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## Negotiations and Trust

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## **Negotiations and Trust**

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Trust is commonly defined as a confident, positive expectation about the actions of another person. When we trust some-one, we assume that she will meet those expectations by considering our welfare and honoring her obligations towards us. This assumption enables us to coordinate activities in interdependent relationships, that is, relationships in which an individual's outcomes are influenced by another party's actions. However, while trusting others is essential for maintaining our relationships, trusting also increases our vulnerability. While we assume that others will meet our positive expectations and behave in a trustworthy way, there is no guarantee that this will be so (Lewicki, Tomlinson & Gillespie, 2007).

Negotiations pose many dilemmas for individuals, including a *trust dilemma*. Like other interdependent relationships, negotiations are characterized by dependency and vulnerability. To create value, integrate interests, and find mutually beneficial solutions, negotiators need to coordinate their actions. Willingness to problem-solve, give information and offer concessions is based on the expectation that the other party will reciprocate. However, the kinds of behaviors that enable successful coordination also increase negotiators' vulnerability to exploitation. If the other party withholds information or does not match concessions, negotiators are disadvantaged (Ross & LaCroix, 1996).

Like other impressions, our judgments of trustworthiness can occur rapidly at the start of a negotiation. While these initial impressions may change as a negotiation unfolds, they create a powerful frame for interpreting the other party's behavior and also provide a heuristic for guiding negotiators' strategy choices. As a result, the initial impressions that negotiators form about the other party's trustworthiness are critical to how a negotiation unfolds. If initial impressions suggest the other party is trustworthy, negotiators are more

willing to cooperate. This in turn is likely to elicit cooperation from the other party, establishing a virtuous cycle of increasing trust and cooperation. Conversely, if initial impressions suggest the other part is untrustworthy, negotiators are likely to take self-protective action and behave competitively, thereby establishing a vicious cycle of mistrust and competition.

In assessing trustworthiness, negotiators can focus on the competence or values of the other person. Competence-based trust focuses on the skills, abilities and reliability of the other party. Determining that the other party is capable of keeping his promises and commitments gives negotiators 'good reason' to trust. This form of trust is relatively easy to establish, but also relatively easy to violate. It invites a trust-calculus, in which we determine another person's trustworthiness based on the costs and benefits the other party obtains by keeping commitments. Competence-based trust is a kind of trust that requires close monitoring of the other person's behavior: Trust is violated when the other party reneges on commitments and promises. In comparison, affect-based trust focuses on the attributes and intentions of the other person. It develops when we believe that the other person is genuinely concerned about our welfare, is benevolent and well-intentioned and shares our values. Affect-based trust gives the trustee greater behavioral latitude. When this form of trust is high, negotiators assume that the other party is working towards the same goals. Negotiators need to amass more evidence about failures of affect-based trust than failures of competence-based trust before revising their assessment of another party's trustworthiness (Lewicki et al., 2006).

Judgments of trustworthiness are shaped by the context in which negotiations take place. The outcome goals that negotiators hold at the start of a negotiation affect their perceptions of the other party's trustworthiness. Outcome goals may be cooperative,

emphasizing mutual gain, or individualistic, emphasizing personal gain. Negotiators who start with a cooperative orientation are more trusting of the other party than negotiators who start with a competitive orientation. Perceived power also affects negotiators' judgments of other parties' trustworthiness: Negotiators who have high power are perceived as less trustworthy than negotiators who have low power (Giebels, De Dreu, & Van de Vliert, 1998). As the negotiation setting becomes more complex, so do judgments about trustworthiness. In multiparty negotiations, relative trust is more critical to outcomes than absolute trust: the person who is trusted the most by the other negotiators also obtains the best outcomes. However, the overall trust climate is affected by the least trustworthy person: the overall level of trust in a group negotiation converges to equal the level of trust in the least trusted person.

One of the most critical activities that negotiators engage in is information exchange. Without accurate information about the other party's priorities, negotiators are unable to craft mutually beneficial agreements. Research shows that high levels of trust enable the exchange of information about underlying needs, interests and priorities. Moreover, negotiators who are oriented to in-depth information processing also report higher levels of trust in the other party. The converse is that low levels of trust encourage negotiators to conceal or misrepresent information, that is, to deceive the other party. This is the case when negotiators assess the other party's competence-based trust to be high. Counter-intuitively, research shows that high affect-based trust elicits deception: Negotiators are more likely to deceive others whom they perceive to be trustworthy. The decision to give accurate information – or not – is shaped by a combination of initial levels of trust and the negotiating context. Factors such as outcome goals and power combine with initial assessments of trustworthiness to shape negotiators' decisions to deceive the other party.

The descriptions of competence- and affect-based trust above also give important insight into how negotiators can build trust. To establish competence-based trust, negotiators need to demonstrate that they are able to keep commitments. These kinds of guarantees can be provided by past history, especially negotiators' reputation. We don't need direct experience of another person's ability to keep commitments – just knowing their reputation provides important information. Indeed, negotiators with a bad reputation are more likely to trigger the vicious cycle we described above, eliciting higher levels of competition and finding it difficult to successfully conclude negotiations. In negotiations, individuals can take concrete actions to confirm their competence by reciprocating concessions and information and by keeping the promises that they make. To establish affect-based trust, negotiators need to demonstrate that they are well-intentioned towards the other party. Relationship-building activities such as expressions of liking and positive affect, flattery and the identification of similarities all help to establish common ground and build affect-based trust. Empathy with the other person's perspective signals a concern about the other person that further strengthens the emotional bond at the heart of affect-based trust.

Because negotiation is a dynamic process, it is possible for negotiators to violate trust through what they say and do as a negotiation unfolds. Trust violations occur when trust is not fulfilled, resulting in either tangible (e.g., monetary) or intangible (e.g., loss to self-esteem) harm to the trusting party. They elicit both a cognitive and an emotional reaction which results in a negative reassessment of the other person's trustworthiness. Cognitive reactions reflect the severity of the trust violation, which describes individuals' perceptions that they have suffered harm as a result of the trust violation. As the perceived severity of trust violations increases, so the willingness to forgive the violator decreases.

Trust researchers consistently argue that violations of competence-based trust (ability) are less serious than violations of affect-based trust (integrity, benevolence), suggesting that violations of benevolence and integrity will be perceived as more severe than violations of ability. Emotional reactions reflect the negative affect that individuals experience following a trust violation: Individuals are likely to experience anger at the person who violated trust and sadness that the relationship was betrayed.

Independent of the level of trust at the outset of negotiations, negotiators' actions shapes how trust develops over time. Research shows that negotiators' attention is drawn to events that stand out from the flow of behavior and interrupt the negotiation process. These turning points punctuate negotiations, either eroding or building trust over time. Actions that trigger negative attributions, causing negotiators to question the other party's motives and intentions, reduce competence-based trust. However, actions that draw attention to underlying interests, in some way improve the process or trigger positive attributions about the other party, and help build competence-based trust. Research also shows the presence of a virtuous cycle in relation to affect-based trust: High affect-based trust at the start of negotiations draws negotiators' attention to the other party's positive characteristics, which in turn build affect-based trust (Olekalns & Smith, 2005).

In order to repair trust, individuals need to acknowledge the trust violation, admit culpability, admit harm, and accept responsibility for the consequences of their actions. This four-step process has encouraged researchers to focus on the role that apologies play in mitigating trust violations. Apologies are at their most effective when paired with sincerity. When paired with an internal attribution for the trust violation, they effectively repair violations of competence, whereas when paired with an external attribution they effectively repair violations of integrity (Kim, Ferrin, Cooper & Dirks 2006). Apologies

clearly target the harm done to the underlying relationship. However, trust violations can also cause material harm. Research suggests that under these circumstances apologies may be less effective than more tangible repair mechanisms such as offering financial compensation. In negotiation, trust can be re-established if the trust violator displays consistent trustworthiness after the violation. However, if trust is violated because negotiators uncover deception by the other party, it is exceedingly difficult to restore: even apologies, promises not to deceive again and consistent trustworthy behavior are insufficient to restore deception-based violations (Schweitzer, Hershey, & Bradlow, 2006).

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#### Key Terms

Negotiation, interpersonal perception, trust, trust violation, deception, virtuous cycle, vicious cycle, affect-based trust, competence-based trust, individualistic orientation, cooperative orientation, attributions, underlying interests, apology, deception-based violations.

#### Biographies

Mara Olekalns (PhD, University of Adelaide) is a Professor of Management (Negotiations) at the Melbourne Business School, University of Melbourne. Her research examines the factors that shape strategy choices in negotiation, including trust, power and outcome goals. She also researches how gender stereotypes affect negotiators' trustworthiness and outcomes.

Philip L. Smith (PhD, Adelaide) is a Professor of Psychology at the University of Melbourne. He researches the relationship between vision, selective attention, and decision making. He also researches communication processes in negotiation and has developed probabilistic (Markov chain) models for the analysis of sequential dependencies in strategy use in dyads.

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