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Sequencing to Build Coalitions: With Whom Should I Talk First?

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Surprisingly little systematic consideration has been given to the processes by which negotiators build coalitions, the logic behind their tactical choices, and how these actions matter to outcomes. This essay explores one part of the issue: what David Lax and I have called "strategic sequencing," or the choice of which parties are approached, in what order, openly or secretly, separately or together. Sequencing choices can be a prominent feature of coalition building, an implicit logic governs the tactics employed, and these tactics may significantly affect the results.

For example, the 1985 Plaza accord represented a virtuoso example of sequencing. When James Baker became U.S. Treasury Secretary in 1985, the strong dollar was taking a severe toll on American industry and generating powerful protectionist reactions. The United States, under former Treasury Secretary Donald Regan, then Chief of Staff at the Reagan White House, had for some time spurned international economic cooperation to bring the dollar down. Baker’s efforts to build a domestic and international coalition committed to a coordinated effort to accomplish this goal initially relied on secrecy. According to one insider’s account,

“Reagan knew of the [Plaza Hotel ministerial] meeting in advance, of course, but was apprised of the full scope of Baker’s plan only two days beforehand. Devaluation was sold to the President as necessary to stem the protectionist tide in Congress,” says a Baker intimate. “It was sold to Don Regan as being consistent with an earlier call he had made for an international conference to discuss exchange rates. To this day, I don’t think Don understood what we were about to do. We managed [Federal Reserve Chairman Paul] Volcker . . . because we had carefully split his board. Paul had no alternative but to go along.”

Armed with this domestic “mandate,” Baker used the Plaza Hotel meeting to build the necessary international coalition both to act and to make it very difficult for his domestic rivals to later reverse the resulting policy course. As one finance minister said, “At first he split us just like he split the Fed. He began by using the U.S. and Japan against West Germany. Then he combined those three to bring along the whole Group of Five [including Britain and France].”

Baker carefully sequenced his actions to build the coalition of finance ministers committed to implementing his preferred agreement. The de facto coalition was larger, encompassing both domestic and international players. Secrecy and ambiguity, divide-and-conquer tactics, and a tight deadline were used domestically to gain Baker the right to move into the actual Plaza process. There, with the initial concurrence of the Japanese—whose economic interests and bargaining position on the dollar were firmly allied with that of the United States—it was possible to get German agreement. Then this powerful three-way coalition could press the others into the final agreement. To see the potential importance of sequencing here, imagine other possible orders of approach; for example, suppose that the Germans had in advance forged an ironclad coalition with the British, French, and others against the likely American proposal.

Baker’s coalitional machinations are fairly typical of one broad class of sequencing actions intended to create an irreversible commitment to a preferred agreement. They suggest a number of analytic and prescriptive issues. For example, under what conditions does sequencing matter? Why are some potential sequences preferred to others?
When are natural allies likely to be approached first and when is the process most likely to commence among potentially blocking interests? How and why does the openness or secrecy of the process matter? Are there characteristic negotiation sequences when both internal and external actors are involved?

The most powerful advances in negotiation theory have been mainly inspired by the bilateral or two-party case—where issues of sequence inherently cannot arise. While multilateral bargaining has been the subject of considerable investigation, the additional complexities posed by coalitional possibilities render the analytic task much more formidable. As Howard Raiffa observed, "There is a vast difference between conflicts involving two disputants and those involving more than two disputants. Once three or more conflicting parties are involved, coalitions of disputants may form and may act in concert against the other disputants."

Yet while a rich array of sequential tactics pervades studies of multiparty bargaining, these actions are rarely the object of analysis, almost as if their range and variety preclude useful generalization, or as if they were intriguing details, merely epiphenomena. Indeed, the predominant emphasis of coalition theories developed thus far has been on the outcomes of coalitional actions rather than on the processes and tactics involved in reaching those outcomes. The founders of classical game theory, von Neumann and Morgenstern, characterized their work as "thoroughly static." Anatol Rapoport's later assessment of the contributions of N-person game theory noted that "If the behavioral scientist thinks about decision-making in conflict systems in the mode suggested by N-Person Game Theory, he will focus on two fundamental questions: (1) Which coalitions are likely to form? (2) How will the members of a coalition apportion their joint payoff? " Note that both of these canonical questions are outcome-focused. As Rapoport went on to note, game theory still "lacks almost entirely the dynamic component, i.e., a model of the conflict process."

While there are important exceptions to these generalizations, most notably Steven Brams' 1994 book on the "theory of moves," the more fundamental question arises of whether process and tactics matter at all or whether it is more fruitful to seek a mapping from game "structure" directly to negotiated equilibrium outcome. Indeed, as Ariel Rubinstein observed in an influential Econometrica article, "for forty years, game theory has searched for the grand solution," that would achieve "a prediction regarding the outcome of interaction among human beings, using only data on the order of events, combined with a description of the players' preferences over the feasible outcomes of the situation."
by seeking the approval of a deeply skeptical U.S. Congress, agreement would have been unlikely at best and, given Congressional refusal, any subsequent American-led international coalition-building enterprise would have been hobbled.

Exceptions to maxims—such as “allies first” or “internal consensus before external negotiation”—only raise more basic questions: when are they right and when are they wrong and why? This essay explores such questions, proposes a more general model for sequencing choices, and concludes with a few observations. In contrast with the “structure implies outcome” tradition, the “path effects” of different sequences will play a central role in the analysis.

Path Effects I: Sequencing to Exploit “Patterns of Deference”

A common problem for the would-be coalition builder is that approaching the most difficult—and perhaps most critical—party offers slim chances for a deal. One approach is to discern what we will define as the “patterns of deference” involving the target player. An illustration comes from observing the successful sequencing tactic of Bill Daley, President Clinton’s key strategist for securing Congressional approval of the controversial North American Free Trade Agreement (NAFTA).

News might arrive that a representative who had been leaning toward yes had come out as a no. “Weenie,” [Daley would] say. When he heard the bad news, he did not take it personally. He’d take more calls. “Can we find the guy who can deliver the guy? We have to call the guy who calls the guy who calls the guy.”

More formally, suppose that the subjective probability of Party A saying yes if asked independently is less than the conditional probability of Party A saying yes given that A is informed that Party B has already said yes. In symbols, \( P(A \text{ says Yes} | B \text{ says Yes}) > P(A \text{ says Yes}) \). A’s deference to B might be due to several factors: B’s perceived greater expertise, status, or reputation for having the same values as A; B may have done A a favor and A might feel the tug of reciprocity; or B’s yes may “cover” A’s choice and lessen the risk for A of agreement. In all these cases, we could say that “A tends to defer to B,” or that a pattern of deference exists. Deference may be weak, strong, or absolute, depending on the situation and the magnitudes of the probabilities.

With such a pattern of deference, sequence matters; there is an optimal sequence that maximizes the probability of the desired winning coalition, and the coalitional outcome can be said to be path-dependent. If B is the “easier” party in the sense that \( P(B \text{ says yes}) > P(A \text{ says yes}) \), then we might call the B-then-A sequence a “bootstrapping” approach to coalition building. The process of working out the sequence from this structure could be called “backward mapping” or reasoning from the hardest ultimate target to the easiest: “Can we find the guy who can deliver the [most difficult] guy? Call the guy who calls the guy who calls the guy who can deliver the [most difficult] guy.”

For concreteness, suppose that A is the “harder” party in that \( P(A \text{ says Yes}) = .3 \) while \( P(B \text{ says Yes}) = .8 \). Further, suppose that A defers to B, meaning \( P(A \text{ says Yes} | B \text{ says Yes}) = .9 \), but that B does not defer to A, or \( P(B \text{ says Yes}) = P(B \text{ says Yes} | A \text{ says Yes}) = .8 \). The probability of a successful coalition by approaching the easy party (B) first, then A, is \((.8)(.9) = .72\). In contrast, approaching A first, then B, offers only a \((.3)(.8) = .24\) chance of success. The increase in the subjective probability of a successful coalition from approaching B first is \(.72 - .24 = .48\). This probability increment is the path effect of choosing sequence B-A over A-B.

Does this mean that the most-likely-to-agree party should always be approached first? Not at all. Suppose A is the “harder” party in that \( P(A \text{ says Yes}) = .4 \), while \( P(B \text{ says Yes}) = .5 \), but that B defers to A, or \( P(B \text{ says Yes} | A \text{ says Yes}) = .9 \), while A shows no deference to B. Approaching the easy party (B) first yields a success probability of \((.5)(.4) = .2\), while the reverse order yields a higher value \((.9)(.4) = .36\). This “harder first” result is driven by the extent of B’s deference to A. The path effect of sequence A-B over B-A equals the probability increment, .16, of successful coalition building.

Consider an example in which deference patterns suggested starting with the “harder” players. During the author’s years on Wall Street with a new firm trying to raise a billion dollars of equity capital for a limited partnership, months of arduous effort were spent working out terms with the Prudential Insurance Company of America (“Pru”) for its investment of $100 million as the “lead” limited partner. Pru had a reputation among institutional investors for exceedingly tough bargaining and its agreement sent a powerful signal to other domestic investors that this was a worthwhile venture. Further, having a “name” commitment such as Prudential greatly facilitated raising money in Asia. A number of other sources of capital would probably have been less difficult than Prudential to secure early on; yet when it became necessary or desirable to bring “heavy hitters” like Pru on board, terms with others would have merely constituted a starting point for the negotiations (and likely would have been renegotiated after Pru finally
came to an investment agreement. Thus, starting with the hardest player seemed to make the most sense.

Consider a dramatic oversimplification of this case to illustrate the varied effects of deference patterns. Say that the probability that others invest is .9 if Pru is on board, but only .2 if Pru is not on board. Should one endeavor to have Pru on board before approaching the others and, if so, what would having Pru be worth (in millions of dollars)? As Figure 18-1 shows, a path with Pru on board has an expected value of $810 million, while a path without Pru has an expected value of $180 million. The path effect here is an increase of $630 million—if Pru is on board with certainty.

A fuller analysis would also compare the expected value of a path in which one first approaches Pru and then the others to the expected value of an “others-then-Pru” path. Suppose Pru was by far the hardest, with only a .1 chance of investing (whether or not others did) and that the unconditional probability of the others investing was twice as high, or .2. Assume further that the firm seeking investors would trumpet an investment by Pru but would take great pains to ensure that other investors never learned of a Pru turndown. The values of the possible outcomes are shown in Figure 18-2. The expected path effect of “Pru-first” over “others-first” would be $63 million ($253-$190 million) as a result of the expected value of the deference others would show to a favorable Pru decision. Even though the unconditional chance of the others investing (.2) is twice that of Pru investing (.1), it makes sense here to start with the “harder” party.

Of course, the path effects could become much more complex to
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Path Effects II: Sequencing to Change No-Agreement Alternatives

Considerable evidence suggests that a party is more likely to agree to a proposal, and on less attractive terms, the worse his or her no-agreement alternatives (disagreement utility) appears. An extreme version of this observation would be the Godfather's "offer you can't refuse" with its implied "or else." Popular negotiation accounts have enshrined the acronym BATNA (Best Alternative to Negotiated Agreement) as a standard part of prescriptive advice. In a multiparty negotiation aimed at securing the ultimate agreement of several parties, earlier agreement among some of the players may worsen the no-agreement alternatives of later players. Rather than face the status quo ante, later players may face the prospect of a growing coalition. Often the risk of being left out of such a coalition is quite undesirable, thus increasing the chances of the later players' joining the growing coalition. Sequencing actions, therefore, may lead to higher agreement probabilities and more attractive terms from the point of view of the coalition builder.

Worsening No-Deal Alternatives to Improve Agreement Odds: The 1988 Capital Adequacy Accords

It took a series of crises in the late 1970s and early 1980s to persuade domestic banking regulators in various countries that coordinated regulation was essential in a world of multinational banks and increasingly linked capital markets. In particular, with the onset of the 1982 Mexican debt crisis and the worldwide decline in levels of capital held by banks to cushion losses, regulatory concern grew about the adequacy of bank capital to ensure system safety. The "Basle Committee" at the Bank for International Settlements had been working for some time on this problem. A tortuous path, sketched by Ethan Kapstein and mapped in detail by Glen Tobin, led to agreement on these matters in 1988. While
the Basle Committee negotiations ground on without tangible results, the European Community (EC) began to coalesce behind an approach to capital adequacy regulation virtually independently.

Federal Reserve Chairman Paul Volcker, who disliked the emerging EC approach, approached Robin Leigh-Pemberton, his counterpart at the Bank of England, to negotiate a bilateral accord. The Fed’s choice to approach the Bank of England to derail the EC process was partly tactical and partly spontaneous. Volcker was aware of British dissatisfaction with details of the emerging EC banking accord; further, U.S. and U.K. regulators had generally compatible views. Moreover, a bilateral agreement between London and New York based on a different regulatory concept would pose a powerful challenge to both the EC and Basle Committee processes.

The bilateral discussions proceeded in great secrecy and were not even mentioned in other multilateral fora that included U.S. and U.K. participation. When an accord was announced in June 1987, it sent shock waves through the community of other banking regulators. While participating in the continuing Basle Committee process, the Federal Reserve also began to follow a “second track” to bring the Japanese into the U.S.-U.K. accord. An agreement among London, New York, and Tokyo would have the potential to virtually determine the multilateral outcome. At the time of these negotiations, Japanese banks were in the midst of making a major strategic thrust into the U.S. market—a move that was causing consternation among U.S. bankers, who saw the lower domestic capital requirements of these new competitors as an “unfair” advantage. The implied threat by the Federal Reserve to stop this profitable Japanese expansion—in the name of domestic banking safety and a “level playing field”—was thus a potent bargaining lever that worsened Japanese alternatives to agreement with the U.S.-U.K. accord. After significant modifications, the Japanese acceded to the proposal. The three-way accord soon overwhelmed the heretofore intractable Bundesbank opposition and formed the basis for the overall 1988 agreement on capital adequacy.

An emerging shared view among banking regulators had clearly raised the desirability of some form of cooperative action on the capital adequacy problem. Yet to craft a winning coalition on its preferred terms, the Federal Reserve used potent sequencing tactics. By the surprise coalition with the British (a deal with the “easiest” party that undercut the separate EC effort) and the later addition of the Japanese, the no-agreement alternatives of the other major countries, especially Germany, to the terms preferred by the Americans were significantly worsened. An increasingly credible commitment to a particular outcome was crafted by the American-led coalition. Deliberate bootstrap-

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ping (from easiest to most difficult) progressively worsened the no-agreement alternatives of the later players, and thus drove the regulatory and coalitional outcome desired by the Fed.

Worsening No-Agreement Alternatives of Internal Blocking Coalitions in Two-Level Games

Despite the conventional wisdom of negotiating “internally” first in order to present a united front in later “external” negotiations, the reverse sequence is often employed when internal would-be blockers are too strong. For example, of the Bush Administration decision to negotiate internationally first for the right to use force against Iraq, National Security Advisor General Brent Scowcroft observed:

There has been some criticism of us for, in effect, pressuring Congress by building an international coalition and then making the argument, “You mean, Congressman, you’re not going to support the President, but the president of Ethiopia is supporting him?” But I don’t think we should be apologetic about it. You build consensus in whatever way you can, and when this thing first started, we didn’t have support from Congress, and we didn’t have support from the American people. . . . We couldn’t have gotten the Congress earlier, I don’t think, and if there had been no coalition and no UN vote, we would never have gotten Congress. 18

A similar sequential approach was used by Percy Barnevik to bring about the merger of Asea and Brown Boveri, the Swedish and Swiss predecessors of ABB, the global engineering firm that Barnevik now heads. He noted that:

When we decided on the merger between Asea and Brown Boveri, we had no choice but to do it secretly and to do it quickly, with our eyes open about discovering skeletons in the closet. There were no lawyers, no auditors, no environmental investigations, and no due diligence. Sure, we tried to value assets as best we could. But then we had to make the move, with an extremely thin legal document, because we were absolutely convinced of the strategic merits. In fact, the documents from the premerger negotiations are locked away in a Swiss bank and won’t be released for 20 years.

Why the secrecy? Think of Sweden. Its industrial jewel, Asea—a 100-year-old company that had built much of the country’s infrastructure—was moving its headquarters out of Sweden.
The unions were angry: "Decisions will be made in Zurich, we have no influence in Zurich, there is no codetermination in Switzerland." I remember when we called the press conference in Stockholm on August 10. . . . Then came the shock, the falt accomplished. . . . The more powerful the strategic logic behind the merger . . . the more powerful the human and organizational obstacles.19

Finally, consider a slightly more elaborate sequence in a two-level arms control game with the same objective of overcoming would-be internal blockers. Within the U.S. government, Secretary of State George Shultz and National Security Advisor Robert McFarlane conceived an approach to achieve a "grand compromise" whereby restrictions on the Strategic Defense Initiative ("Star Wars") would be traded for significant reductions in heavy offensive Soviet missiles. In Strobe Talbott's 1988 account:

Shultz and McFarlane developed the idea of getting [President] Reagan to approve, in its vaguest terms, a secret negotiation: The Administration would open a back channel to the Soviets in a way that at least initially excluded the Pentagon civilians; McFarlane would quietly enlist the support of the uniformed military. With luck and skill, the negotiation might produce an agreement that could be presented to the President as virtually a done deal. Nitze would be both the chief designer and the chief negotiator [with the Soviets] of the American position.

Nitze knew that as soon as [Defense Secretary] Weinberger learned what had happened, he would "fight like hell," but by then, he and McFarlane hoped, it would be too late. The alliance between the State Department and the Joint Chiefs of Staff on behalf of a deal that the Soviets had already accepted would be unbeatable. With the grand compromise a fait accompli, and with his own soldiers and diplomats as well as the Soviets lined up to support it, Reagan would impose it on Weinberger.20

Talbott reports that the idea was never implemented, largely due to Russian reluctance. Even so, the complex series of intra-U.S. government maneuvers as well as external dealings with the Soviets illustrates coalitional tactics intended by Shultz and McFarlane to commit to an advantageous position within the relevant bargaining range. The intended sequence of dealings envisioned by Shultz—Reagan, the U.S. military, the Russians, and only then the Pentagon civilians—was intended to quietly get domestic allies on board first, generate momentum with an external deal, and then, with public disclosure of the deal, overwhelm potential arms control opponents. In contrast, an initial approach to Weinberger and the Pentagon civilians would presumably have had a far smaller chance of success.

In each of these two-level examples—the Gulf War coalition, ABB, and arms control—an internal faction may well have functioned as a successful blocking coalition to the initiative favored by the protagonist.21 By choosing to negotiate with outsiders first, the protagonists in these cases hoped to generate an irreversible commitment to a preferred deal. The path effects could overcome the internal blockers and improve the terms of the deal. By examining a number of such instances, the likelihood and effects of an "outside-in" (or, more accurately, a "small inside, then outside, then larger inside") approach may be better assessed in situations with this structure.

Path Effects III: Shaping Outcome Expectations

Beyond patterns of deference and worsening no-agreement alternatives, a bootstrapper may seek to progressively shape the expectations of later players through the actions taken with earlier ones. Social psychological research points up the potent effects that parties' expectations of the outcome can have on bargaining results.22 An extraordinary story illustrating this class of path effects on the expected value of subsequent bargaining is how labor organizer Ray Rogers broke the anti-union board coalition at J. P. Stevens, a textile firm.23

Although organized labor had sought to gain recognition from Stevens for almost 20 years, frontal bargaining assaults, consumer boycotts, demonizing publicity, and legal action had failed to achieve the union's goals.

The first step of Rogers's bootstrapping approach was a highly publicized demonstration at Stevens's annual meeting, which raised the salience of the new campaign. Rogers's second step was to use labor's clout and sizable business in New York with Manufacturer's Hanover bank to oust Stevens's chairman and another Stevens board member from the Manufacturer's Hanover Board. The surprise success of this effort greatly enhanced the credibility of Rogers's approach both internally at the union, where there was considerable hesitancy about the approach, and with subsequent targets.

The next target was the New York Life Insurance Company, a Stevens creditor that also wrote many union life and health insurance contracts and managed sizable union pension funds. A New York state
insurance law permits a sufficient number of policy holders to contest board elections. Rogers threatened New York Life with such an election and that inherently risk averse institution agreed to eject Stevens’s chairman from its board.

Next, Rogers targeted Metropolitan Life, a much larger insurance company that, like New York Life, was a major Stevens creditor; wrote many union life and health policies, and managed substantial union pension funds. Rogers’s threat to contest the board election at MetLife, combined with the credibility that his campaign had amassed with victories over both Manufacturer’s Hanover and New York Life, pre-disposed MetLife to exert great pressure on J. P. Stevens to make a deal with the union. The anti-union coalition including the Stevens board and management was broken, the union recognized, and a new contract negotiated.

As with deference patterns and worsened no-agreement alternatives, this sequencing strategy depended on early moves to boost Rogers’s credibility and share expectations of the outcome for later targets. By starting with the easiest target, Manufacturer’s Hanover, raising credibility both internally and externally, and favorably shaping subsequent outcome expectations, Rogers’s bootstrapping approach succeeded.

An oft-noted coalitional dynamic, the “bandwagon,” normally operates by a combination of worsened no-agreement alternatives and reshaped expectations of the outcome. In getting classic bandwagons rolling, one seeks to get the easy parties on board first and to create the impression of inevitability of the desired final coalition—ideally facing later parties with the choice of (profitably) saying yes to joining or of saying no and being isolated in an undesirable no-agreement alternative.

Path Effects IV: Sequencing to Conceal or Reveal Information

One use of sequencing is to reveal or withhold information by separating the parties and carefully choosing the order and nature of the negotiating approach. This can prevent irreversible consequences; if near-universal skepticism becomes common knowledge, a successful blocking coalition is almost sure to arise. Negotiations to assemble land for a major project are a good example.

A developer’s intentions are highly important; landowners may use this knowledge as a lever to extract maximum price concessions. Thus, the issue of which parcel to try to buy first, second, and so on, may depend on differences in how likely one action or another will be to signal the developer’s intentions. Since the intentions will ultimately be made public, however, the developer must also consider the physical relationship of the parcels acquired to those remaining. Knowing whether the parcels already obtained would permit some version of the project to go ahead, or whether they are useless without a later acquisition, can greatly shape subsequent negotiations.

Sometimes, the information consequences of sequencing choices in interlocking negotiations can have unusual process implications. For example, in July 1992, France was dealing both with the European economic and monetary union negotiations as well as with the United States on a major agricultural dispute in GATT’s ongoing Uruguay Round. Substantive differences between the United States and France had apparently been dramatically narrowed, and U.S. Secretary of State James Baker was attending dinner with French Foreign Minister Roland Dumas. A senior official overheard their extraordinary exchange:

“Are you prepared to make a deal?” Mr. Baker asked, referring to the trade talks. Mr. Dumas replied that he was not. “But,” said Mr. Baker, “suppose all the conditions you are seeking were fulfilled, would you then be prepared to make a deal?” “No,” said Mr. Dumas.

This was not congenital obstructionism; instead, explicitly revealing that government would accede to a trade deal whose substance was acceptable prior to the conclusion of the EC negotiation would alienate French farmers, who in turn, would block the EC accord. Negotiating the economic and monetary union agreement first, however, would not mobilize the farmers to block the GATT deal. Thus Dumas wanted to negotiate with Baker on trade last to prevent revealing the government’s actual willingness to make the trade deal too early.

A final example of the informational role sequential choice may play in related negotiations comes from trade negotiations. While the United States was in separate talks with Japan, Hong Kong, and Korea over textiles (the “multifiber agreements”), a Korean negotiator said, “We’ll ask Hong Kong to go first, then see what they get.” Hong Kong officials were regarded as highly skilled and “they have no language problems with the Americans.” John Odell reports that, “After waiting for Hong Kong and Japan to go first, Seoul asked for the features they had secured and then also held out for a bit more.” In essence, the path effects of the order chosen by the Americans (or encouraged by the Koreans) involved revelations about U.S. reservation prices that were of great value to the Koreans. One wonders
whether the Americans should have rethought the sequence and started with Seoul.

More Complex Path Effects

In the most general sense, path effects result from changes in the expected value of subsequent agreement. Thus far, distinct classes of such effects—exploiting patterns of deference, changing no-agreement alternatives, shaping outcome expectations, and revealing or concealing information—have been described and illustrated. However, far more subtle and complex assessments of path effects can lead to more involved sequencing strategies, as the following example illustrates.

Gil Winham (whom I believe coined the phrase “pyramidal” negotiation) described a common sequencing choice in which the major players, who could each block an agreement, separately strike a deal and only then carefully add other parties to the agreement. In the context of the subsidy and countervailing duties issues in the GATT’s Tokyo Round, the United States and the EC had powerful disagreements. As a result, these key players first worked on solutions “mainly on the basis of a direct Washington-Brussels exchange.” Winham described the rationale behind this process of pyramidal coalition building atop the Washington-Brussels base:

If the goal is a negotiated agreement, and if each of the two majors has the capacity to prevent that agreement, then the early flow of decision-making probably should occur between the majors at the expense of other nations at the negotiation. Furthermore, the incipient agreement would probably be presented to the other nations not in one step, but gradually, in a manner that slowly sought adherents to an evolving accord. This process in fact occurred, and what seems from hindsight a matter of logic was indeed pursued with deliberate care by the U.S. and EC negotiators.

As actually realized, the sequencing actions went as follows:

Nations were invited to joint the informal US/EC discussions on subsidy/countervail on the basis of their preferential contribution to the potential agreement. In most cases, a nation’s trading position was the determining factor, but in some cases personal negotiating skills were also important. In the first dimension, Japan was included, while the second brought in Canada, whose ambassador, Rodney Grey, had long experience in trade negotia-

... The Nordic countries were added for reasons of trading interests with the Europeans, and for balance in the informal subsidy/countervail group. Later, when the developing countries were added, the invitation went first to the major nations such as Brazil, Mexico, and India. In this manner, the negotiation developed in a pyramidal pattern . . . adding new delegations to the process, and accommodating, insofar as possible, the new concerns brought by the additional players.

Defeance patterns were much less important than the fact that, as the coalition grew, it tended to worsen the no-agreement alternatives of the as-yet left-out parties (in the manner of a bandwagon). The logic that dictated the sequence began with a separate accord among potential blocking parties, and then brought in new adherents according to a tradeoff between the extent of changes they required to join the evolving accord (the smaller the better) and their importance among the so-far left-out parties (the greater the better).

Rather than start the process with this most difficult US-EC base on which to build a higher and higher pyramid of adherents, one might imagine an alternative approach with the principal antagonists recruiting their natural allies into two opposing, polarized, and mutually exclusive blocs. Bringing on board lesser (and easier) players earlier, while adding to the supportive coalition of each adversary, might require concessions to the new members that would also make the eventual reconciliation of the two blocs much more difficult. The path effects of bootstrapping to get allies on board first would likely bequeath a final negotiation that would be both far more costly and risky than a pyramidal approach. From the point of view of path effects, the pyramid appears to trump the bootstrap.

A More General Account of Sequencing Choice

Return to the general questions posed near the beginning of this essay. In particular, does sequencing matter and, if so, how; further, how should a sequence be chosen? If one were concerned only with patterns of deference, an optimal order exists to maximize success probabilities. Yet the preceding examples and discussion suggests that, at any stage of the coalition process, several other factors potentially influence the choice of who to approach next. Suppose that there are $r$ parties, and thus at least that many potential stages in the sequencing process. Specifically, at stage $m$ of the process, suppose that one is considering expending costs $(c)$ in a negotiation to try to win the agreement of party $i$, given negotiating history $h$ (denoting the prior sequence of negotia-
tions and their results). There are four elements of our sequencing decision.

\( V(m|h) \) is the expected value of gaining the assent of party \( i \) at stage \( m \) given history \( h \). \( V \) can be conceptually disentangled into two components, the outcome value (contribution of \( i \) to the ultimate coalition) and the prospective path effects (changed probabilities and values of getting other parties on board later) resulting from getting party \( i \) on board now. The outcome value is traditional and analogous to outcome values associated with the characteristic function form of a game. The path effects include changed probabilities or values of later success given considerations such as deference patterns, the implications of worsened no-agreement alternatives, reshaped expectations, and bandwagon effects. For example, if parties to be approached later were highly deferential to party \( i \), then the process value component would be high. Similarly, if getting one party on board now precluded the formation of a very worrisome potential blocking coalition later, the path effects would reflect this added value.

\( C(m|h) \) is the expected cost of recruitment of party \( i \) at stage \( m \) of the process given history \( h \). \( C \) can be conceptually disentangled into the expected costs of dealing with party \( i \) and the altered probabilities and costs of getting subsequent parties on board. For example, if getting party \( i \) on board now critically antagonized important later parties or prevented their joining, then the value associated with recruiting party \( i \) now would be low or negative. Think, for example, of the effect of making Israel the first member of the U.S.-led anti-Iraq coalition. Similarly, if getting \( i \) on board stimulated the formation of a countercorollation, the costs would be high. \( C \) would normally be expected to be negative.

\( P(m|h) \) is the probability of successful recruitment of party \( i \) at stage \( m \) given \( h \). In more complex calculations, one could make \( P \) a function of the costs directly associated with recruitment; a greater effort would presumably increase \( P \).

\( F(m|h) \) is the cost of a failed effort to recruit \( i \) at stage \( m \), including resources foregone in the recruitment effort and any process costs, including a loss of reputation, reduction in desired bandwagon effects, and the like. George Bush's decision to build an international anti-Iraq coalition first and then negotiate with the U.S. Congress can be explained by the low probability of success with a "Congress first" strategy and the associated very high cost of failure \( (F) \), which consisted of a radically diminished prospect of a subsequent international coalition if Congress said "no" first. \( F \) will generally be negative.

Putting these factors together, at stage \( m \) in the process, given history \( h \), the would-be coalition-builder assesses the following "expected value of subsequent negotiations" (EVSN) of negotiating with party \( i \) as

\[
EVSN(m|h) = P(m|h)[V(m|h) + C(m|h)] + [1 - P(m|h)]F(m|h).
\]

Note that a potential recruit will tend to be approached earlier as \( V, P, \) and \( F \) are larger and \( C \) is smaller; the approach will be later as the reverse is true. An optimal sequence, from among at least \( r \) possibilities, for approaching the \( r \) parties will maximize the sum of EVSN\( (m|h) \) for all \( i \). If groups of players (rather than just individual players) could be approached sequentially, or if revisiting those who refused earlier were possible, the number of path possibilities would increase correspondingly. If this process could be expected to take valuable time, the discounted sum could be maximized. Whatever the variant, this expression sets up a backwards induction problem; once values and subjective beliefs are specified, it can be computationally approximated by a method analogous to the algorithm developed by John Wilson in his "subjectivist approach to consecutive conflict." Unfortunately, the required assessments and sheer complexity of the general problem render a computational approach impracticable in most cases of any size. But this formalization suggests at least two useful observations.

First, the very terms that are used in the folk maxims and diplomatic parlance of coalition building are helpful but incomplete when trying to deduce an optimal sequence. Think of "getting allies on board first," or "isolating opponents," or "starting with the easy parties and moving to the harder ones," or "thrashing out an internal consensus before negotiating externally." Indeed, both bootstrapping and pyramiding depend on these categories. An "ally" or "easy" party is presumably characterized by a high probability of recruitment at low cost (high \( P \) and low \( C \)); an opponent or "harder" party would normally have the reverse profile.

The deeper reasons for following or violating received wisdom, however, are driven by the other terms in the expression for EVSN, in particular the path effects. The sequencing examples in this paper are easily explained by a characterization of the players and process that includes path effects such as the influence of deference patterns, changes in no-agreement alternatives, reshaped outcome expectations, and information revelation. It is not enough to ask "how hard or how easy to get on board is a given player?" but also "how valuable or how costly is that player to recruit?"—being careful to include path effects as well as the path-independent outcome considerations.
Second, to approach EVSN, calculations, formally or informally, requires a kind of assessment that is not routinely part of multiparty negotiation analyses. Beyond characterizing individual players’ interests, beliefs, etc., and coalitional possibilities (e.g., joint payoffs for different coalitions), it is necessary to map the relationships among the players in terms of deference, influence, antagonism, and the like. Given this map, one can assess the relationship between given tactical actions—such as worsening no-deal alternatives or shaping outcome expectations—and the prospects for and terms of subsequent agreements from the current stage of the process to the final target coalition. Ideally, these assessments should be informed by good models and empirical evidence—indeed, stimulating such work is one goal of this essay—but they will inevitably involve subjective judgments. For example, one can imagine using the tools of network theory to map relationships among the parties to discover dense network nodes on which to focus special negotiating attention and isolated segments that may be approached more independently. At present, such assessments in multiparty negotiation are typically made implicitly and informally. A fuller set of tools and concepts is needed to map the different kinds of relationships among parties and to draw out their implications for coalitional negotiations.

Conclusions

Although sequential tactics have been the focus of the essay, a prior question has been lurking in the background: when should one avoid sequencing and attempt a fully open, collective route to consensus? After all, many sequential moves appear to be—and often are—sneaky, manipulative, deceptive, coercive, and even plainly unethical. It is thus important to think them through both for their ethical and their prudential implications. In principle, the choice of a simultaneous or sequential process can be unraveled by specifying and weighing the relevant path effects. Such effects associated with a simultaneous process might include a greater sense of legitimacy and “ownership” of agreement, the possibility of new options generated by brainstorming, as well as altered roles of deference patterns and different possibilities for blocking coalitions to form or to be thwarted.

While sequencing has played a starring role in this essay, supporting roles have been played by other tactical choices—whether to act openly or secretly, whether to meet in subgroups or the full group, how commitments and other actions can be made credibly, how to set the negotiating agenda, which issues to link or separate, whether to bring in a third party or not, etc. A fuller account of coalitional process would obviously devote attention to these actions and their interactions with sequencing. Yet the key notion in this essay is coalitional “process” understood as the link between the structure of a situation and its outcome.

A more basic question is: Under what conditions do sequencing tactics affect outcomes? If a sequential action were costlessly reversible—with no net path or outcome effects—sequencing would not matter and should be relegated to the “frictional.” Thus, sequencing can matter only when its effects are costly or impossible to reverse. For example, such cost or irreversibility may occur where some commitments of resources or reputation are made in the process, where information is irretrievably conveyed, where an approach, once made, becomes less feasible or more expensive, where an ironclad blocking coalition is forged, or where a real deadline intervenes.

This essay has focused on such sequential processes ranging from exploiting patterns of deference, to progressively worsening no-agreement alternatives, to preventing private knowledge from becoming common knowledge, to shaping outcome expectations, and the like. It has analyzed common classes of tactical choice such as bootstrapping, pyramiding, and setting bandwagons in motion. It has ultimately urged a new step in coalitional negotiation analyses: Beyond characterizations of individual players (in terms of interests, beliefs, etc.) and coalitional possibilities (e.g., joint payoffs for different coalitions), the would-be coalition builder or negotiation analyst should map the relationships among the different players in terms of deference, influence, antagonism, and the like. Given this map, one can assess the relationship between given tactical actions—such as worsening no-deal alternatives, shaping outcome expectations, or revealing information—and the prospects for and terms of subsequent agreements.

Much of conventional game theory maps the structure of a game—its players, preferences, and order of events—directly into equilibrium predictions of the outcome; ideally, this game structure gives insight into the coalitions that are likely to form and how they will split the payoffs. Yet this analytic presumption effectively rules out the kind of intermediate path effects this essay has explored. Similarly, the ideal organizational types of sociologists have little room for mere “friction” in their accounts. Both traditions have obviously contributed concepts and frameworks critical to understanding the role of sequencing in negotiation. However, if such wheeling and dealing can significantly affect outcomes, then it merits much more attention by negotiation analysts as well as those from game theoretic, psychological, and other methodological traditions.
Sequencing to Build Coalitions

15. For evidence, see, for example, Lax and Sebenius, *The Manager as Negotiator*, ch. 3, and the references cited therein.
21. See Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (1988): 427–460 for the first use of the "two-level games" metaphor as well as for the further example of the Bonn Summit in which internal blockers were thwarted by an external coalition.
25. A rich example of sequencing to assemble the block for New York’s Citicorp Center can be found in Robert C. Ellickson and A. Dan Tarlock,
Land-Use Controls (Boston: Little, Brown, 1981), pp. 1014–1023. Analogous phenomena can be found when investors seek to purchase blocks of stock for a possible takeover or take positions in various debt securities to improve their position in a bankruptcy negotiation—or damage that of rivals.


29. Ibid., p. 174.

30. Ibid., p. 175.


32. An example of such an inessential process would be the jockeying around in a three-party noncooperative game in characteristic function form wherein no commitments, whether of resources or reputation, are possible.