WHEN AND WHY NEGOTIATORS REDEFINE ISSUES
TO FORM CREATIVE AGREEMENTS

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Negotiating effectively requires creating value, or increasing the total value of the deal (Bazerman, Curhan, Moore, & Valley, 2000; Carnevale & Pruitt, 1992; De Dreu, Beersma, Steinel, & Van Kleef, 2007). If there is a paradigmatic case of creating value in negotiation research, it is identifying tradeoffs across established issues that are valued differently by different parties (Froman & Cohen, 1970). If there is a paradigmatic case of creating value in broader negotiation discussions though, it is through the exercise of creative problem solving that changes the issues under discussion. As Walton and McKersie (1965: 138-9) put it: "The [integrative process] model assumes redefinition of the problem as the problem-solving process continues, either as search fails to generate acceptable solutions or as new information suggests a connection with other problems not originally considered." Redefining issues is central to value creation, but there is little study of when and why parties do so.

Creative agreements, or agreements in which parties redefine issues to create value, are our common examples of integration. Follet's (1940) classic sisters and the orange, library window, and dairymen's cooperative cases of integration, in which parties unbundle current issues or generate new issues, are classic examples of creative agreements. The central examples in Pruitt (1983a), Fisher and Ury (1981), Lax and Sebenius (1986), Carnevale (2006), and Malhotra and Bazerman (2007), among others, are also about redefining issues to form creative agreements. The core breakthrough to form creative agreements involves redefining issues: developing (Putnam & Holmer, 1992) or reframing (Gray, 1997, 2004, 2005) the issues under discussion as well as generating further issues. Yet when and why parties redefine issues remains understudied (notable exceptions are Kray, Galinsky, & Markman, 2009; Maddux & Galinsky, 2009; Sinaceur, Maddux, Vasiljevic, Nückel, & Galinsky, 2013).

To examine when and why negotiators redefine issues, we expand on an insightful and under-used theoretical model, the interlocking self-regulation model (Brett, Northcraft, & Pinkley, 1999). This model aims to explain when and why negotiators change their goals. According to the model, parties set a goal and look for discrepancies between their goal and the situation, such as the proposal being offered by the other party. Feedback about a discrepancy between the situation and a goal typically leads to taking actions to reduce the gap. Yet feedback

can also provide the impetus to change a goal—to reduce the goal, for example, or to form an alternative goal. To this feedback-driven mechanism to explain when and why parties redefine goals, we add an account of when and why parties redefine the issues.

In what follows, we discuss redefining issues and the expansion of the interlocking self-regulation model as a means of explaining when and why parties redefine issues. Then we develop new negotiation simulation exercises and address some of the most basic questions about redefining issues. We show that some well-established beliefs and prescriptions about negotiation, such as the information dilemma, the value of targets, and the importance of sharing information, are likely to require re-thinking once we move away from the default of studying fixed negotiation situations with a limited range of options and towards studying, as an equal partner, negotiation situations that are open to redefinition.

Redefining issues as a distinct challenge

Redefining the issues under discussion in negotiations is a distinct challenge from selecting among available options. For example, Follet's (1940) two sisters example involves two sisters arguing over a single orange. Their initial understandings are that there is a single orange, and they are negotiating over who should get it. Given that initial understanding, one sister might claim the entire orange (acting to change the situation, without changing her goal or understanding of the issue), while the other sister concedes (a change in goal, but not in understanding of the issue). Or, both sisters could compromise (change their goals, but not their understandings of the issue) and cut the orange in half. Redefining the issue of the orange by unbundling it into the peel (for one sister's baking) and the juice (for the other sister's drinking) allows new actions to form an agreement. The tradeoff is only possible once the issue is redefined. Identifying tradeoffs across known issues is clearly a challenge (e.g., Thompson & Hastie, 1990). Yet to arrive at that challenge, negotiators must already have formed the understanding that the situation has several issues. The two sisters example illustrates that identifying that there are multiple issues can in itself be a challenge.

The main difference between redefining issues and selecting among known options on established issues is the role of information. Scholars have long urged extensive information sharing for creating value (Walton & McKersie, 1965). Scholars have long found support for connecting the amount of information exchanged to forming tradeoffs among known options on established issues (e.g., Thompson, 1991; Weingart, Brett, Olekalns, & Smith, 2007). However, these effects could be driven largely by the situation: given a scorable game with fixed, known issues, then the more information parties exchange, the more likely they are to stumble into the useful opportunities that are present in the case as provided. Further, stumbling into the information is probably enough to know what it means and how to create value with it—there is very little ambiguity in scorable game exercises. In support of this possibility, we can contrast these findings from scorable games with evidence from case analyses (Gray, 2004; Putnam, 1994), which show that large amounts of information exchanged across parties is not indicative of progress if parties' initial interpretations of the issues mean the available options are incompatible. Research on the confirmation bias (e.g., Nickerson, 1998), for example, indicates that individuals often tend towards supporting their current interpretations rather than changing those interpretations. Research on influence shows that more information is not helpful for changing people's views (e.g., Nyhan & Reifler, 2010). Thus, in contrast to forming tradeoffs in

scorable games, it is not the amount of information exchanged that is likely the crucial concern when it comes to redefining issues.

The information that could enable parties to redefine issues is information about superordinate goals, which is one way to think about what interests are (Brett et al, 1999). Superordinate goals provide the direction and the flexibility to redefine the issues under discussion in useful ways. Superordinate goals are also relevant to selecting among known options on established issues. However, there is an important distinction in how superordinate goals work when issues are known than when issues can be redefined. In this case, information and its relevance to superordinate goals differs in its ambiguity. Most discussions of interests as superordinate goals, because they are focused on selecting among known options not in forming the understanding of the options in the first place, assume very little ambiguity. For example, one core discussion around sharing information about interests in negotiation is that it is a dilemma (Lax & Sebenius, 1986; Murnighan, Babcock, Thompson, & Pillutla, 1999). Parties need to share information about interests to create value but sharing information about interests risks allowing their counterparts to capture the value created at the expense of those who shared information about their interests. This dilemma requires two conditions: it must be clear that one is revealing information about interests and it must be clear that the other party will know the value of shared information and how to capitalize on the information. In negotiation situations with fixed, explicitly drawn issues, these may well be reasonable assumptions. However, in negotiation situations in which parties can redefine issues, sharing information about interests occurs under considerable ambiguity. Parties may not fully understand their interests (Brett et al., 1999), parties might not realize that their counterparts shared information about their interests, and parties might not have any idea how to use information about interests for selfish gain. As a result, outside of fixed issue negotiations, information dilemmas may be more feared than experienced, while missed opportunities might be common and commonly go unnoticed when it comes to situations in which creative agreements are possible.

As a second example to indicate the challenge of ambiguity, we consider another core discussion around sharing information in negotiation, which is integrative and distributive information sharing (Weingart et al., 2007). Integrative information sharing is about stating and asking about preferences and priorities (and, presumably, interests more broadly). Distributive information sharing is about stating and sharing facts and focal points, such as targets or bottom lines. These distinctions are relatively clear-cut for negotiation situations with fixed issues. However, they are less helpful when the issues can be redefined. To return to Follet's elegant two sisters example once more, the factual statement: "I'm going to bake" could indicate a justification for a position: "I need the orange because I'm going to bake, so give it to me now." It could also be the revelation of a broader interest: "what I really want to do is use the orange to bake something," which is an interest that if understood or followed up would make plain that the peel is what is of primary use when baking. Or, the statement could be an irrelevancy: "great, you're going to bake and I'm going swimming; now, what does this have to do with our fight over the orange?" The shared information is ambiguous. The statement itself is not integrative or distributive, but rather it is how the statement is interpreted that matters. Further, the statement can be initially interpreted as a distributive claim or an irrelevancy, and then later re-interpreted as integrative if one of the sisters, for whatever reason, comes to recognize its value as expressing an interest. This, in turn, could lead to redefining the negotiation by unbundling the issue of the orange. Thus the classification of information sharing events as integrative or

distributive is not knowable because the information could later be reinterpreted. Information is often ambiguous.

Understanding redefining issues by expanding the interlocking self-regulation model

To examine when and why negotiators handle ambiguity and redefine issues to form creative agreements, we draw on the interlocking self-regulation model (Brett et al., 1999). We do so because the model was expressly generated to account for when and why negotiators adapt to new information. The model was designed to explain goal discovery within negotiation. Negotiation research often operates on the assumption that negotiators know what their goals are, despite Follet's (1940) early insight that encountering conflict is often a learning experience that nudges parties to realize more precisely or fully what they want. Conflict leads to clarifying one's own interests. Follet's insight, and the interlocking self-regulation model, remain largely untested.

The interlocking self-regulation model characterizes negotiator behavior as goal-driven with a feedback loop driven by what the negotiator is experiencing and the situation as a whole. In this sense, the interlocking self-regulation model is like many goal-driven problem solving and planning models (e.g., Anderson & Lebiere, 1998). Parties generate goals, use those goals to plan actions, and then assess the outcomes of those actions by comparing the outcomes against their goals. The outcomes of one's own actions, the actions of the other party, and information from the situation provide feedback that then indicates whether good progress is being made towards one's goal or whether one is failing to attain one's goal.

The interlocking self-regulation model provides a basis for identifying two pathways by which parties can redefine issues. First, parties might encounter feedback indicating a failure to close the gap between the situation and their goals. In this case, they might (but need not) shift to a superordinate goal within their goal hierarchy (i.e., focus on their interests). Thus far, we are just outlining a pathway in the original model. Extending the model on this pathway is relatively simple: shifting to a superordinate goal has the potential to change not just negotiators' understandings of what they want, but also their understandings of what will satisfy those wants. Goal change can lead to noticing new issues or new ways of thinking about current issues. That is, goal change can provide the flexibility to redefine issues. This pathway predicts that negotiators will be more likely to redefine issues after they fail to achieve their initial plans to meet their goals.

As a second option for redefining issues, the interlocking self-regulation model could be adapted by including learning goals, rather than just performance goals. Rather than focusing on discrepancies regarding what one wants to obtain in a contract, parties could be focusing on discrepancies regarding what one knows or believes. Current self-regulation models are incorporating both multiple goals and learning (e.g., Vancouver, Weinhardt & Vigo, 2014), and the interlocking self-regulation model of negotiation can thus be readily extended to include these aspects. Many studies show that specific, high, concrete goals can promote forming tradeoffs in fixed-issue negotiations (as reviewed in Zetik & Stuhlmacher, 2002). However, goal-setting theory (Latham & Pinder, 2005) as well as studies of individuals (e.g., Earley, Connolly, & Ekegren, 1989) and negotiators (Polzer & Neale, 1995) indicate that specific, high, concrete goals can be counter-productive. They are counter-productive when individuals have a poor understanding of the situation, due to the situation's ambiguity. In these cases of ambiguity, the prescription is to form learning goals (Seijts & Latham, 2012). However, learning goals are

typically framed (and operationalized) in terms of a tolerance for making mistakes and an orientation towards learning about general strategies for accomplishing a kind of task. Such learning goals have been found to increase negotiators' performance across several negotiations, but, critically, they have not been shown to improve performance on the first negotiation (Bereby-Meyer, Moran, & Unger-Aviram, 2004). Presumably, the first negotiation (or task, generally) is the one that provides the opportunity for mistakes that allow learning and higher future performance. Handling current ambiguity requires a different kind of learning goal, a proximal learning goal to learn about the current negotiation situation, specifically, rather than a distal learning goal to learn about negotiation generally. So, a learning goal should enable parties to consider adapting not just tactics towards their goals but also the situation itself, and so foster redefining issues in a negotiation.

THE STUDIES

These core predictions about when and why parties redefine issues in a negotiation to create value spurred a series of experiments. The first study tested what might be called a satisficing (Simon, 1947) prediction: if negotiators can achieve their initial goals directly, without redefining issues and so without forming creative agreements, they will. To test it, we varied the size of the bargaining zone on the central issue in a new negotiation simulation exercise. Three separate groups negotiated in a situation with a large positive bargaining zone, a small positive bargaining zone, or a negative bargaining zone on the main issue. As predicted, dyads in the negative bargaining zone condition were most likely to generate creative agreements, followed by dyads in the small positive bargaining zone condition, followed by dyads in the large positive bargaining zone condition. Therefore, the study supported the basic satisficing claim (Simon, 1949) incorporated into the interlocking self-regulation model: people seek to fulfill goals rather than optimize what's possible in a situation. Creative agreements are more likely when the situation impedes forming noncreative agreements.

The second study tested a prediction about negotiators' initial goals. Specifically, it tested a form of Pruitt's (1983b) firm-flexibility proposal: the more attached parties are to their goals and also willing to find different pathways to their goals, the less likely they are simply to concede as a means to close the gap between their goals and what they are receiving from the other party. Negotiators were encouraged either to be flexible or both firm and flexible. We found that pairs in the firm and flexible condition were more likely to form creative agreements than dyads in the flexible condition. We also found that information sharing about interests was not sufficient to form creative agreements; there was no difference between conditions in sharing information about interests. However, those in the firm and flexible condition were more likely to recognize and make use of information about interests to redefine issues. Thus, the critical factor for forming creative agreements was not sharing information about interests but recognizing and using such information to redefine issues.

Study 3 tested a form of the prescription to focus on interests: negotiators who start by focusing on a higher-level goal (i.e., an interest), relative to those starting with lower-level goals (targets or bottom lines), should be more likely to form creative agreements. Consistent with this prediction, those in the interest goal condition were more likely to generate creative agreements that parties in the target position goal condition and the bottom line position goal condition. Those told to focus on targets were no more likely to form creative agreements than those

focused on their bottom lines, in contrast to prior work on forming tradeoffs in scorable game exercises.

Finally, Study 4 tested the prediction that negotiators oriented towards learning from the negotiation situation would be more likely to redefine issues and form creative agreements than negotiators oriented towards presenting their current interpretations of the negotiation. The results showed that dyads in the learning condition were more likely to form creative agreements than dyads in the presenting condition.

GENERAL DISCUSSION

Most negotiations allow parties the opportunity to redefine the issues, reconsider their goals, and so form creative agreements. Discovery of what parties could be discussing and the processes by which parties recognize what their interests are should be central in negotiation research. However, these kinds of negotiations have been more discussed than studied. By generating new simulations and expanding on Brett, Northcraft and Pinkley's (1999) useful theoretical model, we hope to spur research on redefining issues and forming creative agreements.

The current studies provide support for several factors that are likely to be important for predicting when and why negotiators redefine issues and form creative agreements. Situations that do not allow initial goals to be achieved, such as negative bargaining zones on initial issues, seem likely to prompt creative efforts. Sticking to one's interests and being open to learning also found support, and are likely to be influential. These are not entirely surprising findings. What is more surprising is the gap between the confidence in our prescriptions and the research base testing the precise claims. The current studies point to ways to close these gaps.

The current studies also point to some ways in which research on negotiations with fixed issues may be leading to over-emphasizing some aspects of negotiation and masking other aspects. We might shift some attention away from acts of sharing information and towards instances of recognizing the value of information parties have shared. We might also shift some attention towards determinations of how to make use of information to redefine issues and form creative agreements. We might shift some attention away from targets and towards learning, at least when situations are ambiguous and negotiators do not have complete information prior to their discussions. We might also attend much more to the role of the situation in motivating negotiators towards creativity or enabling them to stick to their initial interpretations. The larger point is that negotiation research has often formed prescriptions developed primarily on the basis of research with fixed issues, and these have identifiable and systematic differences relative to ambiguous negotiations that allow parties to redefine issues. Negotiations with fixed issues are valuable for research. Their limitations should be better understood and the contrast with negotiations such as those studied here provide a means for doing so.

REFERENCES AVAILABLE FROM THE AUTHORS