

FRIENDS, LOVERS,
COLLEAGUES, STRANGERS:
THE EFFECTS OF RELATIONSHIPS ON
THE PROCESS AND OUTCOME OF
DYADIC NEGOTIATIONS

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Jane McGinn, Vice President of Manufacturing at VanGuard Inc., has spent another day negotiating: This morning she and her husband settled on a new division of household duties; at work, she and the recently appointed assistant vice president spent much of the day negotiating how they would split the responsibilities of what had always been one job; after work, she and her closest friend went out for a glass of wine and decided who would do what to prepare for their upcoming two-week, two-family vacation; finally, after dinner, she met the visiting representative from another community's arts

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board and negotiated roles for coordinating buying efforts on behalf of both communities' arts weekends. All of these negotiations involve a similar problem—the distribution of tasks between two parties—but in each situation the relationship between Jane and the other party is likely to influence the process and the outcome of the negotiation. What does knowing whether the parties are friends, lovers, colleagues, or strangers—in short, knowing the relationship between the parties—tell us about how each of these negotiations will unfold? In an attempt to begin to answer this question, this chapter integrates social psychological research on relationships with analytic work on how relatedness affects negotiations. We review the literature, point out and attempt to reconcile some of the contradictions therein, and provide a theoretical framework for organizing past and future research to shed more light on the role of relationships in dyadic negotiations.

Early works that provide the foundations for research on negotiation emphasize the important role of the relationship between the parties (Pruitt & Rubin, 1986; Rubin & Brown, 1975; Walton & McKersie, 1965), but the majority of the empirical work that followed fails to treat negotiator relationship as a critical variable. Recently, the topic of social context, specifically the relationship between parties, has begun to come to the foreground in negotiations research (e.g., Fry, Firestone, & Williams, 1983; Greenhalgh & Chapman, 1993; Greenhalgh & Kramer, 1990; Loewenstein, Thompson, & Bazerman, 1989). While a close examination of this growing body of research reveals findings that are often inconsistent and inconclusive, this should not be seen as surprising or negative; the complexity of interpersonal relationships dictates similarly multifaceted effects on negotiations. Attempts to show that close relationships either help or hinder negotiations, in some absolute sense, are destined to be overly simplistic. This chapter integrates relationship research into bargaining research, with the hope that the potential effects of relationships will become clearer and more central to the study of negotiation.

Negotiation researchers have typically separated negotiation into two components—the process and the outcome. The process includes all of the “moves” each party makes in the negotiation, the interpretation of these moves, and the implicit and explicit rules for interaction. The outcome is determined not only by this process, but also by the rules or norms for distribution, and the preferences or

utilities of the parties for the alternative outcomes. While process and outcome are inextricably entwined in practice, they can be separated theoretically and studied as distinct features: Behavioral studies of negotiation tend to emphasize procedural variables and analytical research traditionally focuses on outcomes. We present a model that fits personal ties into these two components of bargaining—tying the behavioral aspects of relationships to the negotiation processes, and the cognitive/affective aspects of relationships to negotiator preferences for outcomes.

DEFINING RELATIONSHIPS IN THE NEGOTIATION CONTEXT

Most of the social psychological research on relationships has focused on the form and content of the relationship itself (e.g., Duck & Perlman, 1985; Kelley, 1979). Before exploring the specific issue of relationships in negotiation, a review of this broader literature can highlight the crucial dimensions of interpersonal ties. To begin, how does the presence of some a priori relationship, regardless of its form, set a pair apart from two people who have never met? What do friends, lovers, and colleagues have in common that differentiates them from strangers? At a minimum, the first three imply ongoing interdependence—a tie between the parties such that one's behavior has some noticed effect on the other's outcomes and/or behavior, and an acknowledgment by both parties that this is so and will continue to be so. While strangers may be interdependent within a given negotiation, parties with no past ties and no expected future interaction do not operate under the assumption of ongoing interdependence. Of course, interactions may lead to future interdependence and strangers may become colleagues, friends or lovers based on the outcome of their initial interactions.

Friends, lovers, and colleagues have interdependence in common, but closer examination suggests they differ from one another in the absolute quantity of this interdependence, or in the overall strength of the bond between the parties. A social psychological approach to personal ties proposes that interdependencies within ongoing relationships can be distinguished by four major properties: the basis of dependence, degree of dependence, mutuality in dependence, and correspondence of outcomes (Kelley, 1979). These properties can be

used to classify all types of ongoing relationships and may help research form predictions about behavior. Consider Kelley's four properties of interdependence and their potential effects on negotiations. The *basis of dependence* determines the extent to which the relationship controls behaviors—the likelihood that the parties will act in some prescribed way within the negotiation simply because of their personal ties (e.g., boss/subordinate during working hours). The *degree of dependence* is based on the potential for alternatives outside the negotiation, thereby setting the limits on outcomes one should be willing to accept within the negotiation (e.g., one presumably has many alternative casual acquaintances if the negotiation is over where to grab a quick bite, but few alternative trusted confidants if the dinner is meant to include a heart-to-heart talk). The *mutuality of dependence* affects the power balance between the parties—while mutual dependence suggests a balance in the power between parties, asymmetric dependence indicates that one or the other party is holding a predominance of power within the negotiation (e.g., the question of whether to allow replacement workers during a strike is a question of mutuality of dependence in the contract negotiation process). The *degree of outcome correspondence* sets the mix between cooperation and competition—while two parties whose outcomes are largely correspondent can negotiate cooperatively, dyads in which one party's individually preferred outcome can only come at the expense of the other are likely to face more competition in their negotiations (e.g., if sales and production split the costs and profits from a product, negotiations about special orders for the product are likely to be more cooperative than if production incurs costs for special orders while sales is rewarded based on total revenue and customer satisfaction). Where the relationship falls within these elements of interdependence is likely to have measurable effects on the parties' moves during the negotiation, as well as their preferences for alternative outcomes (Berscheid, Snyder, & Omoto, 1989; Wish, Deutsch, & Kaplan, 1976).

A sociological view of the absolute quantity of relatedness (Heider, 1958) asserts that a dyad is close to the extent that both members perceive themselves to be a unit. As an extension of the sociological definition, some researchers use the type of relationship to determine overall quantity or closeness, for example, lovers are closer than friends who are closer than strangers. While relationship type is a commonly used and easily

accessible measure of closeness, Berscheid et al. (1989) caution that this classification scheme risks heterogeneity in the level of closeness within categories. Using this type of classification becomes even more problematic when studying organizational relationships rather than intimate relationships—while most married couples may be closer than the average pair of friends or colleagues, it is difficult to arrive at a set of organizational relationship types that is clearly and consistently enough defined to be the primary categorization scheme for studying relationships in organizations.

Regardless of the problems with using labels or measuring overall relationship strength, relying on relationship type is the most common approach to distinguishing between relationships in current negotiation research (Fry et al., 1983; Halpern, 1992; Thompson & DeHarpport, 1990; Valley & Neale, 1993). Overall, the multidimensionality of affect and emotion in relationships has not been fully considered. The use of global measures for operationalizing relationship, and thus the discounting of systematic variation in specific dimensions within relationship types, may explain some of the inconsistencies in current research on the role of relationships in negotiation.

In an attempt to uncover the ways in which people naturally identify and differentiate their personal relationships, Greenhalgh and Chapman (1993) asked a large, heterogenous group of subjects to describe some of the relationships in which they were currently involved. The scale Greenhalgh and Chapman developed as a result of their findings contains 17 constructs (36 items) underlying relationships in any setting. Many of the affective factors identified by their unique deductive approach, such as trust and intimacy, may differ as much within category type, such as friends, as they do between types. Greenhalgh and Chapman aggregate across these items to form a global measure of closeness. This comprehensive approach to measuring the quantity of relatedness may provide needed precision in future negotiation research on relationship effects.

Closer examination of the differences between friends, lovers, and colleagues suggests that in addition to differing in absolute quantity of relatedness, they differ from one another qualitatively, in the content of their personal ties. Homans (1961) proposed that the quality of one's relationship with another is the product of joint activities, interactions, and sentiments. In a similar vein, Granovetter

(1973) suggested that relations can be differentiated along the dimensions of time spent together (activities), reciprocal services (interactions), and mutual confiding and emotional intensity (sentiments). Empirical work on organizational networks supports this categorization of relations. Recent network research has begun to identify the specific effects of different types of ties on negotiated outcomes within organizational settings (Baker, 1992; Ibarra, 1992; Valley, 1992). Baker (1992), studying interaction in a trading room, found task (activities), advice (interactions), and social ties (sentiments) to be descriptive of the content of relations in intraorganizational networks. These, in turn, affected trading behavior. In the newsroom of a metropolitan newspaper, Valley (1992) observed eight separate forms of interpersonal interaction. Analysis of the correlations between the eight sociomatrices revealed three underlying types of interaction, similar to Homan's and Granovetter's theoretical categories, and parallel to Baker's observed categories: task-related helping behavior (activities), task-related conversing (interactions), and socializing (sentiments). In the newsroom, socializing or sentiment ties had more influence on organizational allocations than did task-related helping behavior or job-related conversing (Valley, 1992). These theories and studies suggest that the mere presence or absence of a given type of relationship may not provide sufficient insight into behaviors, while a clear categorization of personal interactions may allow accurate behavioral predictions. As we mentioned above, however, most of the current research on relationships within bargaining has ignored the multiplexity of relationships; network research may be a useful avenue for more in-depth analyses of the role of personal ties in bargaining. In the next section we move into the literature on bargaining and negotiations, integrating work on the various dimensions of a relationship into our understanding of both the process of the negotiation and preferences for certain outcomes.

RELATIONSHIP EFFECTS ON PROCESS

The process of a negotiation includes all of the "moves" each party makes in the negotiation, plus the interpretation of these moves by the other party. An existing relationship between the parties provides an available pool of moves, or a history of communication patterns,

from which the negotiators can readily choose when they enter into the negotiation process. The parties' relationship affects not only the quantity of moves available to the parties, but also the quality of the interaction between the parties (Deutsch, 1975; Lewicki & Litterer, 1985; Raiffa, 1982; Walton & McKersie, 1965). For example, a friend, a lover, and perhaps some colleagues are likely to know what arguments will be most convincing, what the other party's alternatives are, and what the other's preferences are. This leads us to a critical question: Does having an available set of moves give related parties a unique vantage point from which to conduct more effective negotiations, or do the constraints of a historically determined set of moves create barriers such that the attained outcomes are of systematically poorer quality? In this section, we attempt to answer this question by examining how procedural variables such as information exchange, coercion, the use of competitive tactics, and concession making are affected by the relationship between the negotiating parties.

Effective interaction in a negotiation requires the exchange of information. Communication research has shown that the relationship between communicating parties affects the disclosure of both descriptive information (revealing facts) and evaluative information (revealing feelings). Spouses exchange both types of information, while strangers exchange only descriptive information (Morton, 1978). Yet, as discussed earlier, knowing only the type of relationship does not provide complete answers. Gottman, Notarius, Markman, Bank, and Yopp (1976) show that once information has been revealed, the interpretation of that information differs based on the quality of the relationship between the parties. In a high-conflict task, a spouse in a distressed marriage interprets the information provided by the other spouse as more negative than does a spouse in a nondistressed marriage (Gottman et al., 1976).

When they are involved in conflict, different historically influenced sets of moves are triggered for different types of dyads. Shah and Jehn (1993) measured the levels of three different types of conflict behavior—emotional, task content, and administrative—found in groups of friends versus groups of strangers, and looked at the influence of these different types of conflict behavior on the efficiency with which the dyads performed different tasks. They found that groups made up of friends expressed more conflict overall but performed better than did groups of strangers on both decision-

making and motor tasks. Shah and Jehn (1993) conclude that this is because friends are able to match appropriate types of conflict to each task, while strangers do not have this broad repertoire of conflict behavior immediately available.

In negotiations with integrative potential, Greenhalgh and Chapman (1993) and Thompson and DeHarpport (1990) attained very different outcome results: Greenhalgh and Chapman's close dyads were more likely to share information and thus reached more integrative outcomes than dyads with distant relationships, while Thompson and DeHarpport's close dyads were no more likely to reach agreements of high joint gain, logroll, or find compatible issues than were strangers. In both studies, the outcomes are attributed to significant procedural differences between close dyads and strangers. Greenhalgh and Chapman (1993) found that individuals involved in closer, more cohesive relationships were more likely to share information and less likely to use coercive tactics, leading indirectly to the attainment of integrative outcomes and directly to positive negotiator affect, and the continuance of the relationship. In contrast, Thompson and DeHarpport (1990) found friends and strangers practiced offsetting procedural differences: while close friends had higher aspirations for their own outcomes than strangers, they also made more concessions than negotiators who did not know each other. The result was no difference in outcomes across the relationship types (Thompson & DeHarpport, 1990).

It is possible to reconcile these findings when one considers how the relationship and negotiation measures differed across studies. Greenhalgh and Chapman (1993) used a composite score of relationship strength based on an empirically derived 36-item scale (discussed earlier). Thus, their measure was continuous and did not differentiate specifically between friendship and other types of relationships. Thompson and DeHarpport (1990) used a dichotomous measure: friends or strangers. It is possible that the effects found by Thompson and DeHarpport are specific to friendships, rather than to close relationships in general. Another critical difference is that Thompson and DeHarpport predict relationship will have direct effects on outcome, while Greenhalgh and Chapman predict relatedness will have direct effects only on procedures. These procedural differences (e.g., information sharing), in turn, affect the likelihood of joint gain (Greenhalgh & Chapman, 1993). Neither study found direct effects for strength of relationship on joint gain.

Instead, it appears that the process of interaction varies with the relationship maintained by the negotiating parties, and these procedural differences drive outcome differences.

Research on lovers (spouses or dating couples) appears to support the proposition that relationships affect patterns of interaction within negotiations. Schoeninger and Wood (1969) compared the bargaining of married couples and stranger mixed-sex couples. They find that the bargaining process between the two relationship conditions differs significantly, with married couples sharing more private information and being willing to accept lower outcomes for self. These procedural differences result in lower joint outcomes for the married pairs. Consistent with these findings, Fry et al. (1983) find that the process used by dating couples differs in critical ways from that used by strangers: dating couples have lower aspirations, generate fewer integrative offers, and use pressure tactics less frequently. As a result, dating couples settle on outcomes with lower joint utility than stranger couples.

All of us no doubt have had the experience of facing a negotiation with a very close friend or mate and deciding to just "give in" in order to minimize strain on the relationship. A concern with protecting the relationship through the negotiation process may decrease a negotiator's willingness to make demands. In a demonstration of this effect, Halpern (1992) found that in a distributive-pricing task, friends were willing to pay more as buyers and charge less as sellers of a hypothetical item than were strangers. These findings support our argument that differences in personal ties affect the moves people make when they are negotiating. They are also consistent with the argument we make below, concerning preferences for outcomes: dyads with a close relationship are likely to put the maintenance of the relationship above the substance of the agreement.

In an attempt toward a broader understanding of the relationship continuum, Valley and Neale (1993) examined the negotiations of strangers, friends, and married couples. They found that in a dyadic negotiation with integrative potential, friends reported less competitive behavior on their own part and on the part of the other negotiator than either strangers or married couples. As a result, friends achieved solutions with higher joint utility than those achieved by strangers or married couples. The findings from Valley and Neale suggest there may be a curvilinear relationship between the strength of the tie between the negotiating partners and the efficacy of the

negotiation process. Friends and lovers have an advantage over strangers in that they possess information about the other party's preferences. However, lovers may be so concerned about minimizing any possible damage to the relationship that problems are avoided rather than resolved. As a result, friends and colleagues may be better equipped than either strangers or lovers to share the information necessary to reach integrative agreements of high joint gain.

Further support for the proposition that relatedness affects the efficiency of negotiations in a curvilinear fashion comes from Pruitt and Rubin's (1986) dual concern model. In this model, negotiators vary on two dimensions: the extent to which they value their own outcome, and the extent to which they value the outcome of the other party. Pruitt and Rubin argue that problem solving (collaborating) is the strategy of choice in negotiations where the parties are concerned about both their own and the other's outcomes. Friends and colleagues can be expected on average to have concerns for the outcomes of both parties, while strangers may not care about the other party (leading to competition) and lovers may care about the other party over themselves (leading to accommodation). Further, the more problem solving is used as a strategy, the greater the probability that the interaction will be positive, creating the conditions for the development of an ongoing relationship. This expectation of mutually beneficial future interaction, combined with the knowledge of the other party's preferences, may be a strong predictor of problem-solving behavior in negotiations.

Interactions between the relationship and other contextual variables also have measurable effects on negotiation processes. Sondak and Moore (1993) argue that managers are likely to enter negotiations with preconceptions about their negotiation opponent, which will vary based on the relationship between the negotiators and the time horizon for the negotiation. Using a prisoner's dilemma scenario, they labeled negotiators as colleagues, customers, suppliers, or competitors. The researchers found that when the time horizon was long, subjects were more likely to be cooperative (choose the cooperative option) with colleagues, customers, and suppliers, but not with competitors. However, when the time horizon was short, subjects were more likely to cooperate with colleagues, but not with customers, suppliers, and competitors. Sondak and Moore's (1993) findings indicate that complex interactions (e.g., between structural relationship and time frame) may underlie the level of cooperation between negotiators.

When considered in aggregate, the studies above support the proposition that personal ties between two negotiating parties do make predictable differences in the process used during a negotiation. While there are some grey areas, there is general agreement across these studies that closer ties result in an increased amount of information sharing (but not necessarily the information required for integrative agreements), reduced competitive tactics, less coercion, and more concessions. Closely related parties appear to derive some positive utility from a negotiation simply by carrying it out in an open, cooperative process. The research suggests that some of these procedural differences stem from lowered expectations regarding individual outcomes. These procedural differences, in turn, will affect the final outcome of the negotiation. But altering the process is not the only way in which relatedness affects negotiated outcomes; personal ties also influence negotiators' utilities, and hence the attractiveness of the various possible agreements within a negotiation. Studies that directly address the effects of relationships on preferences for alternative outcomes are discussed in the next section.

RELATIONSHIP EFFECTS ON PREFERENCES FOR ALTERNATIVE OUTCOMES

The outcome of a negotiation is the result of some combination of the process of the negotiation and the preferences, or utilities, of the parties. While the behavioral manifestations of a relationship affect negotiation processes, a relationship's affective and cognitive elements influence the parties' utilities for alternative outcomes. In a narrow definition of utility, objective benefit to oneself is the primary criterion. In the distribution of a good with positive valence an individual is assumed to always prefer outcomes where he or she gets more over outcomes where he or she gets less. This rule is assumed to be in effect regardless of the relationship between the parties. Additionally, it is assumed that an individual's evaluation of his or her outcome is made in absolute terms—that is, \$500 is worth the same to him or her regardless of the outcome to the other party. A large body of research in experimental economics and social psychology suggests that this narrow definition of utility is not descriptive of most people's actual preferences (e.g., Guth, Schmittberger, & Schwarz, 1982; Kahneman, Knetsch, & Thaler,

1986; Loewenstein et al., 1989; Roth, 1995; Thompson, Valley, & Kramer, in press; Wyer, 1969).

Probably the most well-accepted descriptive theory of decision making is Kahneman and Tversky's prospect theory (1979). A central tenet of prospect theory is that people evaluate the utility of alternative courses of action relative to a referent point. Prospect theory examines decision making in what Loewenstein et al. (1989) label *intrapersonal* contexts. In intrapersonal contexts, the outcomes of the decision affect only the decision maker, and the referent point is most frequently modeled as the current state (i.e., wealth) of the decision maker (i.e., does this outcome make me richer or poorer). Intrapersonal contexts may be contrasted to the *interpersonal* context of a negotiation, in which one party's decisions and outcomes affect and are affected by the other's decisions and outcomes (Neale & Bazerman, 1991). Interpersonal contexts focus the decision maker on the comparison other. Subsequently, in interpersonal contexts the most likely reference points from which to evaluate alternative courses of action are the outcomes obtained by the comparison other, resulting in what is commonly referred to as social utility (Loewenstein et al., 1989; Messick and Sentis, 1979). Decisions in negotiations will incorporate this social utility as well as the standard utility for one's own outcomes.

The relationship between the negotiating parties adds new elements to a utility function, elements not considered in standard or social utility models. Kelley (1986) argues that the significance of personal relationships affects the valuation of outcomes at two levels: (1) the *concrete* level, meaning the direct, objective value of the outcome; and (2) the *symbolic* level, or what the outcomes tell us about the disposition of the other party and our relationship to them. If, in one of the negotiations we mentioned in the introduction to this chapter, Jane McGinn and her husband agree that the husband will take over all laundry duties, Jane not only receives the benefit of the lowered task load, but also the benefit of knowing her husband cares enough to cede to her preferences. To the extent that one cares for the other party and wishes to see that care reciprocated, he or she may forego or supplement concrete outcomes in favor of symbolic outcomes. This symbolic level provides a measure of utility that is considerably less relevant in negotiations between strangers (though individuals with a high need to be liked may be willing to exchange concrete value for symbolic value even in negotiations with

strangers). Symbolic utility is likely to be an important consideration, along with standard utility and social utility, when parties evaluate possible outcomes in negotiations with a related other party or one with whom they expect to have future interaction.

Relationships and Allocation Norms

One important symbolic referent point is the normatively "fair" allocation (Bies, Tripp, & Neale, 1993; Greenberg, 1990; Kahneman, Knetsch, & Thaler, 1986). Along with other justice researchers (Greenberg, 1990; Lerner, 1974; Leventhal, 1976), Deutsch (1975) categorized normative distribution rules into three major categories: equity, equality, and need. Equity exists to the extent that the ratios of contributions to rewards are equivalent across recipients (Adams, 1965; Greenberg, 1987; Walster, Berscheid, & Walster, 1973). Equality is present when resources are split evenly, or allocated so that both parties receive outcomes of the same objective value, regardless of contribution. This distribution norm is easily understood, easily implemented, and ubiquitous (Messick & Schell, 1992; Messick & Sentis, 1979; Roth, 1995). Need-based allocations are characterized by a direct and explicit response to deficits in the welfare of others (Deutsch, 1975).

Deutsch (1975) suggests that goals influence the selection of a referent distribution rule. When the goal is economic productivity, equity is preferred over equality or need-based distributions. Clark, Mills, and Corcoran (1989) found that during a joint task, strangers kept track of the other's inputs more closely than did friends, implying that strangers would be more likely to use an equity norm. On the other hand, Steil and Makowski (1989) found that equity was perceived as the least desirable principle of allocation among intimates and resulted in the least positive outcomes. When the goal is fostering and maintaining harmonious social relationships, equality is the most appropriate distribution rule (Deutsch, 1975; Steil & Makowski, 1989). Dyads made up of friends, intimates, teammates, or subjects who anticipate future interaction, have a marked preference for equality over equity (e.g., Austin, 1980; Bagarozzi, 1982; Gamson, 1961; Morgan and Sawyer, 1967; Mannix, 1994; Schwinger, 1980; Steil & Makowski, 1989). Equality appears to avoid the "social strain" imposed by input-based, or equity, distributions (Bales, 1955; Leventhal,

Michaels, & Sanford, 1972; Steil & Makowski, 1989). Need-based distributions occur when the goal is to use one party's resources to help another party. Researchers have found that need is more likely to be taken into account in allocations made to family members (Peterson, 1975), friends, or those to whom one is highly attracted (Lamm & Schwinger, 1980) than to strangers. Thus, there is substantial evidence that goals based on the relatedness of the parties affect distribution preferences. Whether the parties have a preexisting relationship and, if so, the dimensions of that relationship can systematically influence which fairness rule the focal negotiator uses as the referent point from which to evaluate potential outcomes.

A study by Sondak, Pinkley, and Neale (1994) indicates preferences for different allocation norms are affected by an interaction between the scarcity of resources and the relationship of the negotiating parties. In this study, participants were paired with either strangers or roommates, and were given false performance feedback about each individual's contribution to and need for a jointly held resource. All dyads were required to negotiate a final allocation of the resources. As expected, strangers relied more on relative contributions than did roommates; roommates were more likely to allocate the resources equally. However, when resources were scarce, and it was not possible to meet both parties' needs, roommates were no more likely than strangers to sacrifice their own needs so the other could benefit. One goal of negotiators with an ongoing relationship may be to keep harmony within the relationship, but in a one-shot negotiation over scarce resources this goal may not override economic self-interest. More research involving scarce or highly valued resources is needed to determine how relatedness affects the balance between social goals and wealth maximization goals.

Schwinger (1980) discusses several studies showing that dyad members, after making different performance contributions, sometimes choose the fairness norm that results in giving themselves the lowest amount of resources. In trying to explain this behavior, Schwinger (1980; Mikula & Schwinger, 1978) argued that it is the result of a "politeness ritual," whereby people use the allocation decision as an opportunity to demonstrate modesty, politeness, and unselfishness. This "politeness ritual" appears to be preferred more by actors in an ongoing relationship than by those who are not in a relationship (Cook & Hegtvedt, 1983). Polzer, Neale, and Glenn

(1993) add that a tension between at least three forces may influence the selection of fairness norms by individuals making interdependent resource allocation decisions—self-interest, a politeness ritual, and a social norm of reciprocity. They find that in negotiations involving friends, both the politeness ritual and the reciprocity norm are likely to be active, overriding self-interest and resulting in an outcome close to an equal division of the resource.

Austin (1980) examined the effects of relationship and relative inputs on the choice of distribution norms. Subjects in one condition were paired with their roommates, while those in the other condition were paired with strangers. Task performance, or input, was also manipulated, with both high and low performances conditions employed. After both parties completed a word task and received feedback about their relative performances, the decision maker was instructed to allocate the resource¹ (\$5.00) between herself and her partner. The subjects were instructed to allocate the money based on each individual's performance on the word task, along with any other factors deemed appropriate by the decision maker. Subjects who participated in the experiment with their roommates, regardless of their level of performance, overlooked performance on the word task and allocated the money equally, consistent with a social utility argument. However, subjects who participated in the experiment with a stranger allocated the money on an equal basis when they performed poorly on the word task, but on an equitable basis when they out-performed their partner, in both cases consistent with a standard utility argument.

Shapiro (1975) examined the influence of relationships on distribution norms by varying the subjects' expectations of future interaction, along with level of input. The distribution task Shapiro used is similar to that given to Austin's (1980) subjects. Shapiro found that subjects who had a high level of input divided the resources equitably only when they did not expect any future interaction. When high-input subjects did expect future interaction with the other party, they were more likely to allocate the resource equally. The behavior of high-input subjects is consistent with Austin's findings. These outcomes can be predicted by a utility function incorporating both self-interest and social utility: the expectation of future interaction buffers short-term profit maximizing moves so that the high power person will take as much as possible only when there is no tie between the parties. This combined utility function does not explain the

behavior of Shapiro's low-input subjects: regardless of expectations about future interaction, those subjects whose inputs were low relative to the other party's went against their own self-interest by using an equity norm to allocate resources.

Both Austin (1980) and Shapiro (1975) conclude that self-interest is more prevalent when a dyad has no relationship than when some relationship is present, but inconsistencies in the findings across studies lead to further questions (see Figure 1). Shapiro's low-input subjects were uniformly generous regardless of their relationship with the high-input subject, allocating the reward equitably. In contrast, Austin's low-input subjects maximized self-interest by allocating the reward equally, once again regardless of relationship. One potential explanation for the discrepancy stems from the different ways in which relationship was operationalized. Shapiro (1975) manipulated relationship through opportunity/no opportunity for future interaction within the scenario—there was no actual relationship between the negotiating parties. The question of using future interaction as a proxy for relationship is discussed below. In contrast, Austin (1980) used real, ongoing friendships and compared them to stranger pairs. Friendship may have its own norms of distribution (e.g., equality) regardless of context or the substance being allocated—it may be inappropriate for a friend to consider equitable payments, even when he or she is the one who would receive the smaller payment. Another possible explanation for the differences in results across studies is that the substance of the reward may have mediated the relationship effects. In his operationalization of input, Austin's (1980) reward (\$5.00) was constant across conditions and independent of the performance level of the dyad. Shapiro's (1975) reward, however, was contingent on the separate inputs of both parties and thus the total benefit was based on joint performance. Shapiro's low-input parties, regardless of their relationship with the other party, may have felt responsible for the small reward and wished to make it up to the other party by agreeing to an equitable distribution. The differences in results across these and the other studies discussed above highlight the complexity of the relationship variable, the importance of studying personal ties simultaneously with other contextual variables, and the critical nature of the way in which a relationship is operationalized or measured, as discussed in the beginning of this chapter.

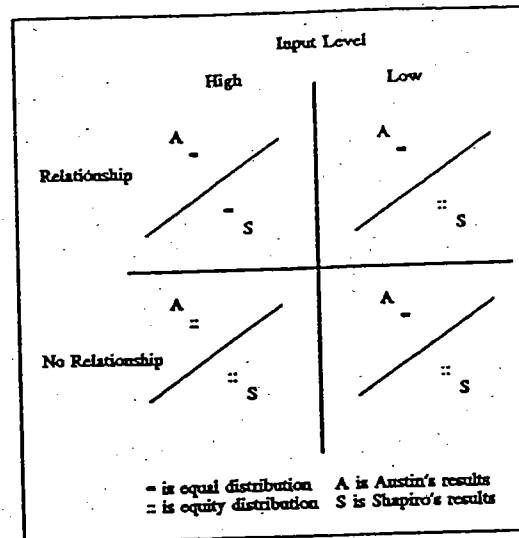


Figure 1.

Balance Within and Across Negotiated Outcomes

Equity, by definition, implies that the payoff for a certain level of input is balanced across parties. In contrast, equality implies payoffs are strictly balanced within this one transaction. Distributions based on need, however, do not necessarily result in either balanced input/payoff ratios or balanced payoffs. When compared to equality, need is viewed as less mutual and rated as less positive as a basis for making decisions in intimate relationships (Steil & Makowski, 1989). Mikula (1980) suggests that one reason for the preference for equality over need is that allocations made according to need cannot be reciprocated by the needier party. Such an imbalance is a source of tension and emphasizes the differences in dependency between the giver and the receiver. As a result, need may be no more desirable as an allocation norm among intimates than equity (Steil & Makowski, 1989).

This concern with the importance of balance, even within intimate relationships, is at odds with the work of O'Connell (1984) and Ekeh (1974) who find a tolerance for imbalance in exchanges among friends and kin. The effects of imbalances in the context of restricted exchange (Ekeh, 1974) can be compared to those within generalized exchange

settings (Levi-Strauss, 1969). Restricted exchange requires a direct transfer of rewarding activities or goods between two people motivated by self-interest. The parties adhere to clear reciprocity rules, a concern for proportional equivalence in the exchange, and a search for short-term fairness. The prototypical form of restricted exchange is a market transaction. In restricted exchange settings, imbalances are not appropriate. In contrast, in generalized exchange the transfer of goods or services across any one dyad may be temporarily or permanently imbalanced. Within closely tied groups operating under expectations of generalized exchange, redistributions of resources may be direct or indirect and the parties to the immediate transaction do not know how or when the balancing of accounts will occur. The "settlement" of a transaction is generalized across the group, so the benefit of subsequent transactions may not go directly to the same person who sacrificed initially (Levi-Strauss, 1969).

O'Connell's (1984) study examined the allocation and exchange norms across markets, among friends, and among kin. The context for the exchange was how people were compensated by self-help homebuilders (those people who actually build their own homes to live in, not as a speculative investment). He identified seven forms of compensation. By definition, market-driven exchanges were completely balanced (i.e., homebuilders compensated workers at market price) while only 16 percent of the exchanges between friends were balanced, falling to 10 percent in exchanges between kin, even when all seven compensation forms were considered. Many of his subjects believed that friendship or kinship was sufficient to place a requirement of helping on the provider, but placed the receiver under no obligation to repay the favor, consistent with a norm of generalized exchange. Owner-builders reported their requests had a negative effect on their friendships in only 3.5 percent of the cases and a negative effect on their kin relationships in only 1 percent of the cases. When generalized exchange between friends or kin is operating and an imbalance occurs, O'Connell suggests that one of two mechanisms may operate to reduce the impact of this imbalance. First, the parties may discount the instrumental nature of their exchange, preferring to highlight the benefits of interaction and socialization. Second, the parties may invoke the need norm to explain the imbalance. That is, the party who failed to reciprocate did so because of an inability rather than an unwillingness to respond.

The question of tolerances for imbalances in negotiated outcomes across different types of relationships has been addressed experimentally by Thompson, Valley, and Kramer (1994). Master of Business Administration (MBA) students were asked to make a proposal for a settlement in a two-party, multi-issue negotiation. To manipulate group membership, subjects were told their partner was also an MBA student, either at the same university or at a rival university. In all cases, several days later the subjects were told that their partner had accepted their offer. The acceptance was accompanied by a statement from the other party that he or she was (a) satisfied, (b) dissatisfied, or (c) neutral about the outcome of the negotiation. Each subject then had the opportunity to allocate a stock option between him or herself and the other party. Negotiators were much more likely to divide the resources equally with in-group members who expressed disappointment with the earlier outcome than with out-group members who expressed the same disappointment. When the opponent expressed satisfaction at the earlier outcome, however, relatedness did not translate into equal distributions—all of the negotiators dictated a division more favorable to themselves (Thompson, Valley, & Kramer, in press). Thus, the division in the allocation task was determined, in part, by the tie between the parties and the outcome of a previous negotiation. Taken together, these studies suggest that if balance is important within a close relationship, it is a balance across, not within, negotiations.

In summary, relationships have affective and cognitive components that influence negotiated outcomes through the utilities held by the negotiating parties. The selection of a referent point from which to evaluate potential outcomes is determined in part by the ties one has with the other party. The majority of studies concur that equality is the preferred allocation norm in negotiations between those with positive ties. This effect, however, is complex. Equality appears to be the preferred state among intimates, but it is a very generalized type of equality, existing across types of resources and across time.

TRYING OUT THE MODEL: TEMPORAL ISSUES

Because personal ties are so multifaceted, one of the difficulties confronting research on relationships in negotiations is that

variations in the degree or type of relatedness may have greater effects on negotiated outcomes than the dichotomous relationship/no relationship distinction. As we discussed in the beginning of this chapter, behavioral, affective, and cognitive components of relationships vary widely depending on the specifics of the relationship. For example, while lovers and colleagues both have interdependent relationships, the behaviors and affects of these pairs are unlikely to have a great deal in common. Thus, we would not expect Jane McGinn to make the same moves in her negotiation with her friend as she makes when bargaining with her husband, nor would we expect her to have the same utility function across these negotiations. One way to control for the differences across multidimensional relationships is to use an aggregate measure of closeness, such as that proposed by Greenhalgh and Chapman (1993). This is a useful approach for assessing the effects of relatedness as a single, continuous variable. As discussed earlier, network approaches to measuring relatedness also appear promising, especially for exploring questions regarding the relative effects of different dimensions of relationships on negotiation processes and outcomes. Another alternative, and a simpler one to use within negotiation studies, is to manipulate expectation of future interaction, rather than varying or measuring affect-based relationships. This option does not shed any light on the effects of specific types or dimensions of relationships, but it does serve as a clean measure of relationship if the issue in question is whether there are effects for a relationship versus no relationship. In addition, the fact that researchers have found strong behavioral and outcome differences by manipulating the presence or absence of future interaction has led to a more complete theoretical understanding of the temporal dimension in negotiation. Below, we consider the usefulness of the framework we have provided by overlaying it on studies of temporal issues in negotiation.

Trust, based on the predictability of another's future choices, is central to many conceptualizations of close relationships (Davis & Todd, 1985). It can be identified by the sense of certainty and behavioral investment accompanying predictions one makes about the other's behavior, and thus is integrally tied to a history of positive and consistent behavior. When future interaction is expected, the outcome of the first negotiated agreement builds the foundation for the next negotiation and shapes the ensuing relationship between the

negotiators. In turn, the newly developed relationship will affect the processes and outcomes of subsequent negotiations. Trust may develop and continue because the parties are interdependent and know they will be so in the future. In this way, negotiations and relationships influence and build on each other across time.

In our general framework on the effects of relationships in negotiation, we first proposed that relationships alter the process of bargaining. Similarly, with the extension of the time horizon, the moves taken in a negotiation change. Consider the prisoner's dilemma (PD) game—a task with the same mixed-motive tension between cooperation and competition as in complex negotiations. Both the optimal strategy and descriptive behavior change dramatically based on whether the game is played once or multiple times (Axelrod, 1984). As a multitude of PD studies indicate, a longer time horizon tends to increase the likelihood of cooperative moves (Axelrod, 1984; Bendor, 1987; Kelley & Thibaut, 1978; Luce & Raiffa, 1957; Rappaport & Chammah, 1965).

Expectations of future interaction have also been shown to beneficially alter the moves within simple allocation tasks (Shapiro, 1975) and more complex negotiations (Ben-Yoav & Pruitt, 1984a, 1984b; Heide & Miner, 1992; Marlowe, Gergen, & Doob, 1966; Ravenscroft, Haka, & Chalos, 1993; Thompson, 1990). Negotiators who anticipate a future relationship are more likely to trust one another, to feel more dependent on each other, and are more motivated to develop a working relationship than negotiators who do not anticipate such a relationship (Pruitt & Rubin, 1986). Ben-Yoav and Pruitt (1984a; 1984b) found that negotiators who had high aspirations (high concern for self) and who anticipated future interaction with the negotiation opponent (high concern for other) reached more integrative agreements than subjects with high aspirations who did not expect a future interaction.

In addition to process effects, our general framework posits that ties between the parties alter the parties' preferences for alternative outcomes. Similarly, the knowledge that the pair will meet again affects the utilities parties place on potential outcomes in a negotiation. When negotiators are faced with repeated transactions over time with the same opponent, the utility placed on the outcome of one transaction is low relative to the utility placed on the cumulative outcome of many transactions—negotiators may be willing to give up a gain in one deal in exchange for a greater and

compensatory gain in the next transaction. If the time horizon is long, there is less urgency to gain in the current transaction (Axelrod, 1984; Greenhalgh, 1987). In addition, multiple negotiations may allow players to gain information that will help them reach integrative agreements in the future. Over time, negotiators may learn about their specific opponent's preferences, interests, and priorities, as well as the potential success of various strategies and techniques—all of which should increase their individual and joint outcomes.

Mannix and Loewenstein (1994) studied the effects of the rate of negotiator mobility, or the probability that one's negotiating partners will change, on the allocation of resources to the individual or the group. They found that higher rates of mobility between firms led to shorter time horizons, and thus, higher levels of firm depletion. It seems rational for managers to shorten their time horizons as mobility, or the likelihood that the relationship will be severed, increases. Reaching integrative agreements over time requires that negotiators recognize the cumulative nature of their interactions and see that agreements of higher joint gain over the long-run are often reached by making tradeoffs in short-term sacrifices. Once negotiators recognize this possibility, they must also be confident that their opponent will reciprocate short-term sacrifices in a future negotiation. Further, negotiators must trust that the world will stay the same during the interval, that the structure of their preferences will not change suddenly, negating the advantage of the long-run trade-off in midstream. All of these features point to the ultimate requirement that for negotiators to reach integrative agreements over time they must value the future highly enough that the disadvantage of a delay in receiving rewards does not outweigh the advantage of the rewards. As relationships become less stable, negotiators may have little reason to expect that this will be true (Mannix, Tinsley, & Bazerman, 1995). This effect is likely to be reversed as the parties become more trusting and intimate; in short, as a real relationship develops to replace the simple expectation of future interaction.

CONCLUSION

Our review of the literature on relationships in negotiation reminds us of the ancient Indian fable of the blind men who chanced on an elephant: one man, feeling the elephant's trunk, declares it is a snake;

the second, feeling an ivory tusk, reports they have found a spear; another, feeling one of the elephant's legs, announces that it is a pillar; the fourth, holding onto the elephant's tail, proclaims it to be some rope. None of the blind men is right, but each has captured something essential about the beast. We do not yet understand the whole, the gestalt, of the role relationships play in negotiations, but we are beginning to feel our way around some important pieces. Seeming inconsistencies will continue to arise if empirical work examines one part of this "elephant" at a time. In this chapter, we have attempted to uncover the bigger picture by highlighting differences and providing potential integrations across studies. Below, we provide a number of suggestions for future research on relationships in negotiations, research that can help us reach a more accurate understanding of the complex beast.

In many studies within the current literature there is no connection between the actual relationship and the artificial negotiation scenario; the negotiation itself is not central or important to the relationship. Two friends coming to a laboratory to negotiate an artificial scenario cannot be expected to find the issues in the negotiation as important as maintaining their actual relationship. Thus, the utility each places on his or her payoff in the negotiation is likely to be overwhelmed by the utility placed on a positive interaction. While using real relationships and artificial scenarios presents some problems, providing parallelism by manipulating relationships through the negotiation scenario is also problematic. If a relationship is simply part of one's negotiation role (e.g., "You and the other party are good friends," etc), it is unlikely to unleash the consistent affective and cognitive scripts that affect preferences in real relationships. Future research needs to seek out real negotiations that concern issues of relevance to parties in actual relationships, so that the tradeoffs between positive interaction and maximizing payoffs can be explored.

The juxtaposition of real relationships and artificial scenarios is also problematic in terms of analyzing how the behavioral aspects of the relationship manifest themselves in the negotiation process. Parties who have a relationship with one another are likely to interact in a predictable (by one another) fashion in similar situations across time. Each party knows what to expect of the other and what the other expects of him or her in a given, familiar situation. But relationships are often experienced within a narrow

range of situations: Colleagues know how to interact at work, but may be uncomfortable meeting accidentally at a restaurant; friends may be at ease with one another socially but have difficulty getting along when they begin to work with one another. Take the parties outside of their normal range of interaction and suddenly their behavior is not patterned and predictable. The effects for relationships may be much stronger when the negotiation lies within the pair's normal range of interaction.

Future studies could provide insight into this question by having subjects negotiate natural disputes rather than canned scenarios. The difficulty, of course, lies in finding the same natural dispute occurring across relationship conditions. Organizations are a rich laboratory for this type of work—for example, managers have salary negotiations with each employee in spite of their personal ties; manufacturers and wholesalers regularly negotiate purchase terms regardless of the relationship between the organizational liaisons; and chief executive officers negotiate the allocation of resources across all divisions even though their social ties differ across division heads. These negotiations and others like them can be tapped to help us better understand relationships, negotiations, and organizations.

The current literature provides few clues about what to expect in negotiations between those who are mired in problematic relationships. Whether these problems arise from the parties' failures to live up to the others' expectations or from some dispute that has grown to overshadow the value of the relationship, we have little in the way of empirical findings to guide us. Clearly there is a need to explore the impact and norms of bad relationships as well as those of good relationships. What may provide considerable insight into the problems associated with failed relationships is to incorporate the research on procedural (Lind & Tyler, 1988) and interactional justice (Bies & Moag, 1986). Adding these contextual issues to the questions surrounding the role of personal ties in negotiation makes it even clearer that our research has considerable ground to cover before we can fully understand the complexity of social context in bargaining.

We have attempted to draw a broad framework from which (1) to examine the effects of relationships on negotiations and (2) to suggest directions for future research. The effects of a relationship on the outcome of a negotiation is the result of behavioral aspects of relationships affecting the process of the negotiation and affective/cognitive aspects of the relationship affecting the utilities of the

parties. The picture is growing clearer, but future research promises to provide us with a much more comprehensive and realistic view of Jane McGinn's day.

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NOTE

1. The reward allocated was always the same—it did not vary based on performance.

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