

# Bounded Ethicality in Negotiations<sup>1</sup>

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## Abstract

Most negotiators think of themselves as good people, and most negotiators act in ethically questionable ways at times. How can these two descriptions be reconciled? This paper follows Bazerman and Tenbrunsel (2011) in arguing that good people often engage in unethical acts without their own awareness of doing so. This paper specifically explores how negotiators may be prejudiced, favor in-groups, and overclaim in negotiation, without knowing that they are doing anything wrong.

Imagine that you are teaching a course on negotiations. You assign your students to write journal entries analyzing their experiences in each negotiation simulation in the course, and you ask them to email their entries to you, as well as to their negotiation counterparts so that each student can find out what the other side was thinking. In her analysis of the very first simulation, a student named Chris writes, "Pat lied to me." Pat shows up in your office, infuriated. "I never lied to her," Pat says. "I do not tell lies, and I do not appreciate being called a liar. I expect a full apology from Chris at the next class!" You contact Chris and tell her about Pat's reaction. "If Pat doesn't like being called a liar, perhaps he should quit lying," says Chris. "By the way, don't expect me to offer any apology."

## What Actually Happened During the Negotiation? Was Pat Dishonest or Not?

Most negotiation teachers have experienced this kind of inconsistent report on ethical conduct between negotiators. Obviously, without a recording of the simulation, it will be hard to find out whether or not Pat told a lie. However, we can make a few predictions about what occurred. We expect that Pat did not intentionally tell a lie and most likely did not make a factually incorrect statement. At the same time, Pat probably allowed Chris to be confused about some of the factual information relevant to the negotiation. It could be that Pat did not provide complete information. Pat may have

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provided a range, with the correct number at the extreme end of the range. Or Pat may have provided a subjective verbal estimate to avoid giving a more quantitative answer that would have been against his interests in the negotiation.

In negotiation, it is common for one party (Pat) to engage in behavior that he believes to be ethical but that the other party (Chris) will view as unethical. More broadly, we believe that most negotiators engage in behaviors that their opponents or a neutral observer would find unethical, yet negotiators engage in these actions without realizing they are doing anything wrong. In addition, we know that people egocentrically interpret events that occur in negotiations (Babcock & Loewenstein, 1997; Wade-Benzoni, Tenbrunsel, & Bazerman, 1996).

Most parties in negotiations act in ways that are boundedly ethical. Bounded ethicality refers to the systematic and predictable ways in which people, and in the context of this paper, negotiators specifically, engage in unethical acts without their own awareness that they are doing anything wrong. We believe that while some negotiators lie intentionally, most of the unethical behavior that occurs in negotiation is of the boundedly ethical variety.

Bounded ethicality is not unique to negotiations. Chugh, Bazerman, and Banaji (2005; Banaji, Bazerman, & Chugh, 2003) argue that all of us engage in behaviors that are inconsistent with our actual ethical preferences. Thus, the goal of the bounded ethicality approach is not to preach to students about how they should behave, but rather to help raise students to the ethical level they would endorse upon greater reflection about their own behavior.

This short paper highlights a sample of the systematic ways in which negotiators act unethically without their own awareness.

## Ordinary Prejudice

Contemporary research in social psychology shows that most of us have associations concerning race, gender, culture, and so on that can lead us to engage in discriminatory behavior without us even knowing that we are discriminating. These *implicit attitudes* exist without our awareness. At the website <http://www.implicit.harvard.edu>, more than 10 million visitors have taken tests that uncover their implicit preferences and offer feedback concerning the ways they might unconsciously be discriminating against others. We predict that, without any intent to do so, many of us treat people differently in negotiation based on their demographics; moreover, we would be surprised to discover this differential treatment within ourselves.

## In-group Favoritism

Research shows that banks are much more likely to deny a mortgage to an African-American than to a Caucasian, even after controlling for a variety of factors, including income, location, etc. Most interpretations of this result focus on potential hostility toward African-Americans, and this may be a part of the answer. However, a much more likely explanation is *in-group favoritism*.

Think back to the last time you did a favor for a friend, a friend of a friend, or a friend of a relative. Did the favor involve allocating scarce resources, such as jobs or admission to a school or private club? Most of us have engaged in such behavior. In addition, most of us are most comfortable doing such favors for people with whom we identify, including those who share our nationality, religion, race, or gender, or who went to the same college. This type of preferential treatment may sound innocent. Yet while you are being “nice” by helping someone like you, at the same time, without conscious awareness, you may be contributing to discrimination against an underrepresented minority. For example, when university officials endorse policies like legacy admissions, they foster unethical decisions that are typically out of focus to admissions personnel.

In the context of negotiation, your choice of negotiating counterparts can reflect in-group favoritism. When you emphasize the importance of “valuing relationships,” you may be excluding underrepresented minorities from competing for your business. Most of us would likely make better, more ethical decisions if we did not give preferential treatment to others who matched our demographic characteristics.

## Overclaiming Credit

In that last coauthored paper that you wrote, what percent of the work did you do? Caruso, Epley, and Bazerman (2006) posed this question to authors of papers written by four people for organizational behavior journals. When they added up authors’ estimated contributions per paper, the average was 140%. Clearly, even experienced social scientists view their own contributions as more important than reality would dictate.

Imagine that each member of a four-person group claimed he or she performed 35% of the total work, for a total of 140%. What are the implications of this result? Authors feel underappreciated and fail to give their coauthors the credit they deserve. And the more individuals think about the mismatch between their work and their credit (e.g., author order), the less they want to work with their coauthors again. Obviously, other groups of people act like the academics in our study, as shown in multiple other studies by Caruso et al. (2006, Epley, Caruso, & Bazerman, 2006).

## Conclusions

Most of us would admit to acting unfairly toward others out of personal self-interest at some point in time. In each example that we have provided, by contrast, unethical behaviors occurred outside negotiators’ conscious awareness. Bounded ethicality describes conditions in which negotiators act unethically while failing to be aware that they are doing anything wrong.

My colleagues and I are conducting research that seeks to expand our understanding of the ways in which decision makers and negotiators act unethically without their own awareness, as well as the conditions that lead us to ignore the unethical actions of those around us. We believe that this approach to ethics has fundamentally different implications for ethics education (M. H. Bazerman & A. E. Tenbrunsel, in

preparation). A clearer understanding of negotiators' bounded ethicality can help us better deal with the conflicts that frequently arise, such as the one that occurred between Chris and Pat, as well as those that occur between nations, where both sides only want what is fair. The only problem is that they have fundamentally different notions of what is fair.

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