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The art of the deal: Is ethics in the picture?

Can you walk away from the negotiating table with a contract in your pocket and your ethics intact? Here we present the third and final installment in a series of articles on value negotiation.

Every so often in negotiations, we find ourselves exaggerating a truth in order to make a stronger case for our argument. Or perhaps slipping in a white lie to gain an advantage. We compromise our ethics when we choose to use power, manipulation or information asymmetries. We create a recipe for ethical negotiation failure.

“When you go for power, you are saying ‘I want to win, I want to get what I want, no matter what it takes,’” says Professor Horacio Falcao in an interview with INSEAD Knowledge. “But as soon as you start talking about ‘no matter what,’ you’re talking about your willingness to cross ethical boundaries.”

But ethics matter. It therefore becomes imperative to enter into negotiations independent of power and apply a value negotiation approach, says Falcao, who is the author of *Value Negotiation: How to finally get the Win-Win right*.

His book rests on the premise of a 'win-win' approach to negotiations where you focus on good communication, for instance, to develop more value, and hence satisfy the interests of all involved parties. More often than not, the 'win-lose' takes over because people are afraid of losing and are willing to do whatever it takes to win. [See related article: [Negotiating to win](#)]

Enter the ethical dilemmas when there is clash between economic and moral interests and negotiators are faced with a choice between competitive advantage and integrity. Here, Falcao builds on the work by Professors Menkel-Meadow and Wheeler* where they shortlist five common ethical tensions:

1. Truth telling – are we speaking the truth?
2. Bargaining tactics – are we choosing tactics and behaviours that take advantage of power or information shortfalls?
3. Negotiating relationships – are we choosing to treat them as partners, enemies or adversaries in a game?
4. Negotiation and agents – are we representing our interests or that of our client?
5. Social influences and impact – are we satisfying the interests of the negotiators around the table at

the expense of other third party groups?

These recurring issues become ethical dilemmas and it's easy to become consumed by a win-lose approach particularly in high-pressure situations. But we can negotiate to find the best ways to behave ethically, explains Falcao, because ultimately a deal that is closed ethically has more value to all of those involved, including not just the parties but companies and organisations as a whole.

Value negotiation provides a strong platform to manage the conflict of interests and move towards a feasible ethical and economic value-maximising solution, says Falcao. The choice to satisfy economic interests at the expense of ethical ones is bad as is the opposite approach. Instead, the value negotiation approach seeks to find ethical ways to satisfy economic interests or economic ways to satisfy our ethical interests. [See related article: [The pursuit of value](#).]

Ethical Dilemmas*	Choose...a win-win approach	Not...a win-lose approach
1. Truth telling	Carefully exchange the truth	Lie, deceive or hide information
2. Bargaining tactics	Act value-focused, diagnose and separate the negotiations consistently	Act power-focused, explore information asymmetries or manipulate
3. Negotiating relationships	Proactively invite them to negotiate as partners	Treat them as enemies or adversaries
4. Negotiation and agents	Negotiate with clients to allow us to better and safely perform our duties	Protect our own interests even at the client's expense
5. Social influences and impact	Be cautious about our social influences and impact	Only worry about our gains

With truth telling, for instance, Falcao suggests a transparent yet safe exchange of information. However, if the other party asks for information that puts us at a disadvantage, we can try to ethically negotiate ourselves out of a potentially economically compromising situation by asking, "Why is this important for you?" or "I am not sure this information will help us keep on working as a team. May I recommend we talk about what you really want out of this negotiation instead?"

Likewise, when we experience reserve or obstinacy whilst negotiating relationships where the other party treats us as enemies or adversaries, Falcao recommends reinforcing interdependence and the willingness to collaborate. "Standing for your ethics means standing for more interest than just the economic interest which means your task is bigger," says Falcao.

Courage is fundamental

Ultimately, being ethical boils down to a key principle—being prepared to be courageous.

“Courage is fundamental,” explains Falcao. “If you are afraid that every time you try to manage a difficult situation you’re going to fail, you’re less likely to be courageous because you know that it’s not going to end well.” We need courage to look ourselves in the mirror whenever we act unethically and recognise the need to change the behaviour.

We also need the courage to acknowledge that ethical people can make ethical mistakes, despite their best intentions. But there’s a fuzzy line to cross when we are unable to acknowledge our ethical mistakes, says Falcao, who attributes the behaviour to *bounded ethicality*.** It makes us believe we are behaving ethically when we are not.

Case in point: “I deserve more than them!” or claiming more credit or value than we deserve from overestimating our own contributions compared with others. Here, Falcao suggests refocusing on legitimacy and genuinely recognising the contributions of others while evaluating your own.

“Courage to pursue our ethics,” he continues, “goes hand-in-hand with the confidence to perform well within our ethical space. Our confidence to negotiate is proportionally stronger the more prepared we are.”

When to walk away

The art of ethical negotiating therefore lies in both being prepared and being skillful in value negotiation in order to manage the ethical tensions that may arise during talks - giving it all you’ve got before realising it’s time to walk away.

But sometimes we have to walk away from a deal to protect our ethics, says Falcao. “We do not have to close a deal that sacrifices such important interests as self-respect and self-identity.”

* Professors Menkel-Meadow and Wheelers are co-editors of *What's Fair: Ethics for Negotiators*, published by Wiley-VCH.

** From *Negotiation Genius: How to Overcome Obstacles and Achieve Brilliant Results at the Bargaining Table and Beyond* by Deepak Malhotra and Max Bazerman, published by Bantam.

'Value negotiation: How to Finally get the Win-Win Right' is published by Prentice Hall/Pearson. For more on the book go to www.valuenegotiation.com.

This article was written by Lindsay Anne Brown based on an interview for INSEAD Knowledge.

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