational rather than economic concerns. We draw on theories of interpersonal perception, social exchange and trust to build the model of strategic focus shown in Figure 1. In this model, we articulate how negotiators assess the relational risks that they face and the tactical choices that they subsequently make to offset those risks. Our model encapsulates the growing recognition that strategic focus is shaped not just by the economic aspects of negotiation but also its relational aspects (Gelfand, Major, Raver, Nishii & O’Brien, 2006; Gray, 1994; Kolb, 1993; Wilson & Putnam, 1990).

Insert Figure 1

Risk assessment is central to our model of strategic focus. The process of risk assessment is based on negotiators' inferences about the underlying relationship. These inferences not only resolve uncertainty about others' goals and motives but are necessary for survival in social environments (Reeder, 1993; Reeder & Tramifow, 2005). Extending social exchange theory, which focuses on the level of risk, we argue that negotiators – based on their inferences – are alerted to one of two *categories* of potential risks. Drawing on the interpersonal perception literature, we argue that negotiators' *interpersonal orientation*, which captures how negotiators represent themselves relative to others, increases the salience of either failures of ability *or* failures of morality (Martijn, Spears, Van der Pligt & Jakobs, 1992; Reeder, 1993; Van Overwalle & Labiouse, 2004). The level of *interpersonal assurance*, which speaks to negotiators' assessment of the other party's motives (Eisenberger, Lynch, Aselage & Rohdieck, 2005; McKnight, Cummings & Chervany, 1998) then determines whether negotiators are oriented to preventing harm or promoting benefits. Jointly, the dimensions of interpersonal orientation and interpersonal assurance establish the relational base for negotiators' strategic focus, which is directed at protecting negotiators from opportunistic.

Our model of strategic focus has several implications for understanding and guiding negotiators' strategic choices. We extend social exchange theory, which proposes that characteristics of the relationship affect the *level* of risk, by proposing that characteristics of the relationship affect the *nature* of risk that negotiators are exposed to. By linking risk assessment to theories of person perception, we are able to situate the issues of trustworthiness that are fundamental to exchange relationships within a

broader attributional framework. In doing so, we specify the motivational basis for negotiators' strategic choice. We utilize social exchange theory to increase our understanding of the temporal aspects of strategic choice in negotiation. This enables us to specify not only the tactical behaviors that address specific relational risks, but also the timing and valence of exchange patterns. Finally, our model recognizes that strategic focus is shaped not just by the economic aspects of negotiation but also by its relational aspects. Consequently, our theorizing reflects a growing recognition that the relational aspects of negotiation have been neglected by negotiation scholars (Gelfand, et al., 2006; Gray, 1994; Kolb, 1993; Wilson & Putnam, 1990).

A Typology of Interpersonal Risk: Ability and Morality

Any interpersonal interaction, negotiation included, creates uncertainty about the other person's intentions. To reduce this uncertainty, individuals draw on what they know about others to infer their motives and likely future behaviors (Rusbult & Van Lange, 1996; Reeder & Tramifow, 2005). These inferences are organized around two key dimensions, ability and morality (Reeder, 1993; Snyder & Stukas, 1999). The implication is that in social exchange relationships, individuals face risk associated with failures along the dimensions of either ability or morality.

These broad attributional dimensions are cognate with two broad categories used in making trustworthiness judgments, *competence* and *goodwill*. Competence-based, or cognitive, trust is determined by an assessment of the other person's ability or competence. Goodwill-based, or affective, trust is built on perceived values and intentions and reflects an assessment of the other person's benevolence and integrity (e.g., Das & Teng, 2001b; Lewicki & Weithoff, 2000; Mayer, Davis & Schoorman, 1995; McAllister, 1995).

Trustworthiness judgments can thus be viewed as a special case of a broader interpersonal inference process. Such judgments are especially salient in exchange relationships, which require negotiators to determine the likelihood the other party will engage in opportunistic betrayal of the exchange relationship (Battacharya, Devinney & Pillutla, 1998; Mayer et al., 1995; Ross & LaCroix, 1996; Whitener, Brodt, Korsgaard, & Werner, 1998; Yamagishi & Yamagishi 1994).

We propose that the salience of ability and morality, as inferential dimensions, is affected by how negotiators represent their relationship at the outset of negotiations. Our theorizing builds on an emerging view that global assessments of trustworthiness are not meaningful (e.g., Mayer et al., 1995; McKnight et al., 1998). Instead, individuals draw interpersonal inferences, including inferences about trustworthiness, along multiple dimensions. Moreover, inferences may differ across the dimensions of ability and morality so that a person judged as having high ability need not also be judged to have high morality (Lewicki, Tomlinson, & Gillespie, 2006; Kim, Ferrin, Cooper & Dirks, 2004). This view implies that different relational risks may be salient at different points in time or in different kinds of relationships (Das & Teng, 2004; Lewicki, McAllister & Bies, 1998; Sheppard & Sherman, 1998). We draw on this emerging perspective to first identify how different representations of the exchange relationship increase or decrease the salience of ability and morality in the interpersonal inference process and then to specify the actions that negotiators can take to offset these risks.

In developing our model, we elaborate on the two dimensions of ability and morality. Drawing on the interpersonal inference literature, we argue that individuals search for consistency between others' attitudes and behaviors (Reeder & Tramifow, 2005).

Evidence for consistency may be *proximal*, based on consistency between words and actions at any given time or *distal*, based on consistency in actions across time (Whitener et al., 1998). Whereas proximal consistency reduces immediate uncertainty, distal consistency enables negotiators to anticipate future behavior. Building on this distinction, we differentiate between interpersonal inferences that draw on present-focused cues from those that draw on future-focused cues.

Two cues commonly associated with competence-based trust are *reliability*, whether the other person will keep commitments, and *predictability*, whether the other person's future behavior can be anticipated. Two cues commonly associated with goodwill-based trust are *benevolence*, the belief that the other party will negotiate in good faith, and *integrity*, the presence of congruent values that in turn enable the other party can anticipate our future needs (Lewicki & Weithoff, 2000; Mayer et al., 1995; McKnight et al., 1998; Sheppard & Sherman, 1998; Sitkin & Roth, 1993; Whitener et al., 1998). Reliability and benevolence, which are demonstrated by consistency between words and action, provide present-focused cues about the other party's intentions. Conversely, predictability and integrity, because of their focus on anticipating behaviors or needs, provide future-focused cues about the other party's intentions.

Failures in the exchange relationship occur because the other party behaves unreliably or unpredictably or because the other party lacks benevolence or integrity. In the following sections, we elaborate on how different representations of the exchange relationship orient negotiators to one of these four risks. We then develop our model of strategic focus outlining the tactical actions that negotiators can take to limit their exposure to each of these risks.

Relational Inference: The Basis for Risk Assessment

In this section, we describe two factors that shape negotiators' inferences about the underlying relationship, *interpersonal orientation* and *interpersonal assurance* (Flynn, 2005; Gelfand et al., 2006; Yamagishi & Yamagishi, 1994). Interpersonal orientation refers to how negotiators perceive themselves relative to others, either as standing apart from or embedded in the relationship. Interpersonal assurance describes negotiators' assessment of whether the situation implies helpful or harmful behavior from the other party. The dimensions of interpersonal orientation and interpersonal assurance combine to provide important information about the other party, particularly the risks that their relationship is exposed to (for similar arguments see Das & Teng, 2004; Lewicki, McAllister & Bies, 1998; Sheppard & Sherman, 1998). We propose that the relational risks that characterize an exchange relationship generate the motivational basis for negotiators' strategy choices.

Interpersonal orientation. Although a negotiation places individuals in a mutually dependent relationship, not everyone recognizes this mutual dependence. Instead, negotiators differ in whether they hold an *independent* or an *interdependent orientation*. Individuals who frame the negotiating relationship as independent perceive themselves as standing apart from the other party and believe their outcomes will be determined by their own actions. In contrast, individuals who frame the negotiating relationship as interdependent perceived themselves as embedded in the negotiating relationship and recognize that their outcomes are determined by the actions of both parties in the exchange relationship (Brewer & Gardner, 1996; Deutsch, 1982; Flynn, 2005; Gelfand et al., 2006; Kelley & Thibaut, 1978; Molm, 2003; Sheppard &

Sherman, 1998). The representation of the exchange relationship as either independent or interdependent increases the salience of perceived ability and morality, respectively (Figure 2).

Insert Figure 2

Negotiators who approach an exchange relationship with an independent orientation also focus on their personal outcomes. This interpersonal orientation cues a representation of the underlying process as one of *negotiated exchange*, that is, one in which trades are explicit and immediate (Flynn, 2005; Lawler, 2001; Parks & Rumble, 2001; Molm et al., 2000) and motivates an emphasis on the transactional aspect of the negotiation (Gelfand et al., 2006). As a result, impressions of ability and competence increase in salience and negotiators' attention is directed to the behavioral commitment of the other party, defined as the willingness to continue a transaction (Molm et al., 2000). To test for behavioral commitment, negotiators look for evidence of the other party's reliability and predictability. Conversely, the most salient relational risks are unreliability and unpredictability, implying that negotiators who hold an independent orientation will select strategies that offset these risks (Flynn, 2005; Jones & George, 1998; Lewicki & Weithoff, 2000; McAllister, 1995; Molm et al., 2000; Parks & Rumble, 2001; Sheppard & Sherman, 1998).

When negotiators approach an exchange relationship with an interdependent orientation, they view the exchange relationship as one in which both parties work

together to improve joint outcomes. This interpersonal orientation cues a representation of the underlying process as one of *reciprocal exchange*, that is, one in which trades are implicit and delayed (Flynn, 2005; Parks & Rumble, 2001; Molm et al., 2000) and motivates an emphasis on the relational aspects of the negotiation (Gelfand et al., 2006). As a result, impressions of morality and goodwill increase in salience and negotiators' attention is directed to the affective commitment of the other party, defined as the desire to strengthen the relationship (Lawler, 2001). This commitment is provided by evidence of benevolence and integrity. Negotiators who represent outcomes as interdependent will select strategies to offset the risks associated with failures of benevolence or integrity (Flynn, 2005; Jones & George, 1998; Lewicki & Weithoff, 2000; McAllister, 1995; Molm et al., 2000; Parks & Rumble, 2001; Sheppard & Sherman, 1998).

Whether negotiators represent their relationship as independent or interdependent will be affected by variables such as *identity orientation* (Brewer & Gardner, 1996; Flynn, 2005), how individuals perceive themselves in relationship to others; *social motives*, whether individuals are predisposed to focus on personal or collective gain (De Dreu, Weingart & Kwon, 2000); and *culture*, whether individuals approach the exchange relationship from an individualistic or collectivist perspective (e.g., Gelfand et al., 2006).

Interpersonal assurance. At the start of negotiations, individuals may have neutral expectations about the other party's motives and intentions. Because initial impressions form rapidly, however, it is more likely that individuals approach a negotiation with the assumption that the party intends either to help or to harm them

(Eisenberger et al., 2005; McKnight et al., 1998). We propose that conditions at the start of negotiations can trigger departures from a neutral starting point. Social exchange theorists, for example, have argued that situational factors such as regulations and sanctions shape perceptions of trustworthiness (Battacharya et al., 1998; Bigley & Pearce, 1998; Ross & LaCroix, 1996; Yamagishi, 1992; Yamagishi & Yamagishi, 1994). We propose that situational factors similarly create either high or low interpersonal assurance. By interpersonal assurance, we mean the belief that features of the *relationship* will promote a successful interaction (Lewis & Weigert, 1985; McKnight et al., 1998). As we go on to argue, differences in interpersonal assurance cue different patterns of information search and motivate negotiators to focus on preventing harm or promoting benefit (Das & Teng, 1998; Higgins, 2005; McKnight et al., 1998; see Figure 3).

Insert Figure 3

Low interpersonal assurance cues expectations of harmful intentions, resulting in skepticism, wariness and vigilance (Das & Teng, 1998; Eisenberger et al., 2005; Lewicki et al., 1998; Olekalns & Smith, 2005). Consistent with a focus on harm, negotiators are likely to focus on *prevention* and to approach the negotiation with increased sensitivity to negative outcomes (Higgins, 2000; Foster & Higgins, 2005; Lee & Aaker, 2004). Negotiators are more concerned about exploitation and the potential for loss and focus on their lower limits (Foster & Higgins, 2005; Galinsky et al., 2005). The focus on preventing harm also orients negotiators to the present (Pennington &

Roese, 2003) increasing the salience of consistency between words and actions. Consequently, low assurance orients negotiators to the likelihood that the other party will fail to keep commitments (reliability) or fail to negotiate in good faith (benevolence). Under these circumstances, negotiators take tactical actions to limit harm. Overall, then, negative interpersonal expectations and the associated prevention focus establish a negative cycle in which negotiators are vigilant and monitor for potential harm (McKnight et al., 1998).

High interpersonal assurance cues the assumption of good intentions, resulting in confidence and faith in the other person (Eisenberger et al., 2004; Lewicki et al., 1998; Olekalns & Smith, 2005). Consistent with the assumption of good intentions, negotiators are likely to focus on *promotion*, and to approach the negotiation with an increased sensitivity to positive outcomes (Higgins, 2000; Foster & Higgins, 2005; Lee & Aaker, 2004). Negotiators focus on the potential for gains and their upper limits (Foster & Higgins, 2005; Galinsky et al., 2005). The focus on identifying opportunities also orients negotiators to the future (Pennington & Roese, 2003) increasing the salience of consistency over time. Consequently, high interpersonal assurance orients negotiators to whether future behavior (predictability) or needs (integrity) can be anticipated. Negotiators then take tactical actions to maximize opportunities. Consequently, high interpersonal assurance and the associated promotion focus establish a positive cycle in which negotiators anticipate benefits and opportunities.

Whether negotiators are oriented to attribute helpful (high interpersonal assurance) or harmful intentions (low interpersonal assurance) to the other party is affected by variables such as the *reputation* of the other party, the *continuity of the*

relationship (whether negotiators expect to interact with each other in the future) and the degree of *commitment to the relationship* (the extent to which the other party is able to satisfy his or her needs from alternative sources, e.g., Elangovan & Shapiro, 1998).

Tactical Responses to Relational Risks in Negotiation

Negotiating relationships can fail in multiple ways. Opportunistic betrayal, which is elicited when the other party believes that the personal benefits of betrayal outweigh the relationship costs of betrayal, lies at the heart of this failure and is a key source of relational risk (Das & Teng, 2001, Elangovan & Shapiro, 1998; Lewicki & Weithoff, 2000). To reduce or eliminate relational risk, negotiators need to change the other party's cost-benefit ratio (Cook & Cooper, 2003). One mechanism for doing this is to increase the other party's commitment to the relationship (Das & Teng, 1998 Yamagishi & Yamagishi, 1994). Negotiators use influence tactics and tactical reciprocity to build commitment. These tactics can be viewed as *ex ante deterrents*, that is, behaviors that minimize the incentives for opportunism (Das & Teng, 1998). Strategic decisions about which influence tactics to use and reciprocate will be determined by the specific relational risk that negotiators anticipate.

Influence attempts can have one of four goals (Yukl & Tracy, 1992): to test the resolve or identity of the other person, to gain information, or to build shared definition of the situation. When negotiators represent the relationship as independent, they focus on the transactional aspects of the relationship. Low interpersonal assurance increases the salience of failures in reliability and the concern that the other party will act exploitatively. Consequently, the key tactical goal is to prevent exploitation by strengthening the other party's resolve to honor transactional commitments. Conversely, when interpersonal

assurance is high the most salient risk is a failure in predictability with the attendant failure to coordinate actions. The key tactical goal is to gain information that assists negotiators to coordinate their activities and promote good outcomes. Individuals who have an interdependent orientation are focused on the relational aspects of the negotiation. Within this orientation, low interpersonal assurance increases the salience of failures in benevolence. Negotiators' will focus on preventing relationship failures by building the other party's identity in order to maintain relational commitment. Finally, when interpersonal assurance is high, the most salient risk is failure in integrity. The key tactical goal in this relationship is to build a shared definition of the situation and to promote a strong relationship. We elaborate on these goals in the following sections. In keeping with our emphasis on the social exchange relationship, we focus on how negotiators' strategic choices are shaped by perceived relational risks. The relationship between strategies and substantive outcomes is addressed elsewhere in the negotiation literature (e.g. De Dreu et al., 2000; Weingart & Olekalns, 2004).

Tactical choices. Negotiation tactics describe the behaviors that individuals employ as they move towards their goals (Weingart & Olekalns, 2004). Drawing on Yukl & Tracey's (1992) classification of influence tactics, we differentiate between influence tactics that are transactional and those that are relational. Intimidation, legitimating, pressure, threats and rational persuasion are examples of transactional tactics. They are used when negotiators want to test the resolve of the other party or to gain information. Ingratiation, personal appeals, promises, consultation, collaboration and inspirational appeals are examples of relational tactics. Negotiators choose these tactics when their key goal is test the other party's identity or to test for a shared definition of the situation. (Cook

& Cooper, 2003; Kim et al., 2005; Lawler, 1992; Lawler & Yoon, 1992; Yukl & Tracey, 1992; Yukl, Chavez & Seifert, 2005).

Differences in interpersonal orientation cue negotiators to select either transactional or relational influence tactics. An independent orientation increases the salience of behavioral prediction, specifically assessments of ability. Negotiators favor transactional influence tactics as a means to build commitment to deal-making and neutralize failures in reliability or predictability. An interdependent orientation cues concerns about morality and increases the salience of shared goals and liking. To prevent failures of benevolence or integrity, negotiators select relational influence tactics to build commitment to the relationship. Differences in interpersonal assurance determine whether negotiators focus on preventing harm or promoting opportunities. Low interpersonal assurance orients negotiators to potential harm through betrayal of the transactional or relational aspects of the negotiation. Negotiators focus on protecting themselves against failures of reliability or failures of benevolence. Negotiators select influence tactics that test the resolve or identity of the other party, respectively. Conversely, high interpersonal assurance orients negotiators to potential opportunities for improving outcomes or the negotiating relationship. Negotiators are sensitive to failures of predictability or integrity, consequently selecting tactics that either elicit information or build a shared understanding of the negotiation. As shown in Figure 4, this results in four distinct strategic clusters.

Insert Figure 4

Tactical reciprocity. Reciprocity binds individuals to each other by signaling a common purpose or vision. Tactical reciprocity occurs when negotiators match each others' behaviors, for example when information from one party elicits information from the other (Brett, Weingart & Olekalns, 2004; Putnam, 1990; Putnam & Jones, 1982; Olekalns & Smith, 2000). How and when negotiators reciprocate each others' tactics serves two functions. First, reciprocity shapes the other party's behavior by reinforcing the use of some strategies, while ignoring the use of others. Second, deviations from strict reciprocity convey information about the potential exploitability of the other party or, conversely, the other party's intentions to behave exploitatively. When negotiators fail to reciprocate competitive behaviors as soon as they occur, they create the impression that they are exploitable; when they fail to reciprocate cooperative behaviors as soon as they occur, they signal a hostile environment in which they may act exploitatively (Parks & Rumble, 2001). We develop these ideas about reciprocity in the context of relational risk by focusing on two aspects of reciprocity, *exchange horizon* and *valence*.

Reciprocity differs in the time frame over which favors and obligations are returned, that is, its exchange horizon (Das & Teng, 2002; Flynn, 2005; Molm et al., 2000; O'Connor, 1999; Parks & Rumble, 2001). The exchange horizon for reciprocating favors and obligations can be immediate, in which case both parties to an exchange receive their benefits simultaneously, or it can be delayed, in which case the timing of reciprocation remains uncertain (Flynn, 2005; Molm et al., 2000). In negotiation, this implies that matching behavior is delayed by one or more speaking turns. Whereas immediate reciprocity demonstrates an intention to honor an exchange relationship, delays in reciprocity alert negotiators to the potential that the other party may betray the relationship.

An independent interpersonal orientation increases the salience of immediate reciprocity whereas an interdependent interpersonal orientation increases tolerance for delays in reciprocity (Jones & George, 1998; Kim et al., 2005; Kollock, 1997; Lawler & Yoon, 1992; Lewicki & Stevenson, 1998; Parks & Hulbert, 1995).

Reciprocity can also be positively or negatively valenced. Positive reciprocity, which describes rewarding behavior, focuses on the return of favors. It signals negotiators' intentions to reward favors and honor obligations, and increases the perceived benefits of maintaining the relationship. Negative reciprocity, which describes punishing behavior, focuses on the return of harm or retaliation (Blau, 1986; Eisenberger et al., 2005; Gallucci & Perugini, 2001, 2003). It signals negotiators' intentions to retaliate harmful behavior, and increases the perceived costs of betrayal. Interpersonal assurance affects the use of positive or negative reciprocity. High interpersonal assurance cues the assumption of good intentions and directs negotiators to positive reciprocity as a means for promoting and strengthening the relationship. Conversely, low interpersonal assurance cues the assumption of harmful intentions and triggers negative reciprocity as a means for protecting negotiators against betrayal and exploitation.

Strategic Focus: Offsetting Relational Risks in Negotiation

In the preceding section, we linked interpersonal orientation and interpersonal assurance to influence tactics and patterns of reciprocity. In this section, we expand our discussion of tactical choices and tactical reciprocity and identify the strategic focus that negotiators adopt when faced with one of four relational risks: failures in reliability, predictability, benevolence or integrity. Drawing on the tactical goals identified by

Lawler (1992), we link these risks to a strategic focus on deterrence, coordination, obligation and collaboration, respectively (Figures 5, 6).

Insert Figure 5

Before describing these strategic clusters, we note that the dimensions of interpersonal orientation and interpersonal assurance can either reinforce or attenuate negotiators' relational inferences. Independence/low assurance and interdependence/high assurance work together. In the first case, the self-focused orientation of negotiators increases concerns about exploitation which are further heightened by the expectation that the other person has harmful motives. Similarly, interdependence reduces concerns about exploitation and these concerns are further offset by the expectation that the other party has good intentions. These relationships align, respectively, with descriptions of a distrusting or a trusting stance (e.g., Lewicki et al., 1998). The other two relational forms provide negotiators with conflicting information about the goals and intentions of the other party. In the case of independence/high assurance, concerns about exploitation are offset by the assumption of helpful intentions; in the case of interdependence/low assurance the stronger relational focus is offset by the assumption of harmful intentions. The competing cues that negotiators encounter establish conditional trust, that is, a "trust but verify" stance (e.g., Jones & George, 1998; Lewicki et al., 1998).

Insert Figure 6

Deterrence (*failure in reliability*). This cluster of tactics differs from the remaining three because it stems from a *distrusting* stance. A deterrent strategic focus is cued when negotiators represent the relationship as independent and with low assurance, increasing sensitivity to failures of reliability. Faced with this combination of relational attributes, negotiators assume that the other party has harmful motives. This increases the salience of prevention-focused actions and negotiators select tactics that pre-empt betrayal (Lewicki et al., 1998). The deterrent tactical cluster is strongly focused on self-protection and there are limited opportunities for negotiators to update their inferences about the other party.

For negotiators, the key tactical goal is to test the other party's short-term commitment to the transaction and to punish the other party for failures of reliability, or to *deter* exploitation through failures of reliability. Negotiators implement a deterrent strategic focus by selecting tactics aimed at gaining immediate compliance and preventing immediate exploitation. These tactics include intimidation, legitimation and pressure. Such compliance tactics focus on increasing the transactional costs of betrayal by the other party. Negotiators reciprocate these tactics immediately to signal that they cannot be exploited by the other party (Parks & Rumble, 2001). This negative reciprocity also acts as a deterrent to the other party, by increasing the costs of continuing to use these tactics.

Collaboration (*failures in integrity*). A collaborative strategic focus stems from a *trusting* stance. It is cued when the negotiating relationship is characterized by interdependence and high assurance, leading negotiators to assume that the other party

has benevolent motives. Negotiators recognize potential gains and opportunities, increasing the salience of promotion focused activities. Although negotiators operate from a trusting stance, they remain alert to possible failures of integrity.

The critical tactic goal is to foster a shared view of the situation by strengthening interdependence and identifying opportunities (Lewicki et al., 1998) through *collaboration*. Negotiators implement a collaborative strategic focus by selecting tactics aimed at gaining long-term compliance and preventing long-term exploitation. Influence tactics focus on increasing the relational benefits of maintaining trust by building affective commitment. These tactics include consultation, collaboration and inspirational appeals. The goal of these tactics is to increase the benefits of maintaining trust. This type of exchange relationship also generates the greatest tolerance for delayed reciprocity. Positive reciprocity is delayed in the opening stages of the negotiation but, as the negotiation progresses, negotiators will increasingly search for evidence that the other party is not betraying the exchange relationship. Consequently, negotiators will shift their exchange horizons, moving from delayed positive reciprocity in the early stages of the negotiation to immediate positive reciprocity in the later stages of the negotiation (e.g., Parks & Hulbert, 1995; Parks & Rumble, 2001).

Coordination (*failures in predictability*). Coordination is cued by a *conditionally trusting* stance. When negotiators represent the relationship as independent and with high relational assurance, they monitor for failures in predictability (violation of expectations). The two relational attributes are incongruent, attuning negotiators to maintaining their relationship while preventing betrayal. While

negotiators are focused on benefits, an independent orientation moves negotiators to a neutral state, that is, they assume the absence of benevolence while simultaneously remaining open to new opportunities (Higgins, 2000; Lewicki et al., 1998). In this kind of exchange relationship, negotiators are oriented to the other party's ability. This means that positive information about the other party is more diagnostic than negative information, that is, negotiators search for evidence of the other party's predictability (Lee, Aaker & Gardner, 2000; Reeder & Brewer, 1979).

In this type of relationship, the tactical goal is to gain information. The potential for failures in predictability cues a *co-ordination* strategic focus. Negotiators implement this strategic focus by selecting tactics that build long-term transactional commitment. These tactics include information exchange and rational persuasion. Negotiators will operate on two time horizons. The focus on opportunities associated with high interpersonal assurance means that negotiators will be attuned to the spillover of tactics from the collaboration cluster. In order to strengthen the relationship, these tactics will be reciprocated immediately when they occur. Negotiators will also be alert to the introduction of tactics from the deterrence cluster, which signal attempts to exploit them. They will, however, delay reciprocating these tactics to limit relationship damage. Negotiators faced with the risk of unpredictability will be slow to anger (Parks & Rumble, 2001).

Obligation (*failure of benevolence*). Like coordination, this strategic focus stems from a *conditionally trusting* stance. An obligation strategic focus is cued by a relationship that is represented as interdependent with low interpersonal assurance. It addresses the risk that other party will not act in good faith. The two relational

attributes are incongruent, attuning negotiators to preventing betrayal while maintaining their relationship. While negotiators remain focused on harm, an interdependent relational form moves negotiators to a neutral state, that is, they assume the absence of malevolence while remaining vigilant to the possibility of betrayal (Higgins, 2000; Lewicki et al., 1998). In this kind of exchange relationship, negotiators are oriented to questions of morality. This means that negative information is more diagnostic than positive information, that is, negotiators search for evidence that the other party has harmful intentions (Lee et al., 2000; Reeder & Brewer, 1979).

For negotiators, the tactical goal is to test the other party's intentions. The potential for failures in benevolence cues an *obligation* strategic focus. Negotiators implement this strategic focus by selecting tactics that build short-term relational commitment. These tactics include promises, ingratiation and personal appeals. As is the case for the coordination cluster, negotiators faced with this type of exchange relationship operate on two time horizons. The vigilant focus associated with low interpersonal assurance means that negotiators will be attuned to the use of transactional influence tactics. In particular, negotiators will be attuned to the spillover of tactics from the deterrence cluster, and will take immediate action to signal that they are not exploitable. Conversely, their greater emphasis on affective commitment means that negotiators will concurrently attempt to strengthen their relationship by reciprocating relational influence tactics (i.e., spillover from the collaboration cluster). We expect that the more vigilant focus associated with this type of exchange relationship will result in immediate negative reciprocity to protect against betrayal. Because interdependence increases tolerance for delayed reciprocity, negotiators will rely on

delayed positive reciprocity to strengthen relational obligations. Negotiators faced with the risk of failures in benevolence will be slow to love.

Implications for Theory and Practice.

Viewed from a social exchange perspective, negotiators attempt to maintain a favorable exchange relationship in which trades are fair and the other party is discouraged from opportunistic exploitation. To do this, they must manage the relational risk associated with any exchange. We proposed that the specific risks that negotiators encounter are a function of interpersonal orientation and interpersonal expectations. This has several implications for negotiation theory and practice.

The central theme in our argument is that risk assessment shifts negotiators' strategic focus. How negotiators represent the underlying relationship affects their sensitivity to one of four relational risks and shapes their tactical choices. Our framework extends existing theories of strategic choice, by incorporating a motivational component into our theorizing about negotiators' behavior. This shift in perspective fits well with the view that negotiators seek to meet not only outcome goals, but also relational and identity goals (Wilson & Putnam, 1990). We situated our analysis of negotiators' strategic focus with the broader social cognition literature. In doing so we drew on theories of person perception and regulatory focus to identify the motivational base for negotiators' strategic focus. Our framework identifies relational risk as a key motivational force in negotiators' tactical decisions.

Our framework of strategic focus is both descriptive and prescriptive. It is descriptive, to the extent that it is yet to be investigated empirically. We thus identify a program of research testing the links between relational inference, risk assessment and

strategic focus. The framework is prescriptive, in that it specifies a contingent relationship between four different kinds of relational risk and negotiators' strategic focus. We give clear, theoretically derived guidelines for the tactical choices that are best able to offset the four relational risks that we identified. For negotiators, a clear implication of our framework is that the strategies they use to build commitment and ensure compliance must be adapted to the relational form that characterizes their negotiation. Supporting this argument, Lee et al. (2000) found that individuals with an independent self-construal were more open to promotion-focused messages whereas individuals with an interdependent self-construal were more open to prevention-focused messages. To effectively persuade the other party, negotiators must strive for congruence between influence attempts and the exchange relationship that best characterizes their negotiation.

These prescriptions extend beyond tactical choices to broader exchange patterns. Focusing on exchange patterns extends negotiation theory in two ways. First, past theory and research has focused exclusively on immediate reciprocity. This focus on immediately proximate speaking turns has ignored the possibility that, under certain circumstances, negotiators may tolerate one of two kinds of delay: Delays in which negotiators reciprocate after two or more speaking turns have elapsed and delays in which immediate reciprocity is deferred until the later stages of the negotiation. Second, we have differentiated positive and negative reciprocity and argued that the two kinds of reciprocity can occur concurrently, albeit over different exchange horizons. Again, our framework presents testable propositions about the links between exchange type and patterns of reciprocity that provide an avenue for future research. Our analysis of exchange patterns also has implications for how negotiators should go about building trust and strengthening the

underlying relationship. In particular, there is emerging evidence that social motives affect individuals' reactions to immediate or delayed reciprocity (Parks & Rumble, 2001). For negotiators, the implications are two-fold: that their decisions about the timing and valence of reciprocity will shape the other party's assessment of their trustworthiness and, conversely, that to build trust and strengthen the negotiating relationship negotiators need to ensure congruence between the exchange relationship the underlies their negotiation and their exchange horizons.

Although we focused on the strategic clusters that offset or neutralize relational risks, it is clear that the perceived exchange relationship is not static. As negotiators obtain more information about the other party, it is possible for the relational type to shift. Jones and George (1998), for example, propose that trust is dynamic and it is possible to shift between conditional and unconditional trust (also Lewicki & Bunker, 1996). Although McKnight et al.'s (1998) theorizing implies that initial relational inferences and risk assessment will trigger either a positive or a negative self-confirming cycle, negotiation theory and research suggest that interruptions can bring about shifts in perception and strategy (Brett, Shapiro & Lytle, 1998; Brett et al., 2004; Druckman, 2001, 2004; Harink & De Dreu, 2004; McGinn, Ciano & Lingo, 2004; Olekalns & Smith, 2005; Olekalns, Brett & Weingart, 2003). An implication of such interruptions is that they have the capacity to shift perceptions of the exchange relationship and associated relational risk. Negotiators would benefit from a greater understanding of how and when to interrupt negotiations in order to shift to a different kind of exchange relationship – or to prevent unintentional shifts.

Conclusion

Representing negotiation as a form of social exchange highlights the central role of interpersonal perception and risk assessment in negotiation. We identified tactical choices that help negotiators manage the specific relational risks associated with four different types of exchange relationship. These relationship types are defined by interpersonal orientation, which affects the salience of ability and morality judgments, and interpersonal assurance, which cues negotiators to expect either helpful or harmful intentions on the part of the other negotiator. On the basis of their risk assessment, negotiators shift strategic focus to ensure fair trade and limit opportunistic betrayal.

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Figure 1. A relational model of strategic focus in negotiation.

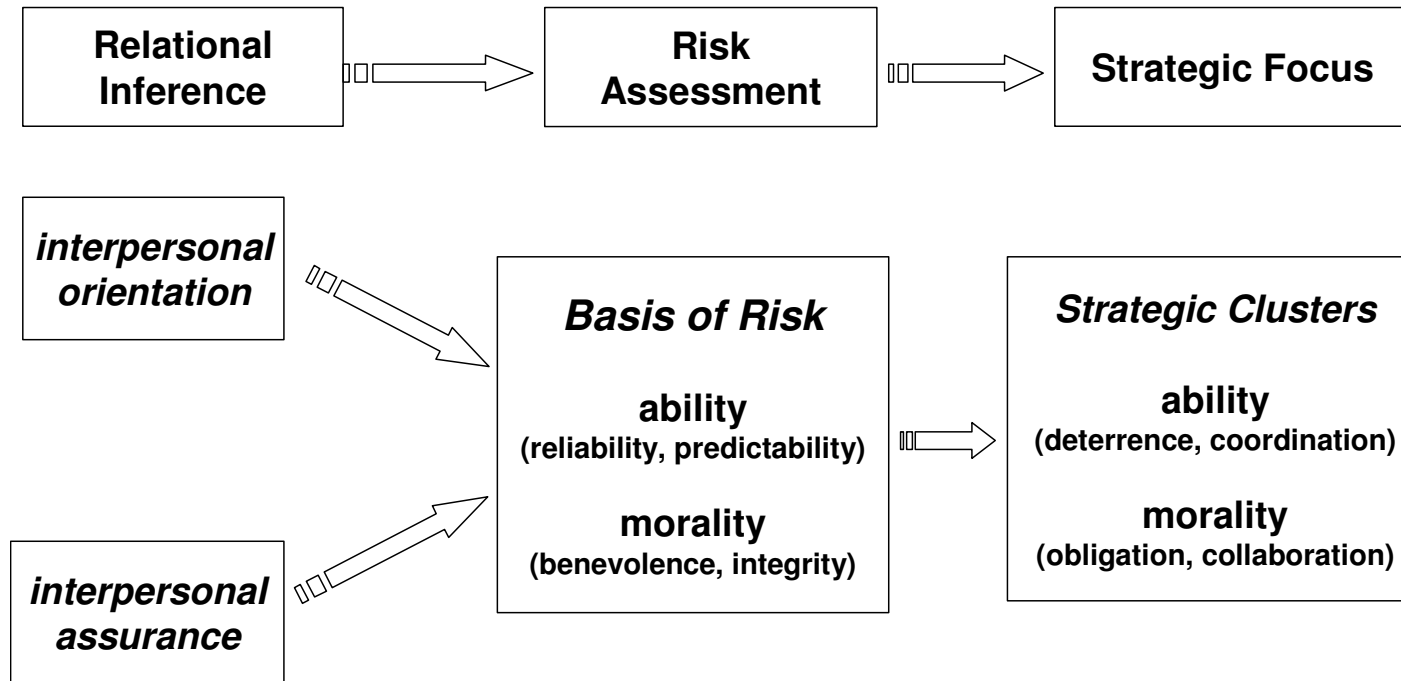


Figure 2. *Impact of interpersonal orientation on risk assessment.*

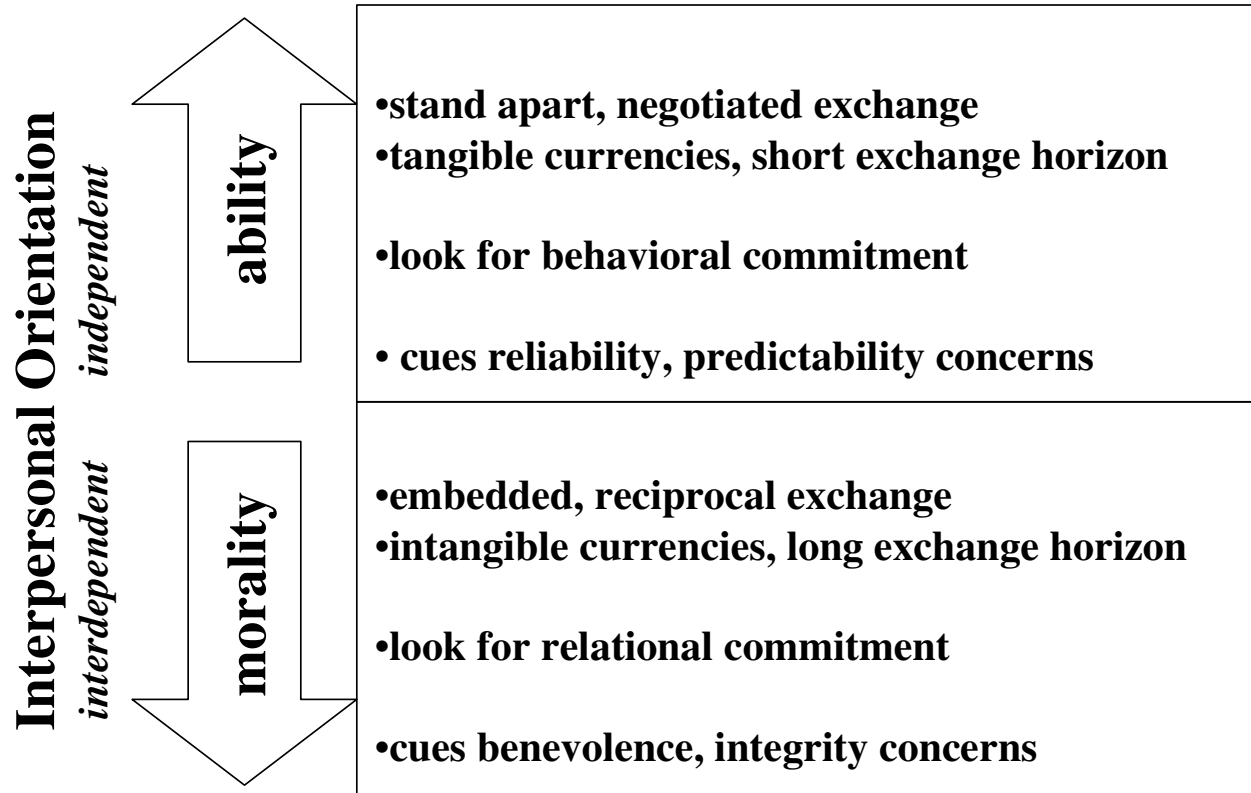


Figure 3. Impact of interpersonal assurance on risk assessment.

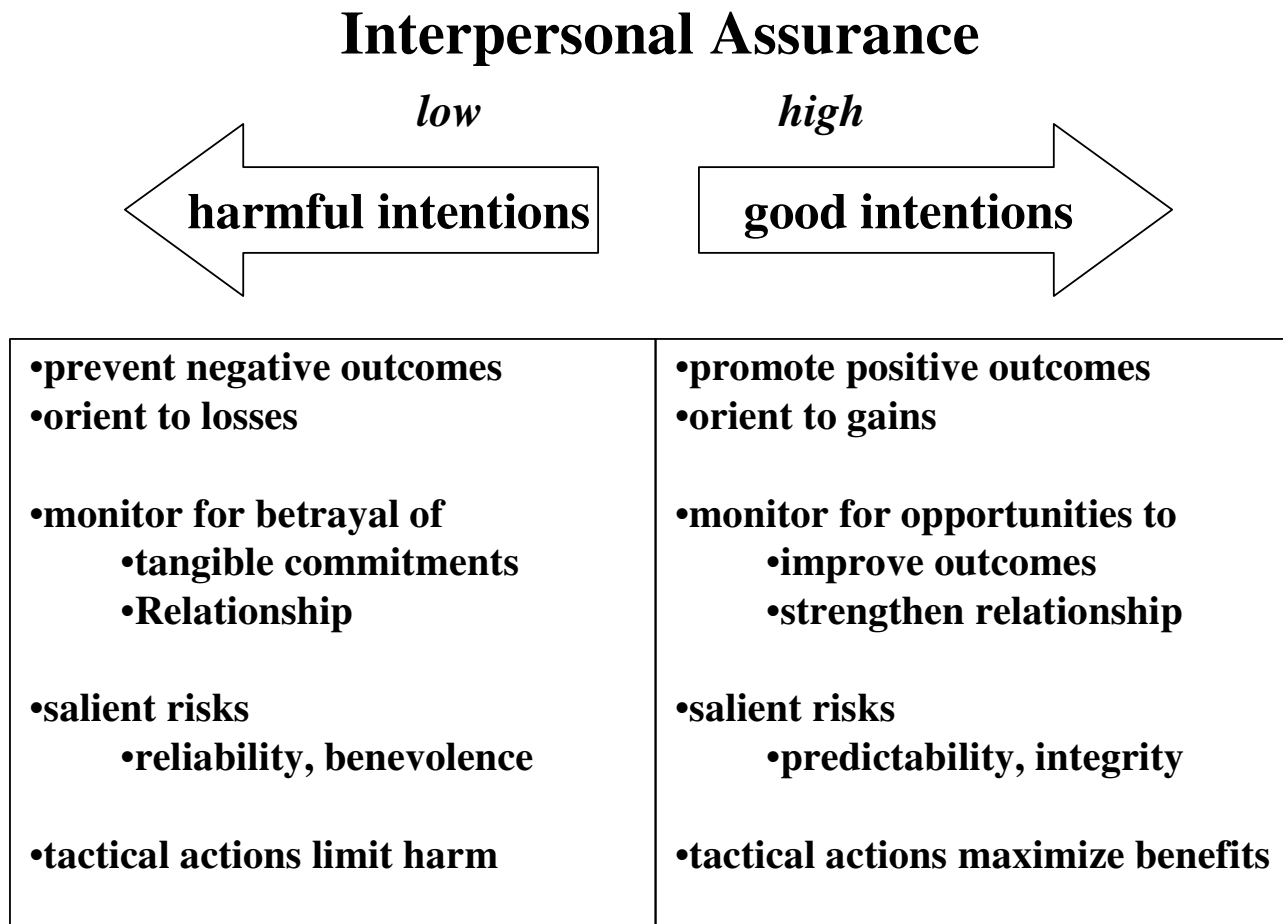


Figure 4. Relational risk and tactical goals.

Interpersonal Orientation <i>independent</i> <i>interdependent</i>		Interpersonal Assurance <i>low</i> <i>high</i>	
		<i>failure of</i>	
		<i>reliability</i>	<i>predictability</i>
		<ul style="list-style-type: none"> •test resolve •build transactional obligations •prevent transactional betrayal 	<ul style="list-style-type: none"> •gain information •coordinate actions •promote good outcomes
<i>failure of</i>		<i>benevolence</i>	<i>integrity</i>
<ul style="list-style-type: none"> •test identity •build relational obligations •prevent relational betrayal 	<ul style="list-style-type: none"> •build shared vision •promote empathy, strong relationship 		

Figure 5. Strategic clusters: Relational risk and influence tactics

		Interpersonal Assurance	
		<i>low</i>	<i>high</i>
Interpersonal Orientation	<i>independent</i>	Deterrence	Coordination
		intimidation legitimation pressure	information exchange rational persuasion
	<i>interdependent</i>	Obligation	Collaboration
		promises ingratiation personal appeals	consultation collaboration inspirational appeals

Figure 6. Strategic clusters: Relational risk and exchange patterns

		Interpersonal Assurance	
		<i>low</i>	<i>high</i>
Interpersonal Orientation	<i>independent</i>	Deterrence	Coordination
		<i>Immediate Exchange</i> <i>Reciprocity</i> •Negative	<i>Differential Exchange</i> “Slow to Anger” <i>Reciprocity</i> •Negative, delayed •Positive, immediate
	<i>interdependent</i>	Obligation	Collaboration
		<i>Differential Exchange</i> “Slow to Love” <i>Reciprocity</i> •Negative, immediate •Positive, delayed	<i>Delayed Exchange</i> <i>Reciprocity</i> •Positive