How to Negotiate Successfully Online

Electronic media’s ability to instantly—and cheaply—unite multiple parties located thousands of miles apart is a boon for negotiators.
Here’s how to wring the maximum value out of it.

BY KATHLEEN L. MCGINN AND ERIC J. WILSON

Seeking to improve negotiations among its employees, a successful business-to-business Internet company with offices on two coasts established its own intranet site. The company invested more than a million dollars in the system, so managers were understandably frustrated when only a handful of employees tried it out. “After we spent all of this money, they’re still flying across the country to talk to each other, or picking up the phone,” one manager told us. “How can we expect our clients to negotiate with us online when we don’t even do it among ourselves?”

Where did the Internet company’s management go wrong? Our research suggests that they erred in neglecting the human elements of successful online negotiations. Specifically, they overlooked what scientists call social awareness—the extent to which people pay attention to and understand one another’s motives and preferences. Heightened social awareness fosters mutual disclosure and reciprocity, essential components of any negotiation. For the company’s employees, a new intranet, no matter how efficient and convenient, wouldn’t convince them to give up their face-to-face meetings and phone calls.

Given its ability to instantly (and cheaply) unite multiple parties located thousands of miles apart, electronic media would appear to be a boon to negotiators. But negotiating online—beyond the price haggling of auction sites like eBay—isn’t easy. Negotiators communicating electronically from far-flung offices are operating in vastly different contexts. They’re likely to be uncertain about ground rules, and they may have only a rough idea of the issues under discussion. They’ll need some help getting their act together.

The challenges of virtual negotiation
When you communicate in person, social norms—including body language, manners, and physical appearance—guide your behavior and ease the process. A common environment can facilitate understanding as well. Over the telephone, the speaker’s intensity, speed, and inflection provide useful social information. As a consequence, face-to-face and telephone interactions generate greater social awareness and greater stability and cooperation than do online interactions.

Clearly, the newest format has some catching up to do. Here are some barriers to success in online negotiations:

Social norms are lacking.
Sometimes, especially in cross-cultural negotiations, social norms can be unclear. When negotiators are having trouble relating, they need to pay close attention to each other for hints about how to behave.

Here, online negotiators face a distinct handicap. When the only cues available are words typed on a screen, you’ll have trouble reciprocating the other side’s style. Do you use capital letters in your e-mail messages, scatter them with emoticons, or chat about the weather? These are all matters of personal preference. What’s more, the speed of electronic communication lends itself to short, direct messages. This lack of finesse may be fine for brief, factual exchanges but becomes a handicap in collaborative negotiations requiring reflection and discussion.

A U.S. and a European company embarking upon a joint venture relied primarily upon online negotiations during their start-up phase and quickly ran into trouble. The U.S. team was supposed to provide technology to the venture, and the European team was to offer contacts to potential customers. While their basic responsibilities were relatively clear, the negotiators had never met in person. Language differences hindered effective telephone contact, and early electronic exchanges only accelerated the confusion. Well into the negotiation, participants still felt as if they didn’t “know” one another. The impersonal
Online Negotiation (continued)

nature of their interactions barred progress, and the venture stalled.

Trust is hard to come by.

People tend to reveal information honestly when communicating in person, and the receiver usually believes and acts on that information. By contrast, online negotiators tend to hold back private information. When they do open up, the receiver is often leery about responding in kind.

Studies have shown that information exchanged over electronic media such as e-mail is less likely to be true, less likely to be relevant and clear, and therefore less informative and useful than similar information exchanged face to face.

“I think I write thoughtful e-mails, and I’m frustrated because I don’t think people read them thoughtfully,” one senior manager at a start-up incubator told us. Bluffs and threats also increase in e-mail, a tendency that can culminate in “flaming”—shooting off vitriolic messages without pausing to think about the consequences.

Executives often receive more than 100 e-mails each day, ranging from the trivial to the crucial. As we all struggle to keep up with the constant flow of data, it’s not surprising that trusting, collaborative online negotiations are rare.

Designing successful virtual negotiations

The difficulties of online negotiation might tempt managers to stick with more tried-and-true methods of communicating. Indeed, negotiators located in the same city or region should take advantage of the social awareness that comes with face-to-face meetings and, to a lesser extent, telephone calls.

Yet the challenges of electronic negotiation are surmountable, and its benefits—high speed, low cost—make it irresistible in the global marketplace. Parties separated by great distances who must nonetheless communicate regularly are prime candidates for online negotiation. Multinational corporations that routinely fly top managers across the globe on internal assignments may find that a smarter route would be to increase the effectiveness of electronic negotiation within and across divisions.

By taking the following steps to heighten social awareness, managers can launch and supervise effective online negotiations.

Get to know one another.

The intricacies of electronic negotiation can be dizzying. You’re likely to find yourself communicating with numerous people you’ve never met about issues you each value differently, and you all have different demands on your time. It’s not surprising, then, that online negotia-

tions typically open with an initial frenzy of activity, followed by a period of collective confusion.

The ideal solution? Bring everyone together for an initial face-to-face meeting. In doing so, you’ll build a foundation of social awareness for negotiators to expand upon once they’re back at their computers. When travel costs prevent a group meeting, a carefully facilitated conference call is the next best option. In this case, all participants should have the chance to introduce themselves and air their concerns. Not only will everyone become acquainted with one another and with the issues being negotiated, but they’ll also set up organizational goals and norms for online interactions.

One project manager faced the challenge of coordinating a product development effort among a team scattered in Paris, Tampa, and Dallas. Since the team members had never worked together before, the manager insisted upon holding a face-to-face meeting before moving online.

“It wasn’t easy because everyone just wanted to get going,” the manager says. “But we made sure that everyone was clear on who the team members were—their background, experience, and responsibilities.” During the meeting, the team leader stressed the importance of open, transparent, and professional online communication. “Only after everyone was onboard did I feel comfortable leaving it to them to negotiate how they were going to build the product.” The strategy paid off: the online negotiations that followed were ultimately successful.

Stay vigilant.

When relationships are solid and trust is high, nearly any form of communication has a strong chance of success. But as negotiations proceed, even the best system will benefit from additional attention to the human elements of collaboration. Maintaining early levels of social awareness is hard work, especially when a team reflects a diverse mix of organizations, nationalities, and functional backgrounds.

Consider the case of a European-Japanese joint venture headquartered in Tokyo that needed to design a new logistics system. Executives and employees from both sides of the venture, as well as principals in a consulting firm, met in person before their online negotiations began. The parties represented different companies, cultures, and fields.

The initial meeting was productive, yet once online negotiations were under way, the team’s leader quickly found that sustaining social awareness would be an enormous task. One big stumbling block: the negotiators wrote to one another in English, though none of them were fluent in the language. She also noticed the common tendency for factions to make what we call hypothetical concessions:
“Just tell them what they want to hear, and we’ll do it our way later on,” one member wrote to another.

For this reason, the leader served as a constant monitor throughout the process, staying attuned to misunderstandings that could break down trust or fragment the group into conflicting camps. She paid special attention to the nature and quality of the parties’ communication styles. Ultimately, the negotiation culminated in a logistics system that pleased all sides. The team leader’s close involvement—and her commitment to fostering social awareness—was the key to this success.

With proper preparation and vigilance, you can expect your organization to meet many of its negotiation goals via electronic media. It’s a mistake, however, to assume that online negotiation alone can build and sustain high levels of social awareness. The value of face-to-face meetings and telephone calls cannot be underestimated. As one project manager put it, “We’re not robots—we’re still human beings.” When a negotiation starts to go awry, skilled leaders will recognize that a handshake and a smile can restore trust and take online negotiation to the next level.

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THE TRADING ZONE

When You Shouldn’t Go It Alone

Recognizing when you’re in over your head and need an agent can help you come out on top in a negotiation.

BY LAWRENCE SUSSKIND

A FIVE-YEAR-OLD AMERICAN MANUFACTURER of medical equipment has just secured a patent on its primary product, a new kind of heart monitor. The potential market is even stronger than the company imagined, yet its second round of venture capital funding is coming to an end. A few other manufacturers are about to go public with similar, though less well-tested, products. To shore up funding of the big launch, the CEO decides to explore joint-venture possibilities with several overseas partners.

There is a problem, though. She has never been involved in joint-venture negotiations before; what’s more, she has never done business with an overseas investor. Meanwhile, one of the European companies she approached knew all about her company’s internal strengths and weaknesses. The CEO feels she is in the best position to represent her small company’s interests in the upcoming negotiations, and yet she is extremely nervous. The company’s future is on the line. Does she have enough knowledge and experience to succeed?

When you’re approaching a new kind of negotiation, you need to be able to recognize when you’re in over your head. In such cases, it might be smart to quit before you even begin. That is, it may make sense to have someone more experienced take your place at the table—an agent.

Robert Mnookin, with whom I cowrote Negotiating on Behalf of Others (Sage, 1999), and I have identified circumstances in which agents will probably get better results than negotiators could ever hope to achieve on their own. To compensate for her lack of experience, the CEO could bring in an agent to make contact with overseas investors, explore their interests, help the CEO examine her own interests, generate the terms of possible partnerships, assist in evaluating each option, and even close the deal. By hiring an agent as her adviser or stand-in, the CEO could vastly improve her chances of concluding a successful joint venture.

Agents can serve a variety of purposes in a negotiation. If the CEO’s potential partners balk at dealing with her representative, she might involve the agent only at key moments. If, on the other hand, the partners bring their own agents onboard, the agents might converse among themselves, negotiating tradeoffs and packages in consultation with their principals.

Some experts suggest that agents can prevent negotiators from discovering the trading zone—that moment when they make the transition from adversaries to cooperative problem solvers. According to this logic, an agent’s own personal interests can clash with those of his principal and keep negotiators from finding common ground. Yet