2. The role of trust in negotiation processes

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INTRODUCTION

The purpose of this chapter is to examine the role of trust in the negotiation process. While there have been thousands of studies on the nature of negotiation and factors that contribute to its effectiveness or ineffectiveness, only a remarkably small handful of studies have actually examined the role of trust. This chapter will attempt to serve three objectives. First, we will develop the case for the importance of trust in negotiation – the rationale for what trust contributes to an effective negotiation or how distrust detracts from an effective negotiation. Second, we will examine what the research literature has shown about the importance of trust – taken both as an independent and dependent variable – in the negotiation process. That is, we will show how trust contributes to an effective negotiation, and how types of negotiation can contribute to, or detract from, trust. In doing so, we will identify several gaps and challenges in the research literature on the trust–negotiation relationship, and also offer insight on ways that damaged trust can be repaired. Finally, we will highlight some of the research that remains to be done in order to underscore the critical role that trust plays in the negotiation give-and-take.

WHY IS TRUST IMPORTANT TO EFFECTIVE NEGOTIATION?

As we will note several times, trust is a critical element throughout a negotiation, as both the lubricant that enhances and facilitates the negotiation process, and the binding element that often holds deals together. Prior to a negotiation or in the early stages of deliberation, the presence of strong trust can considerably simplify the negotiation process. At the beginning, parties assess how much they can trust one another, and they develop a negotiation strategy based on that assessment. This assessment can be done through initial contact with the other, or by checking out the other’s reputation and credentials through friends and associates. But even if one judges the other as trustworthy at the outset, as the negotiation evolves, negotiators should continue to reassess the other’s trust through
the interpretation of a number of cues and signals. Is the other telling me the truth? Is the other attempting to take advantage of me? After the negotiation, will the other follow through and keep the commitments they are making? If I suspect that they may not follow through, should I ask for some kind of formal agreement? These are important questions, and ones that a negotiator must not only decide (implicitly or explicitly) before a negotiation but also monitor throughout the negotiation process.

To elaborate, there are several ways that trust can simplify negotiation. First, one of the primary purposes of negotiation is the exchange of information between parties in order to persuade the other to ‘see it your way’. Trust is integral to this exchange of information. Each party has to be able to believe what the other is saying, since they often cannot verify or confirm all statements, claims and charges. Thus, ultimately, trust between negotiators can minimize transaction costs in closing a deal. Deals can be completed and verified ‘on a handshake’ because the established trust between the parties creates the expectation that all parties will follow through and keep their promises and commitments. Second, in the exchange of information, the other’s trustworthiness becomes as important as trust. To be trustworthy, a negotiator must work to establish and maintain credibility. One’s credibility is grounded in the perception that the information being conveyed is accurate and verifiable. We discuss trustworthiness in more detail later in this chapter. Finally, once credibility is established a negotiator can develop a reputation for honesty, a reputation that is conveyed to others in the marketplace. A reputation for credibility and honesty is integral for a negotiator to maintain positive working relationships in all strategic affiliations; deals can be struck efficiently and without investing major time and effort in verification. Hence, maintaining a reputation for trustworthiness is critical to negotiators, and negotiators should frequently monitor whether their reputation is as good as they would like it to be.

If the logic for the importance of trust in establishing and sustaining effective negotiation is not clear, consider the alternative: the ways that low or nonexistent trust can make a negotiation more difficult. As we stated, information is still the primary currency of exchange. However, the negotiator does not believe that they can trust the accuracy of the other party’s statements. This doubt in the other’s veracity may result from what the negotiator has learned about the other’s reputation, or may come about through verbal and nonverbal cues transmitted by the negotiator that suggest exaggeration, bluffing, or outright deception. As a result, much of what the other says must be independently confirmed and verified. Such verification may or may not be possible, and if it is possible may entail significant delays in establishing the accuracy of the information on
which the agreement is based. Moreover, even if the information can be verified, low trust between negotiators often necessitates the creation of formalized, complex, written contracts and other documents. While these documents remind people of what they have agreed and are often useful in minimizing some of the miscommunication that may occur if a deal is based only on verbalization and a handshake, creating them can also add significant time delay and cost to the deal itself.

Finally, creation of such agreements usually requires elaborate consequences and penalties for violating the terms of the agreement. Complex penalties for violation, mechanisms for enforcing those penalties, the employment of ‘monitors’ and police officers to conduct the enforcement, and appeal systems and grievance procedures for wrongful accusations or penalization all become part of this system of enforcement. When we begin to understand that entire professions are built and sustained around managing anticipated or actual distrust – such as attorneys, inspectors, judges, referees, police officers, auditors, monitors and regulators – one can appreciate the power that effective trust can create in minimizing these costs.

We are not so naive as to believe that distrust in negotiation can be eliminated, nor that all deals could be consummated (and/or revised) with a simple handshake and without backup documentation and specification of consequences for noncompliance. We recognize, in fact, that a certain amount of distrust can be very healthy in a negotiation. Checking on the reputation of a new or unfamiliar opponent can clearly be a valuable action. Beyond this, written ‘memoranda of understanding’, formalized agreements and ways of monitoring the other’s compliance can play an extremely important role in cementing a negotiated agreement. But we draw these extremes in order to reinforce how integral strong trust is to effective negotiation, and to reiterate that negotiators must pay attention to ways they can create and manage solid trust in the negotiations themselves.

TRUST AND NEGOTIATION DEFINED

There are many different definitions of trust. Some have defined it as ‘confident positive expectations regarding another’s conduct’ (Lewicki et al., 1998, p.439), focusing largely on a person’s intentions and motives. Others have focused more on the other’s behavior, using a definition of ‘the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or
control that other party’ (Mayer et al., 1995, p. 712). For our purposes in this chapter, we will define trust as ‘a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another’ (Rousseau et al., 1998, p. 395). Given that the trust and negotiation literature has been plagued by both omission of a common definition of trust and inconsistencies in the definition of the construct, we embrace this definition because it is one of the most commonly accepted in the evolving trust literature.1 Negotiation is a process by which ‘two or more parties attempt to resolve their opposing interests’ (Lewicki et al., 2010, p. 6). As we noted earlier, the need for trust in negotiation arises because of each party’s interdependence with the other in attempting to resolve these opposing interests. Negotiators depend on each other to help them achieve their goals and objectives. They depend on the information presented by the other party, on the outcomes to which the parties commit throughout that process, and on the other party delivering on those commitments.

In reflecting on this interdependence and its relationship to managing information, Kelley (1966) suggested that negotiators must grapple with two fundamental dilemmas. The first is the ‘dilemma of trust’. How much should negotiators believe what the other party is telling them? If a negotiator believes everything the other party is telling them, then the other is in a position to exploit that trust and take advantage through deception. Conversely, if a negotiator believes nothing that the other party tells them, then it becomes difficult for the parties to reach any viable agreement. The second dilemma, paralleling the first, is the ‘dilemma of honesty’. How much should a negotiator tell the truth to the other? If a negotiator is completely honest – disclosing all of their personal preferences, including their walkaway point or least preferred acceptable alternative – then they give away their bargaining position and lose all bargaining power. Conversely, if the party discloses nothing about their personal preferences and interests, then it is difficult for the opponent to know what the negotiator wants or how to structure their offers and proposals in a way that allows the parties to achieve a mutually acceptable agreement (if an integrative solution is indeed desired). Thus, in order for negotiators to be able to reach a viable agreement, they must find a way to navigate through these two dilemmas in a manner focused on attempting to resolve at least two goals: maximizing their own personal outcome in the negotiation, and achieving an agreement that is acceptable to the other side. Moreover, if the parties had some kind of established relationship prior to the negotiation – for example, husband and wife, roommates, business partners, or members of a governing body such as a legislature or city council – then a third goal is to maintain and
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even strengthen that relationship so that they can continue to successfully negotiate in the future.

With respect to the trust dilemma, negotiators must decide how much to believe what the other party is telling them. Can the information being provided be independently verified for accuracy and completeness, and if so, how much is verification going to cost in time and labor? Have we learned what we need to know to make the agreement workable for us? Is the information about what the other wants sufficient for us to believe that the deal is viable for them? Do we need the deal badly enough to accept it and be willing to live with it, even if we find out later that they were not being fully honest? Can we believe they will follow through on their promises and commitments, or do we need to invest in written and formalized agreements to bind them to their deal?

With respect to the honesty dilemma, negotiators must decide how much and what kind of information to share. What information does the other party need in order to achieve a viable agreement? What information, if revealed, would give away bargaining power and expose our vulnerability, allowing the other to take advantage of us? Can we selectively omit certain information, or bluff, or even be blatantly deceptive and not be discovered? What are the consequences if these bluffs or deceptions fail? Finally, if the negotiator makes promises and commitments, is the negotiator obligated to ‘live up to’ those promises or commitments?

Clearly, then, while the advantages of high trust and honesty can significantly promote sound negotiations, the consequences of dishonesty and low trust can be severe. Since trust is one important ingredient of the glue that holds relationships together, the consequences of significant dishonesty and high distrust not only endanger the negotiation but also threaten the very existence of the relationship. We will have more to say about this later in the chapter.

Distinguishing Between Different Types of Trust, and Implications for Negotiation

Just as the negotiation experience is an evolving process of dynamic exchange in which the parties hope to end in a better state than they began, trust, too, is evolutionary in nature. Most negotiations require at least some basic level of trust. Shapiro et al. (1992) propose that this basic, ‘minimal condition’ level of trust is called deterrence-based trust. At the very least, one party must be able to trust that the other will keep their word, follow through with promises made, and act in a consistent manner; this type of trust is ‘deterrence based’ because this basic trust is enforced through punishments for not keeping one’s word. Developing this logic
further, Lewicki and Bunker (1995, 1996) suggested that this basic form of trust be called ‘calculus-based trust’ (CBT), arguing that at this basic level, trust is grounded in both deterrence (the negative consequences for violating trust) as well as inducements and rewards for adhering to the trust agreement and keeping one’s word. Trusting someone – even at the most basic level – should be a rational, calculative choice (Rousseau et al., 1998). Behaviors such as meeting the other’s expectations, keeping promises, and maintaining a trustworthy reputation and high credibility all build calculus-based trust (Lewicki and Bunker, 1996; Lewicki and Stevenson, 1998). Calculus-based trust is likely to be maintained (1) if the trustee knows they will engage in future transactions with the trustor, (2) if the trustee has multiple transactions occurring at the same time with the trustor, or (3) if the trustor has some control over the reputation of the trustee (Shapiro et al., 1992).

A second, more advanced level of trust is called ‘knowledge-based trust’ (KBT) (Lewicki and Bunker, 1995; Shapiro et al., 1992). This type of trust comes from the belief that one party can predict, with a relatively confident degree of accuracy, the behaviors of another party, developed by gaining knowledge about the other’s motives, intentions, behavioral tendencies, and interests or preferences. For example, a negotiator may favor a more cooperative, interest-based approach to negotiation if he believes that he fully understands the other’s interests. Ways of encouraging knowledge-based trust include maintaining consistent, frequent communication with the other party and learning more about the other party’s perspective, interests, needs, and motives so as to better predict their actions (Lewicki and Stevenson, 1998; Shapiro et al., 1992). Knowledge-based trust can be ‘monitored’ by regularly affirming and verifying the information that one is gaining about the other party.

Third and finally, if negotiating parties develop a strong positive relationship with each other the parties are said to have ‘identification-based trust’ (IBT), the strongest form of trust (Lewicki and Bunker, 1995; Shapiro et al., 1992). This level of trust is characterized by the parties developing positive emotions and attraction to the other, a deep understanding and identification with the other, and the capacity to actually ‘speak for the other in their absence’ (Deutsch, 1949). Trust at this level is so strong that the parties often assume there is little need for traditional control or surveillance mechanisms (Lewicki and Stevenson, 1998). However, violations of identification-based trust do occur, and when they happen, they are likely to produce strong feelings of betrayal and even self-doubt in the trustor. As a result, while identification-based trust tends to produce the highest level of trust, it is also most likely to create a certain ‘blindness’ to the possibility of betrayal. The degree to which a certain
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An amount of ‘distrust’ is essential to a negotiator, even with a long-standing opponent who one knows well, will always be a source of debate among experienced negotiators.

This evolutionary approach to different types of trust emphasizes that trust develops and changes character over time, and is phenomenologically different in different types of negotiation relationships. Most trust development begins at the calculus-based level, where parties engage in ‘simple market transactions’. When successful, these transactions reinforce previous transactions, eventually leading a party to know the other well enough to predict the other’s behavior, or in other words, to move to the knowledge-based trust level. As more and more information is collected about a party, one may begin to identify with the other party’s interests and needs, leading to the identification-based level of trust. Note that not all negotiating relationships have a need to progress past the calculus-based level; in fact, few relationships may actually achieve the identification-based level except when the parties have developed long-term, complex, and frequently repeated interactions.

WHAT MAKES A NEGOTIATOR TRUSTWORTHY?

Thus far, our discussion has focused on the initiator’s side of the relationship, that is, on the decision to trust another and the decision to be honest toward another. Keeping in line with this discussion, we will now examine those qualities that others use to make trust judgments about the initiator. In other words, how does one party judge the trustworthiness of the other party? Early research by Mayer et al. (1995) and subsequent studies (Ferrin et al., 2007; Gunia et al., 2011; Malhotra & Murnighan, 2002;) have suggested that negotiators judge another’s trustworthiness on three different and somewhat independent foundations: perceived ability, perceived benevolence and perceived integrity.

**Perceived Ability**

This first foundation can be demonstrated through three different aspects of competence or ability: being competent by knowing about the core issues under consideration in the negotiation; having broader knowledge of context in which the negotiation is occurring; and possessing the skills to negotiate effectively. With regard to the first aspect, negotiators need to be well prepared, know what they want, and be able to command the supporting facts, arguments, logic, data and so on to support their case. This knowledge is gained through preparation before the negotiation
begins so that the negotiator has mastered the essential facts and figures and developed the compelling arguments that will support their case. For example, those who have learned formal debating practices know that debaters build an elaborate database of information and construct arguments to be used to either support their basic proposition, or to effectively argue against and defuse the other’s arguments. With regard to the second aspect, negotiators must also demonstrate knowledge of the context in which they negotiate. For example, an attorney who might be hired by an automobile labor union to negotiate on its behalf needs to demonstrate a complex understanding of the salary issues for which they are attempting to argue, but they must also understand the prevailing salary and benefits issues, packages and precedents within the automotive industry. Finally, a negotiator’s trustworthiness is grounded in their demonstrated knowledge about ‘how to negotiate’. This knowledge might be demonstrated in a variety of skills: how to structure an argument, present critical information, ask appropriate questions of the other side, make appropriate concessions and create a viable agreement that can be implemented and that will benefit both parties. Perhaps surprisingly, if negotiators have a choice, they should choose to negotiate with an experienced negotiator as opposed to an inexperienced one. Inexperienced negotiators often behave erratically, do not understand the issues well, and either make concessions too quickly or irrationally hold out for unachievable goals, both of which may contribute to further declines in trust. Experienced negotiators, in contrast, are much more likely to be more efficient in the negotiating process, arrive at a mutually beneficial agreement quicker and understand the importance of being able to implement that agreement more effectively (Ferrin et al., 2011; Shell, 2006; see also the review of negotiating experience and its impact on the parties in Lewicki et al., 2010). Trust is created in the other by exhibiting rational, transparent and predictable behavior – both in understanding the issues to be addressed, the context in which they occur and the broad dynamics of the negotiation process.

Perceived Benevolence

Demonstrating benevolence in negotiation relates to treating the other well in the process of negotiation. Benevolence relates more directly to actions that maintain or enhance the relationship dimension of trust between the parties. Treating the other with courtesy, respecting the other as a person and respecting the legitimacy of the others’ views, actively listening to the other and refraining from using tactics that anger, upset or trick the other would be consistent with benevolent behavior. Finally, benevolence would be most clearly demonstrated by showing that one cares about the
other negotiator’s interests and is willing to help the other party meet those interests. While we expect a negotiator to primarily worry about achieving their own interests, a benevolent negotiator who recognizes the opportunity to create value and achieve a mutually beneficial agreement will understand how treating the other well benefits both the nature of the agreement as well as their own reputation and the parties’ ability to work together in the future (c.f., Carnevale and Isen, 1986, for one example of the benefit of positive affect on negotiations).

**Perceived Integrity**

Relative to the dilemmas of trust and honesty we discussed at the beginning of this chapter, integrity may be the most important element of trustworthiness. Integrity refers to behaviors such as telling the truth, keeping promises and following through with commitments, and embracing a set of professional or ethical principles that leave little doubt of the negotiator’s honest motivations and intentions. Again, these may be signaled to the other side by modeling integrity behaviors and by creating and cultivating a reputation for being committed to standards of professionalism (see Fulmer et al., 2009; McCornack & Levine, 1990; and Strudler, 1995, for related studies on deception and integrity in negotiation).

It should be noted that in attempting to communicate trustworthiness along all of these dimensions, whether the other actually perceives the focal negotiator as demonstrating ability, benevolence and/or integrity is key. Receiving feedback from the other or from observers as to whether one is actually conveying these intended messages in these behaviors is critical. People are often ignorant to the subtle verbal and not-so-subtle nonverbal messages they may be communicating to the other, particularly when words and actions are inconsistent. A skilled negotiator asks for feedback and learns how they are being perceived, and as a result, can be much more successful in signaling and communicating the trust messages they want to send. Moreover, while there has been extensive research on these dimensions of trustworthiness, the more precise linkages between judgments of trust in the trustor, and specific dimensions of trustworthiness in the other, have yet to be empirically examined.

**RESEARCH ON THE ROLE OF TRUST IN NEGOTIATION**

Our search for current literature empirically examining trust and its relation to negotiation was broad, but, surprisingly, there is not as much
empirical research as we expected. We have organized our review of this work by addressing the role trust plays in the experimental research design: trust as an independent, as a dependent, or as an intervening moderator/mediator variable.

Trust as an Independent Variable

As an independent variable, trust primarily affects three distinct components of negotiation: information sharing, turning points and reciprocity. First, as we noted earlier, the essence of negotiation is the use of information to persuade the other to ‘see it our way’. The more information shared, the less time it takes for parties to arrive at an integrative solution (Butler, 1999). Trust enhances this information sharing – both as a way to help the other understand our negotiation position and interests, and to learn more about the other party’s position and interests – and hence facilitates cooperation with the other (Irmer & Druckman, 2009).

Olekalns et al. (2007) examined the role of trust more carefully by breaking trust down into several sub-components – reliability, predictability, and empathy – and then examining the effects of these components on negotiator outcomes. The authors distinguish between absolute trust, which they operationally defined as the ‘average calculus-based, knowledge-based, and identity-based trust for each party’, and relative trust, which they find by dividing the absolute level of trust in one specific negotiator by the average absolute trust in all opponent parties (p. 533). The amount of power each of three parties had in the study was also manipulated. Relative trust proved to be a better predictor of negotiating party outcomes since it predicted the outcomes of all parties, whereas absolute trust only predicted the outcomes of the low-power party. Specifically turning to the components of trust, reliability was found to help the low-power parties, predictability affected the low- and moderate-power parties, and empathy helped the low- and high-power parties.

A turning point refers to ‘events or activities that change the direction of negotiation’ (Druckman & Olekalns, 2011, p. 1). Turning points can be positive or negative, procedurally based or outcome based, and studied in the context of measuring both cognitive and affective-based trust. Olekalns and Smith (2005), recognizing the importance of turning points as value-creation moments, find that high cognitive trust increases when parties experience positive procedural turning points. Those parties with high initial affective trust toward each other are able to recognize more positive characterization turning points; moreover, when a party recognizes positive characterization turning points, they
report higher post-negotiation affective trust. When parties identify interests during turning points, they report high post-negotiation cognitive trust.

Reciprocity is an important component to study in negotiations. Pillutla et al. (2003) were interested in how parties in a negotiation calculate reciprocity. Using the Trust Game, they find that the less money the first player sends to the second player – that is, the less the first player trusts the second – the less the second sends back to the first. If, however, the first player sends a high amount of money to the second player – as a gesture of trust – the second player reciprocates with a high amount. But one needs to be wary of whether reciprocity really signals trust. Zhang and Han (2007) were able to manipulate reciprocation wariness in experimental subjects prior to a negotiation. Negotiators with high wariness are found to be more likely to try to maximize their own outcomes, but those with low wariness share more information during the negotiation and seek to maximize joint gains. Furthermore, when dyads negotiate, higher joint gains are realized by low-low wary dyads. The results confirm the importance of high trust leading to information sharing, but perhaps underestimate the vulnerability that this high trust may create without appropriate monitoring and a certain amount of wariness.

**Trust as a Dependent Variable**

We found a number of studies exploring trust as the dependent variable. The first study sheds more light on the characteristics of information sharing. If a negotiating dyad shares information with its opponent when an integrative solution is possible, the opponent trusts them more (Butler, 1995). Second, a number of studies examined how the medium (negotiation channel) of negotiation affected trust. Negotiators who only interacted through online engagement report both lower pre- and post-negotiation trust (Naquin & Paulson, 2003). Furthermore, the disclaimer (or lack thereof) at the end of an email when exchanged in an online negotiation makes a difference in recipient perceptions of trust (Kurtzberg & Naquin, 2010). Recipients of emails in online-only negotiations that included a disclaimer signature are less trusting of their opponent compared to recipients of emails with a non-disclaimer signature or no signature at all. Finally, untrustworthy behavior will, of course, decrease trust between negotiating parties, but adding deception to that untrustworthy behavior makes restoring trust impossible (Schweitzer et al., 2006). When trying to repair trust, a promise to change behavior after a trust violation is actually no more effective than just initiating a series of trustworthy behaviors. The authors hypothesize that this is because a promise is only
words, and actions speak louder than words (see our discussion of ‘cheap talk’ later in this chapter).

Trust as an Intervening Moderator/Mediator Variable

Again, a number of studies were found in which trust moderated or mediated other relationships. For example, Liu and Wang (2010) studied the mediating potential of trust. They find that anger leads to distrust, which in turn leads a negotiator to have competitive (vs cooperative) goals including wanting ‘to get a better deal’ and ‘to gain power over the other party’. Trust, on the other hand, leads a negotiator to have cooperative goals.

Finally, a few articles provide insight into how negotiators seek to understand others’ trust. Gunia et al. (2011) argue that trust produces ‘insight’ – defined as ‘discovering tradeoffs that give negotiators favorable terms on their highest priority issue(s) and incorporating those insights into agreements’ (p. 777) – a dynamic similar to our description of knowledge-based trust. These authors combined the study of trust, insight and the impact of culture (Indian and American) on the ways parties engage each other in the negotiation process. Both cultures define trust similarly, but Americans are more willing to trust the negotiation process than Indians. Parties reporting low trust in their opponent tend to use substantiation and offers (S&O) as the primary communication tactics, arguing for a position and making offers to the other side, while parties reporting high trust were more likely to use question and answer (Q&A) tactics, gathering information from the other and sharing information in response to the others’ questions. Indians were seen to use S&O more and Americans Q&A more. This negotiation strategy did account for cultural differences in joint gains, too.

Turning away from cultural differences, we see that being the trustor or trustee in a negotiation changes one’s perspective of a negotiation (Malhotra, 2004). Trustors tend to focus on the risks they face and view downside risk as being more important, whereas trustees focus on the benefits they have been given and view the benefits as being more important. Despite the differing viewpoints, trustees are able to put themselves in the shoes of the trustor: trustees accurately predict the importance trustors place on risk. Trustors, however, underestimate the importance trustees place on benefits, or how those benefits will impact the trustee. Malhotra suggests that when viewing the ‘trust question’, the two parties may be asking different types of questions. Since the study was done in a sequential interaction game, trustors, who make the first move might be asking, ‘how might the other be making their decision’ (in other words, a speculative decision based on what the trustee might do). Trustees who
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make the second move have concrete evidence on what the trustor has actually done. Thus, the trustor has the more difficult decision, since for him to understand the trustee’s perspective, he has to anticipate how his initial move will be viewed in the eyes of the other. Such perspective-taking ability has been shown to be an individual difference (Batson et al., 1991), and the actual capacity to do so may be minimized if the parties have a more competitive orientation to each other.

HOW IS TRUST BROKEN IN NEGOTIATION?

Earlier, we described negotiation as the process of managing information in order to resolve conflicts of interest. One of the most common ways for trust to be broken is through one or both parties’ use of deception, or in other words, an ‘inappropriate’ resolution of the dilemma of honesty. As summarized by Lewicki and Hanke (2012), negotiators use deception in order to enhance their power – that is, to gain some advantage by manipulating information to persuade the other party that something is true when in reality it is not. There are a number of ways that this can happen, and these ‘tactics’ vary in the degree to which they are viewed as appropriate based on ethical standards (does the tactic meet some standard of appropriate moral conduct), legal standards (what the law permits), or standards of ‘prudence’ (what might be smart to do based on their impact on the negotiation outcome and/or the relationship between the parties) (Missner, 1980). Lewicki and Hanke point out that most of the ethics issues in negotiation occur when parties disagree about what is the appropriate standard for truth telling in a negotiation. In other words, because negotiators differently confront the dilemma of honesty, many negotiators believe that it is necessary or appropriate to be less than fully honest and self-disclosing. Thus, they are more likely to use tactics that hide, distort or manipulate the truth and are perceived as viable within the normative expectations of negotiating give and take. Several authors (for example, Barry et al., 2000; Robinson et al., 2000) have attempted to classify these tactics, and most agree that there are at least six types of negotiation tactics that are less than completely honest:

- traditionally competitive bargaining (not disclosing your walkaway, making an inflated opening offer);
- emotional manipulation (faking anger, fear, disappointment, elation, satisfaction);
- misrepresentation (distorting information or negotiation events in describing them to others);
misrepresentation to others’ networks (corrupting your opponent’s reputation);

● inappropriate information gathering (bribery, infiltration, spying and so on); and

● bluffing (insincere threats or promises).

As noted by these researchers, because manipulation of information can be an effective negotiating tactic, many negotiators see some of these tactics as ethically and prudently appropriate – particularly the first two categories (traditional competitive bargaining and emotional manipulation) – even though they are less than fully honest. In contrast, the other four tactics are generally seen as ethically (but perhaps not prudently) inappropriate. Thus, there is informal consensus among many negotiators that it is acceptable to ‘draw a line’ between appropriate dishonest tactics and inappropriate dishonest tactics. And, not unsurprisingly, the willingness to use those tactics varies considerably based on personality and situational variables. The type of lies told (Carson et al., 1982), the negotiator’s need for power (Shapiro and Bies, 1994), the expectations of the other party’s trustworthiness (Graebner, 2009), the type of the negotiation problems (for example, distributive vs integrative), the situational norms governing the negotiation context (in other words, a negotiation with a used car dealer vs negotiation with a long-term business partner) (O’Connor & Carnevale, 1997) and the magnitude of incentives at stake (Tenbrunsel, 1998) can all affect the willingness and likelihood of using deceptive tactics in a negotiation (see also Lewicki et al., 2010; Lewicki and Hanke, 2012, for more complete reviews).

The net effects of using deceptive tactics in negotiation can have short-term and long-term consequences. In the short term, the research appears to show that if negotiators use deception carefully and work to avoid detection, significant short-term rewards can be gained. A number of studies have shown that negotiators who use deception achieve better outcomes than their opponents: these tactics include lies by omitting information or by making explicitly false statements (Schweitzer & Croson, 1999) and using emotional manipulation tactics (Fulmer et al., 2009). Better outcomes could also be achieved through deception when there were high stakes to be achieved and the negotiator knew that the other party had a weak alterative if a deal was not met (Boles et al., 2000). Not unsurprisingly, however, if this deception is not done carefully or is detected, the long-term consequences are far less positive to the negotiators’ future. Research demonstrated that when one party discovers that the other has been deceptive, the deceived negotiator is far more likely to act retributively in an attempt to punish the other. Both negotiators tended to use
deception in the future, and the consequences were mutually destructive in terms of joint payoff (Boles et al., 2000; Shapiro and Bies, 1994). In addition, discovering that a party is using deceptive tactics also has consequences for a negotiator's reputation. Negotiators who used deception were rated by their opponents as less trustworthy and less trustful, and the opponents were much less willing to work with that other party in the future (Boles et al., 2000; Tinsley et al., 2002). Thus, the short- and long-term consequences of using deception are much like those predicted by studies of simple games like Prisoner's Dilemma; while short-term defection can lead to enhanced payoffs, the long-term consequences are a significant decline in trust and poor individual and joint gain in the future.

REPAIRING TRUST IN NEGOTIATION

There are only a few research studies on actual trust repair in a negotiation context, which we review below, but it should be noted that there is a growing research literature on broader strategies of trust repair. Several preconditions are important to consider if trust repair is to occur. First, trust repair is not just the responsibility of the trust violator; it is a mutual, multistage process! Knowing this, the person committing the violation must become aware that trust has been violated. This may occur by virtue of detecting changes in the other's disposition, or through direct feedback from the other or from third parties. Then, the violator will have to actively engage in actions to address the violation. Finally, the 'victim' – the person whose trust has been violated – must be willing to accept the repair initiatives in a way that allows the parties to constructively complete the deal. Also, if the parties intend or expect to negotiate with each other in the future then the repair efforts must also create the groundwork for productive future deliberations. As Lewicki and Polin (2012) note:

For full repair to occur, both parties must be willing to invest time and energy in the repair process, perceive that the short and long term benefits of repair outweigh the costs, and recognize that the benefits to be derived from repair are preferable to terminating the relationship and attempting to have one's needs met elsewhere. (Lewicki and Polin, 2012, p. 129)

Moreover, efforts to repair trust should focus on the substantive nature of the trust violation and what was damaged by that violation. That is, when we understand the function that trust serves in a particular negotiation context, we can better understand the nature of the damage done by a trust violation, and hence understand what kind of actions might be necessary to repair that trust. One way to categorize violations is to distinguish
between those violations that undermine the positive (trustworthy) intent of the negotiator from others that undermine the positive (trustworthy) impact of the violation. In the former case, in the victim’s mind, the trust violation calls into question whether the negotiator is honest, is telling the truth, and intends to keep promises or commitments made during the negotiation. Thus, trust repair efforts may need to focus on restoring the victim’s perception of the actor as an honest and credible person. In the latter case, the victim focuses more on the impact of the trust violation, in terms of tangible, economic losses that may have been suffered as a result of the violation. In this case, trust repair efforts may need to focus on restoring the tangible or economic damage caused by the trust violation, that is, acts of restitution for direct losses suffered as a result of the violation (Tomlinson et al., 2012). For example, in negotiation, lies, deceptions, and false promises are often effective because the victim believes these statements to be true, and thus is led astray as the negotiator gains a short-term power advantage by communicating misleading information. In contrast, failures to keep agreements and honor commitments often lead to a direct loss of tangible resources or steer the victim to pursue alternatives that are less beneficial. Admittedly, many trust breaches may be seen as violations of both intent and impact, and as we will suggest, the required ‘remedy’ may involve addressing both concerns.

Consistent with this view, the emerging trust repair literature has grouped trust repair strategies into three major approaches. First, there are verbal accounts, in which words and emotional expression are employed to attempt to mitigate the consequences of the violation. These approaches largely address efforts to manage perceptions of intent. Second, a violator may engage in the payment of reparations – that is, specific, tangible resources such as money or other forms of compensation to ‘repay’ or benefit the victim for tangible losses that may have occurred as a result of the violation. These approaches largely address efforts to manage the consequences of impact. Finally, the parties may engage in ‘structural solutions’, or ways to change the structure of the interaction between the parties so as to minimize the likelihood that future trust violations can occur. Rules, contracts, referees and monitoring systems are all formalized mechanisms for either regulating the process by which parties negotiate, limiting undesirable behaviors and/or specifying consequences and punishments for those undesirable behaviors. Dirks et al. (2011) identify these approaches as ‘situational’ strategies of trust repair, providing assurance of future trustworthy behavior, as compared to ‘dispositional’ strategies (accounts and reparations), which seek to repair the effects and consequences of the trust violation. Most of this research has not been conducted in specific negotiating contexts, but has been studied more
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broadly in a variety of interpersonal exchanges that would readily apply to negotiation dynamics.

Verbal Accounts

In its most general form, a verbal account occurs when a trust violator attempts to account for, or explain, some event that the victim has identified as a violation of trust. In the negotiation context, this might be a mis-statement, a lie, or an unkept promise, or some form of injustice. If a violator fails to see the evidence that any mis-statement or injustice has occurred, there is no perceived rationale for a verbal account. It may seem apparent that a verbal account is a natural reaction when a party becomes aware of the negative effect that their actions have on another party. Thus, Tomlinson et al. (2004) found that a simple offer of apology was more effective than offering no apology. Moreover, a victim was more likely to accept an apology that made an internal attribution as opposed to one claiming external causes, that is, ‘It was my fault’ vs ‘I couldn’t help it’. Thomas and Millar (2008) note that a failure to apologize leads to more anger when expectations in a relationship are not met, an effect that increases when the recipient of the violation is low in need-for-cognition.

As Kramer and Lewicki (2010) explain, verbal accounts made in response to trust breaches are called by many names in literature: accounts, recounts, explanations, justifications, apologies, to name a few. Upon reviewing the similarities among these different types of verbal accounts, these authors suggest two main categories: explanations and apologies. More recently, Lewicki and Polin (2012) proposed that an explanation is not different from an apology, but is one integral component of an effective apology. In this work, they analyze a number of contemporary, high-profile apologies, and build from both academic and non-academic work on apologies to suggest six components necessary for an effective apology: an expression of regret for the offense, an explanation of why the violation occurred, an acknowledgement of responsibility for causing the action, a declaration of repentance, an offer of repair and a request of forgiveness. Future research is directed at determining which of these components, singly or in combination, is more critical to judging an apology as fully effective.

Effectiveness of an apology is more than just its verbal components. Frantz and Bennigson (2005) argue that timing matters: an earlier apology may reflect a lack of thought and reflection on the trust violation and reduce its impact. In their study, they find that recipients of trust violations feel more satisfaction when they receive an apology some time after the violation, once the violator has had time to hear and understand
the victim’s feelings. In contrast, Tomlinson et al. (2004) find that the more immediately an apology occurs after a violation is recognized, the more effective it is in the victim’s willingness to repair trust. Clearly more research is needed here to differentiate when an immediate action vs a delayed action is needed. For negotiation specifically, the characteristic time constraints found in most negotiations may require apologies to occur sooner rather than later, as there may not be a ‘later’ in short negotiations.

Research has also shown that an apology may not always be the most effective verbal account after a supposed trust violation has occurred. Earlier in this chapter we discussed the differences among the ability, benevolence and integrity dimensions of trustworthiness. Depending on the dimension of trustworthiness on which a party fails to meet expectations, different types of responses may be needed. Kim et al. (2004) examined the impact of apologies on restoring trust after ability (competency)-based trust violations and integrity-based violations. It was found that when an ability-based violation occurred, an apology was more effective – specifically a response that admitted responsibility, expressed regret and affirmed that the violation would not occur again in the future. In contrast, when an integrity-based violation occurred, the researchers found that a denial of culpability was more effective in repairing trust, as long as there was not irrefutable proof that the party was indeed responsible for the violation. The authors explained this result by suggesting that failures due to perceived ‘incompetence’ (breakdowns in ability) could be rectified by apologies and explanations that implied that conditions leading up to the breakdown were temporary and easily fixable. In contrast, failures due to perceived breakdowns in integrity were not judged by victims to be easily fixable because weak character is not something that can be quickly ‘repaired’. As a result, after an integrity violation, the violator was actually better off denying the violation – if it could be done credibly – than by acknowledging a failure in character that was less easily repaired.

Turning to negotiations in particular, the timing of an apology, coupled with the type of breach, could dictate whether the victim continues to negotiate or walks away from the table altogether. For example, consider the various forms of lying that might occur in a negotiation. A negotiator lies and the victim quickly identifies the statement as a lie and challenges the negotiator on the accuracy of the statement. If the negotiator quickly apologizes and attempts to explain the lie as ‘an erroneous statement’ or a ‘miscommunication’ or a ‘brief mental lapse’, the victim may be willing to forgive the event and continue negotiations. If the lie remains unchallenged for some period of time, ‘calling’ the lie at some future point may be
much more difficult for the violator to explain or justify, and the apology may be seen as less credible even if the explanation is sincere. In contrast, if the lie is challenged and it is denied, then the victim must decide whether, in fact, a ‘lie’ has really occurred. Such proof may be difficult to obtain. When proof is difficult to obtain and the liar knows it, denial may indeed be the best approach; when proof is easier to obtain or the victim is persistent in efforts at verification, denials become less credible and alternative explanations or actions must occur for any trust to be sustained.

Of course, a party who has violated trust may choose to give no verbal account whatsoever, consciously choosing silence instead. They may believe that the trust will not be discovered if they do not break silence, or they may think that they have no obligation to make a statement (Ferrin et al., 2007). When it comes to negotiations, therefore, the pros and cons of making an apology or staying silent must be weighed. Did the other negotiator detect the deception? Was the type of deception one that is more likely to be seen as ‘acceptable’ or ‘unacceptable’? Can the deception be explained as a breakdown in ‘competence’ and not a breakdown in ‘integrity’? Effective deception, and repairing its detection, is not an easy business, and more research needs to be done in this area. And as we noted, while there is a growing literature on the impact and effectiveness of various kinds of verbal statements in repairing trust, little has actually been done in negotiation contexts, and much remains to be done to understand the nature of the violation, the structure of the verbal account and its impact on short- and long-term trust in the negotiation.

Reparations

While apologies are largely focused on correcting the victim’s perception of the intent of the violation, some authors have argued that explanations, apologies and other verbal accounts are no more than ‘cheap talk’ (Farrell and Rabin, 1996). Those who espouse this view dominantly believe that verbal accounts are no more than easy (and often insincere) words, and that only full compensation for tangible losses suffered as a result of the trust violation is likely to be effective. Several studies (for example, Bottom et. al. 2002; Gibson et al., 1999) have examined the role of reparative compensation, combined with or compared against verbal apologies, in repairing trust. While ‘cheap talk’ (apologies) often enhanced the value of reparations/penance, a financial offer (penance) was clearly necessary for effective trust repair. These authors also demonstrated that the magnitude of the offered penance is less critical than the offer itself; offers of small amounts of compensation were often as important as large amounts, and that allowing the victim to specify the amount and way that
the compensation will be repaid also enhanced the effect. Further studies on the effects of reparations have recently emerged. Desmet et al. (2011a) examined how reparative compensation interacted with the perceived intent of the violator. They found that reparative compensation can be effective, and often most effective when the amount of compensation is slightly larger than the compensation lost through the violation. This result was completely erased, however, if the victim discovered that the violation came about as a result of the violator’s deceptive behavior. Thus, in this study, intent ‘trumped’ impact in undermining that repair, at least when compensation was designed to restore the damage of impact. Other studies by these authors revealed that larger compensations are only a step in repairing trust when offered voluntarily (Desmet et al., 2010), taking into consideration a victim’s individual difference of tendency to forgive (Desmet et al., 2011b).

Structural Arrangements

A third way that trust can be repaired is through the creation of ‘structural arrangements’ that re-engineer the situation in order to minimize the likelihood that future trust violations can occur. Thus, rather than focus attention on ‘rebuilding’ trust after a violation has occurred (through some combination of verbal accounts and reparations), new structural arrangements can minimize the likelihood that future violations can occur. Moreover, if the parties expect that a trust violation is possible or likely, these structural arrangements can be set up in anticipation of these possible violations. For example, Sitkin and Roth (1993) proposed that a variety of ‘legalistic remedies’ (policies, procedures, contracts, rules, monitoring systems) can be introduced to regulate dishonest, deceptive and ‘trust violating’ behaviors. Moreover, these new structural guidelines can be strengthened through enforcement mechanisms such as fines, penalties, or loss of privileges to assure that they are respected and adhered to. A similar form of enforcement mechanism is proposed by Nakayachi and Watanabe (2005) in the form of ‘hostage posting’, such as a security deposit, which is lost to the negotiator if a violation is detected. Recent research by Dirks et al. (2011) has shown that both reparations and regulation can be effective in repairing trust, assuming that the victim interpreted these actions as signaling intended penance by the violator. Similarly, negotiators frequently invite third parties into a dispute in order to create and enforce rules, facilitate ‘honest’ dialogue, and monitor agreements in order to stabilize trust. Nevertheless, more work remains to be done in understanding the effect of various types of structural arrangements in minimizing trust, particularly at the organizational level, and
Gillespie and Dietz (2009) have proposed a useful theoretical framework for initiating these studies.

**SUMMARY AND IMPLICATIONS**

In this chapter we have discussed the important role that trust plays in a negotiation process. We first argued that negotiation is fundamentally about the transmission of information in order to influence the other party toward some preferred outcome, and that trust is central to this information transmission process. Without trust, parties would have to consistently engage in processes of certifying the truthfulness of the information they are sending, and verifying the truthfulness of the information being transmitted by the other. While such certification and verification may indeed be important to do before deals are formally ratified, the efficiency of information transmission and affirmation is considerably aided by strong mutual trust. Second, we reviewed the basic body of research that has been performed on trust in the negotiation context. There appears to be only a small amount of research that has actually been done on the role of trust in negotiation – perhaps because its importance is almost self-evident, and because the work that has been done has affirmed its critical role. We also examined qualities of trustworthiness (as viewed by the trustor), and ways that one’s image of trustworthiness can be enhanced for negotiation purposes. Finally, we discussed how trust can be broken during negotiation, and the key role of trust repair processes. Trust is broken either because the truth is manipulated through lies, exaggerations and other distortions of the truth, and/or because negotiators do not follow through by keeping the promises and commitments they make. Trust repair strategies, therefore, can focus on either ‘intent’ or ‘impact’. An intent strategy is an effort by the violator to convince the victim that the violator did not ‘intend’ to break the trust, and to convince the victim that the violator is still a good, honest person. Explanations, accounts and apologies are tools that the violator often uses to repair trust grounded in intent. In contrast, an impact strategy is used by the violator to compensate the victim for actual losses that may have been incurred as a result of the broken trust. Reparations and financial remuneration are the tactics often used to repair violations of impact. We also examined the role of ‘structural arrangements’ to repair trust, in which laws, rules, regulations, contracts and monitoring/enforcement systems are put into place to both minimize trust violations and to penalize the violator if and when such violations occur.

A modest agenda for future work remains. Here are some of the areas
in which we believe future theory and research could be done. In defining this work, we will discuss two broad approaches: ways that negotiation dynamics could be more thoroughly explored to understand the role of trust, and ways that trust research could be enhanced to understand how it can be applied to negotiation practice.

First, with regard to the negotiation process, future work could explore the role that trust plays in distributive as opposed to integrative processes. If negotiators anticipate a distributive negotiation process, they clearly expect less trust and are likely to express less trust than if negotiators anticipate an integrative process. Moreover, trust violations may be likely to be experienced as greater when dishonest behavior violates the trust in an integrative process, and hence may be far more difficult to repair then when the trust violation occurred in a distributive process. In addition, a variety of other contextual variables may impact trust maintenance and violation: power differences between the parties, the power of strong vs weak BATNAs (best alternatives to negotiated agreements) for the negotiating parties, the amount and kind of regulatory structure in which the negotiation takes place, whether negotiation takes place between agents or directly between the principals, and cultural differences between the parties (c.f., Saunders et al., 2010 for emerging research on the impact of culture on trust across a variety of contexts).

Second, with regard to the study of trust, the stream of work is newer, trust is more difficult to measure and calibrate over time, and hence the accumulated body of knowledge is broader but more piecemeal. We suggest three future avenues of work here. There are numerous issues with regard to the measurement of trust and its calibration over time. Much of the research cited here has measured trust after a negotiation has been completed, or, more rarely, before and after a key event in a negotiation process. Yet as we have noted elsewhere (Dirks et al., 2009; Lewicki and Brinsfield, 2011), a complete understanding of trust and its role in negotiation would require researchers to be able to reliably measure trust at the outset of a negotiation process (in other words, ‘presumptive trust’, c.f., Kramer and Lewicki, 2010), trust changes as various moves and turns in the negotiation, and the resultant level of trust after a negotiation has been completed. Such measures become more critical in determining the immediate effects of trust violations and trust repair efforts. This measurement work will require the ability to more reliably calibrate trust at various points without being concerned about difficulties of repeated methods and common method variance in grounding these calibrations.

In addition, several authors (for example, Lewicki et al., 1998) have proposed that a full understanding of trust dynamics requires effectively con-
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The role of trust in negotiation processes is multifaceted and complex. Trust and distrust are independent phenomena that can be conceptualized and measured. Thus, for example, structural solutions to the repair of trust may limit and minimize the amount of distrust, but may not significantly enhance trust. Future work may also consider distrust as an equally viable and parallel construct and explore the interchange of trust and distrust as negotiation dynamics ebb and flow. Thus, the message to negotiators may not be ‘build strong trust’, but instead, ‘build verifiable trust, and periodically implement the verification process’.

Finally, continued work should occur on trust repair in negotiation. Are there situations where trust cannot be repaired and yet productive negotiations can occur? Is there a critical time frame during which trust violations can be repaired, and after which trust repair is no longer possible? How effectively does trust repair work when the parties have differential power? Finally, as we noted earlier, trust dynamics (and repair) may be different within the context of distributive vs integrative negotiation processes. If trust violations are more ‘expected’ in a distributive process by virtue of the anticipation of some dishonesty, does this affect the impact and magnitude of various repair processes?

These are but a few of the many research questions that can still be asked about the role of trust in negotiation. Considerable work has been done, but much work remains to shed greater light on this important application of trust.

NOTES

1. We will also explore the nature of trustworthiness. See Colquitt et al. (2007) for an elaboration of the complex relationship between trust and trustworthiness.
2. See also Lewicki and Bunker (1996) for an elaboration of steps in a trust repair process, and Kim et al. (2009) for an elaboration of a dynamic bilateral conceptualization of the trust repair process.

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