

Industrial Relations Through a Negotiation Lens: A Model for Explaining Strategic Choice

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STRATEGIC NEGOTIATIONS: A THEORY OF CHANGE IN LABOR-MANAGEMENT RELATIONS. By Richard Walton, Joel E. Cutcher-Gershenfeld, and Robert B. McKersie. Boston: Harvard Business School Press. 1994. Pp. xviii, 376.

Strategic Negotiations provides an intelligent discussion of the motivations behind strategic choices made by management and labor in negotiation. As an attempt to update and build upon the model that Walton and McKersie constructed twenty years ago in their seminal work, *A Behavioral Theory of Labor Negotiations: An Analysis of a Social Interaction System*,¹ the authors' latest contribution is an important addition to the current literature. *Strategic Negotiations* integrates recent advances in the fields of organizational behavior, game theory and decision analysis, social and cognitive psychology, and negotiation theory. The new model is carefully tailored to address the modulations of a rapidly changing marketplace in which management must address the pressures of international competition, increasing demands from labor for quality-of-life improvements and greater participation in daily management decisions, and the ebb of union power. *Strategic Negotiations* provides a frame to view the current state of industrial relations and a lens to probe the choices and shifting dynamics which are currently shaping patterns of interaction between labor and management in the American workplace.

Walton and McKersie's *A Behavioral Theory of Labor Negotiations* constituted the first major attempt to crystallize developments that had been taking place in the previously intellectually disparate fields of organizational behavior, bargaining and negotiation theory,

1. ROBERT MCKERSIE & RICHARD WALTON, *A BEHAVIORAL THEORY OF LABOR NEGOTIATIONS: AN ANALYSIS OF A SOCIAL INTERACTION SYSTEM* (2d ed. 1991).

and experimental psychology. The result radically altered the common understanding of social negotiations, particularly industrial relations. Through a comprehensive model postulating distinct behavioral patterns and four interrelated negotiation subprocesses, the authors first drew the now-familiar distinction between distributive and integrative bargaining.

The *Behavioral Theory* model explored choices and actions that influence the attitudes and relational dynamics between parties (“attitudinal structuring”) and processes designed to achieve consensus within parties (“intraorganizational bargaining”). Examination of each subprocess, both individually and as a component of a larger process, led the authors to conclude that all labor-management bargaining contains both distributive and integrative qualities. The authors suggested ways in which to combine these qualities in order to maximize productivity. By pushing the limits of industrial relations theory and raising subprocess classification to a new and more useful level of abstraction, the authors demonstrated that the classic zero-sum style of negotiation and the corresponding models that had dominated the field might not be apposite after all; even in the midst of a highly distributive process, management could channel integrative tactics to achieve more beneficial outcomes. *A Behavioral Theory of Labor Negotiations* yielded insight into process dynamics and relational structuring in negotiations and provided an advanced model with which to explain the decision-making processes and motivations of labor and management at the negotiating table.

Strategic Negotiations builds on the model created in *A Behavioral Theory of Labor Negotiations* and represents a giant step toward predictive accuracy in its examination of management’s strategic choices and of corresponding labor responses. The current model comprises three basic elements — the interaction system among parties, the forces shaping negotiators’ choices, and the outcomes of these choices. The centerpiece of the model is the interaction system, encompassing interrelated negotiating processes, strategies, and structures. By importing the description of negotiation processes — distributive and integrative bargaining, shaping intergroup attitudes, and managing intraparty differences — from the original model of *A Behavioral Theory of Labor Negotiations*, Walton, Cutcher-Gershenfeld, and McKersie provide a concrete and familiar anchor for the overlying theory of strategy selection by management.

The authors assert that a particular strategy — forcing, fostering, or escape — predictably results from the interaction between negotiators; management’s choice of a particular strategy determines

that negotiators will engage in certain processes and approach the table with correlated attitudes. For example, if management's objective is crucial and if labor is in a relatively weak bargaining position, management may force substantial change, diminishing labor's role at the expense of amicable relations. Alternatively, if management needs to build trust and to improve labor-management relations, management may choose a fostering strategy. Working collaboratively with labor can encourage positive attitudinal change and joint problem-solving through voluntary change. Finally, management may try to escape from dealing with labor at all by choosing a non-negotiation strategy: management may transfer operations to avoid unionization or hire permanent replacements for striking workers. The authors are careful to note that the accuracy of the interaction system model may be qualified by variability in negotiating structures, such as the frequency of interaction, the level of negotiation (i.e., individual versus institutional), the degree of centralization, and the number of parties. The availability of certain tactics may depend on these factors, or, conversely, a negotiator may shape these factors to complement her chosen strategy.

The authors contend that two important forces shape the parties' choice of strategies — the desirability of the objectives associated with a specific strategy and the feasibility of the change. More engaging, however, is the authors' discussion of the negotiated outcomes themselves. The authors propose that outcomes may be either substantive or social contract outcomes. Substantive outcomes constitute the distinct duties and obligations of labor and management while social contract outcomes characterize the larger relationship and attitudes between the parties. By their very nature, social contract outcomes affect the more specific substantive contract between the parties. The various combinations of social contracts may include commitment and cooperation, compliance and containment, or commitment and containment, depending on the degree to which the parties' respective ideologies and orientations are aligned. The authors' distinction between substantive and social contract outcomes provides a theory to account for the significant changes in the negotiating environment that stem from conditions beyond the individual labor-management relationship. The distinction also provides a useful framework for analyzing the relational dimensions surrounding negotiations in a long-term context.

The authors test their model through a series of historical case studies taken from the pulp and paper, auto supply, and railroad industries. They assert that labor-management negotiations can not be

fully understood as distributive games focused solely on the level of wages and the degree of management control over work processes. In response to increasingly powerful foreign and nonunion competitors, the decline of unionism in the United States, and public policies that have further weakened labor at the bargaining table, both labor and management agendas have expanded beyond traditional aims to incorporate a host of new concerns. The authors contend that labor and management have begun to identify new substantive priorities, such as quality-of-life issues, increased labor involvement in business decision-making, and long-term employment security, thus creating a new impetus for renegotiation of the larger social contract — the underlying rules of the game. As a by-product of these new rules, industrial relations have shifted from periodic interaction between designated representatives to continuous communications in an individualized and decentralized manner. As informal channels of problem-solving are cultivated at all levels of hierarchy, management and labor look more frequently to informal processes, giving more players a voice in the process and promulgating an environment of cooperation and commitment.

By viewing industrial relations through a negotiation lens, the authors successfully create a model that possesses the flexibility necessary to capture the realities of dynamic processes. However, the model fails to incorporate or address variables generated by individual negotiators' personalities and the larger social biases that set the tone of negotiations. The authors devote their attention to forces that shape individual negotiators' choices but largely ignore cognitive factors that may distort negotiation strategies and sway outcomes beyond the parameters of the model. Obvious omissions include personal biases, stereotyping, and discrimination — all of which may have a profound impact on worker productivity and performance and on continuing relations between representatives of labor and management. In a work so closely tied to social psychology and behavioral theory, the absence of such an important set of factors creates a noticeable gap that limits the utility of the otherwise insightful model.

Overall, *Strategic Negotiations* serves as a useful tool for understanding the dynamic process of interaction between labor and management on several levels. Although the authors stop short of suggesting practical pointers to employ around the bargaining table, they achieve a comfortable balance between theoretical complexity and practical predictive accuracy. The model's potential application to contexts outside of industrial relations, such as political coalition

building or alliances between competing firms, evidences the utility of the work. Walton, Cutcher-Gershenfeld, and McKersie have expanded the parameters of the current literature of labor-management relations to create a model that lucidly explains the foundations of negotiators' strategic choice and establishes an important building block for theorists and practitioners.

