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Bargaining under the influence: The role of alcohol in negotiations

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Executive Overview

Managers consume alcohol across a broad range of organizational contexts. In many cases, alcohol is consumed with little or no consideration of the risks or benefits involved. This article identifies hazards of managerial drinking, as well as the role alcohol can play in developing relationships. We describe results from recent experiments that investigated the influence of alcohol on negotiations, and discuss the role of alcohol in many cross-cultural settings. We argue that the decision to consume alcohol should be made rationally and strategically, and offer advice for managers setting corporate policy or making individual decisions to consume alcohol.

If a client orders a glass of white wine, I'm certainly not going to order a Coke.

—A Compuserve account executive

We have Japanese executives coming over here . . . It's almost expected that when you go out to dinner you have several drinks and some sake.

—President and CEO of Saber Enterprises[1]

Several recent trends, including the globalization of business and medical research accepting moderate alcohol consumption, have expanded the number of American managers who encounter opportunities to drink.[2] In many cultures, drinking is considered an essential element in building business relationships, and managers across a wide range of functional areas are likely to encounter opportunities and even pressure to consume alcohol with business colleagues. Generally ignored, however, is the fact that even mild amounts of alcohol can significantly influence, sometimes positively and often negatively, the process and outcomes of business interactions.

Alcohol has accompanied business transactions for centuries, and in some contexts drinking is considered by many to be a normal and natural part of organizational behavior. In fact, in some contexts alcohol is so common that managers consume or authorize the consumption of alcohol with little or no consideration of either explicit risks, such as lawsuits, or hidden costs, such as impaired professional performance. By some estimates, alcohol consumption costs American businesses over $86 billion annually in lost productivity, absenteeism, and health care costs.[3]

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This article describes the advantages and disadvantages of mixing alcohol with business, and offers advice regarding the use of alcohol for managers and negotiators making decisions or setting policy. Rather than drinking out of habit or social pressure, managers should make the decision to drink carefully and rationally. We begin by identifying the role alcohol can play in building relationships. We then identify the harmful consequences of mixing alcohol with business, with particular emphasis on the potential harm alcohol can cause in negotiations. We report new evidence linking alcohol to aggressive negotiator behavior and to inefficient negotiation outcomes. We then

offer prescriptive advice for when it makes sense to mix or avoid mixing alcohol with business. For situations in which managers prefer to avoid or limit their alcohol consumption, we suggest methods for avoiding social pressures to drink.

Alcohol Can Facilitate Relationship Building

Alcohol has traditionally played a role in developing business relationships.[4] As one commentator remarked, "When you wanted to meet another company you invited its managers to your smoke-filled dining room and drank yourself into a partnership."[5]

Alcohol facilitates relationship building in several ways. Drinking can relieve stress and create a social routine that is comforting and familiar. In fact, the mere presence of alcohol can cue an entire set of expected social behaviors, signal commitment to the relationship, and change an atmosphere to enable participants to engage each other on a more cordial and personal level.[6] Although formal routines reassert themselves as the group returns to its primary business, lingering effects from this positive bonding experience remain.

Part of alcohol's bonding effect derives from its impairment of physical and cognitive functioning. While some of these effects are detrimental, impairment can, in some respects, facilitate relationship building. As alcohol reduces a person's ability to think and act clearly, it creates an atmosphere of shared dependency and vulnerability. Exhortations to the nondrinker to join the party may, in effect, be demands that the individual become impaired, and thereby dependent on and ultimately part of the group. In many cases group membership is defined by drinking practices. For example, one study found that longshoremen in Canada who were hardworking, young, and fit were excluded from job teams simply because they did not drink with others.[7]

Alcohol's potential relationship benefits are particularly relevant to negotiations. Building relationships is an essential element for successful negotiations,[8] and alcohol can play a role in enabling negotiators to recognize common interests. Because alcohol lowers inhibitions and encourages a sense of camaraderie, people tend to exchange information more freely.[9] In Japan, for example, information about upcoming projects and office politics is most likely to be discussed during drinking sessions.[10]

Alcohol can also help parties reach an agreement. After consuming a few drinks, negotiators may become more receptive to new ideas and more likely to make concessions. In fact, one commentator suggests, "At drinking parties, go for business concessions on your contract. If they are available, this is the setting in which you'll win them."[11]

Alcohol can also facilitate negotiations by influencing mood and affect. Although reactions to alcohol depend on the individual and the context, alcohol generally decreases anxiety and promotes a positive mood.[12] Recent research has linked affect with negotiator behavior, and found that negotiators in good moods tended to be more cooperative, creative, and effective in achieving joint gains.[13] Not surprisingly, negotiators who were angry or frustrated tended to be less cooperative, less confident, and produced less satisfactory outcomes.[14]

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Cross-Cultural Drinking Norms

Drinking norms vary widely across cultures.[15] This is true even within the United States, where substantial variation in alcohol liability laws and prosecution rates exists across regions.[16] From an international perspective, these disparities are even greater. Long-established traditions influence cultural norms concerning drinking in general and business drinking in particular. While customs dictate strict abstinence in Islamic countries such as Saudi Arabia (though not Egypt), copious drinking is common in many parts of Japan, where the refusal to drink may be interpreted as a sign of mistrust.

As commerce between regions grows, American managers will increasingly encounter the drinking norms of other cultures. These norms include expectations, etiquette, and symbolism that managers must recognize and evaluate to make an informed decision to drink or abstain with their counterparts abroad. In some cases, even the type of alcoholic beverage, such as maotai in China or makkolli in Korea, can carry deep cultural significance.[17]

U.S. managers working abroad are likely to find that alcohol is a more common aspect of business meetings than they are accustomed to in the United States. In fact, decreasing public tolerance of DWI (Driving While Intoxicated) violations, coupled with increasing corporate and personal liability, has resulted in heightened sensitivity within the U.S. to consumption of alcohol in business settings. Compared with American manag-

ers, foreigners are less sensitive to individual preferences for abstinence and are less concerned with corporate liability for inebriated behavior. Consequently, U.S. managers may be surprised by the drinking norms and expectations they encounter abroad.

While Western managers are generally accustomed to the idea of celebratory drinks at the conclusion of a negotiation, in Russian, Asian, and many other cultures, drinking may be used to initiate proceedings and to symbolize each party's commitment to a mutually satisfying outcome. Easterners often strive for successful business outcomes after personal relationships have been established, while Westerners develop social relationships after business interests have been addressed.

In China, business negotiations have traditionally begun with a series of toasts. Such drinking establishes relationships and serves to demarcate significant business events. The first toast of each occasion typically contains an important statement about friendship and emphasizes mutual obligations; it customarily ends in the phrase *gan bei*, meaning "dry glass" or "bottoms up." This toast is usually consumed completely, though subsequent toasts may be sipped. These drinking sessions are important because business commitments are rarely made without an existing relationship between the parties.[18] The ritual of drinking together thus provides a symbolic foundation for subsequent business dealings.

Russia has earned a reputation as an especially hard-drinking country, and alcoholic beverages are frequently present in a wide variety of settings. One particularly important example involving the combination of alcohol and negotiations is the arms control negotiations leading up to the 1979 Strategic Arms Limitation Treaty II (SALT II) between the United States and the Soviet Union. As recounted by one of the lead American negotiators, Edward Rowny, both American and Soviet generals consumed large quantities of whiskey and vodka during their negotiations.[19] Western expatriates familiar with Russian negotiations recommend that foreigners participate in the first two rounds of toasts, which are typically the most important. The first toast will customarily be to the meeting, the second to the host, and additional toasts may be made to the partnership or to cooperation in general.[20]

For centuries, Japanese business dealings of all kinds have been accompanied by drinking parties where drinking is viewed more as a ritual duty than a social pleasure.[21] These drinking sessions can occur in large groups, as they often do in China, or in groups as small as two people.[22] In Japan, important business meetings are often held after hours with the expectation that participants will become extremely intoxicated.[23] In fact, many Japanese managers believe it is impossible to truly know someone without drinking heavily with them, and may feel uncomfortable with anyone who refuses to drink at a party or celebration.[24]

The discomfort a Japanese or German businessperson might experience with a nondrinking American counterpart derives from their unequal gestures of vulnerability. In many cultures, drinking is equated with openness and candor. Thus, a refusal to drink could signal an unwillingness to let down one's guard.

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Koreans have been known to take an especially aggressive approach to social drinking, and sometimes insist that reluctant guests take part in drinking and singing sessions. Refusing to drink without an obvious excuse may be considered rude and insulting. These gestures are taken a step further in drinking games and off-key singing performances. The more off-key the song, the greater the sense of openness and trust among participants. To refuse to drink and sing is to remain guarded and apart.

The symbolic candor and vulnerability associated with alcohol can also work across hierarchical levels, both in U.S. organizations and abroad, by allowing astute managers to open channels of communication with subordinates that might otherwise seem awkward. By joining subordinates for drinks, the boss sends a signal, even if the drink is untouched, that in this setting he or she is like others, dependent on the community. He or she can be approached, issues can be raised, and the strictures of protocol and hierarchy can be at least temporarily de-emphasized.

The cross-level communication effects of alcohol are perhaps most clearly seen in Japanese organizations. Hierarchical relationships and protocols are especially formal, except during *tsukiai*, when superiors are free to give candid feedback to their subordinates. These are lengthy, after-hours events typically involving large quantities of scotch. The obvious inebriation of the boss (whether actual or feigned) permits him to discuss a subordinate's performance and shortcomings without

the painful loss of face such direct feedback would entail under sober conditions. Since the exchange occurred under the influence of alcohol, both parties can come to work the next day free of the embarrassment such candor would normally produce in a Japanese organization.[25] A subordinate, such as a teetotaling American manager who forgoes *tsukiai* sessions, fails to receive such performance feedback and misses an important opportunity to establish a more complete relationship with his superiors.

It is important to note that attitudes toward overt drunkenness vary across cultures almost as much as attitudes toward drinking itself. An obvious state of inebriation may elicit little or no negative reaction among Russian business associates and may even be considered a symbol of camaraderie and cohesion by Japanese or Korean hosts. In Germany, however, while alcohol consumption is high among males of all social strata, the ability to hold one's drink is considered an important aspect of masculine comportment among professional and managerial classes. Similarly, obvious signs of inebriation are considered unseemly and unacceptable in Mexico, Malaysia, Indonesia, and the Philippines.[26] There are also important cross-cultural differences with respect to accountability for the things you say while inebriated. For example, Koreans are more likely to hold you accountable for things you promise while drinking than are Japanese.[27]

Managers working abroad should also be aware of legal issues that influence drinking behavior. In Scandinavia, for example, while heavy alcohol consumption is common before and after business meetings, drunk-driving laws are extremely strict and typically require the designation of a nondrinking driver.

The usefulness of alcohol in negotiations depends on the degree to which feelings of cooperation and common interest are lacking yet necessary in the relationship. For example, in a stalled negotiation in which the parties are having difficulty understanding and accepting each other's positions, a social interlude that includes alcohol can diffuse tension and enable negotiators to recognize areas of agreement.

Of course, this same relaxation of boundaries may also produce dangerous ambiguity regarding acceptable behavior. In an era of heightened sensitivity to sexual harassment and political correctness, behavior that seems acceptable in a context containing alcohol may be deemed unacceptable upon the next day's sober reflection.

On the one hand, the symbolism and physiology of alcohol encourage the development of relationships, while on the other hand, alcohol leaves these same individuals with impaired mental faculties and less able to monitor their own behavior. The following section identifies some of the hazards of consuming alcohol, with particular emphasis on potential harm to negotiations.

Hazards of Consuming Alcohol During Negotiations

Drinking can harm the negotiation process in a number of important ways. The link between alcohol and aggressive behavior is well established. Prior work has documented a stable relationship between alcohol use and aggressive, and even violent, behavior.[28] While assertiveness may aid a negotiator in specific circumstances, excessive aggression can escalate a conflict. This effect apparently contributed to the confrontational approach adopted by the Allied Pilots Association during their contract negotiations with American Airlines in 1997. Even though American Airlines Chairman Robert Crandall and Allied Pilots Association President James Sovich had agreed to a tentative labor contract, dissidents within the union solidified support against the tentative accord during late-night barroom sessions in which pilots spent time sending faxes and e-mail and drinking beer.[29] This dissident movement ultimately persuaded the pilots' union to reject the proposed labor contract and agree to strike the carrier.

A recent experiment investigated the influence of a moderate amount of alcohol on the bargaining process.[30] Negotiators were randomly assigned to either a sober or an inebriated treatment condition. Inebriated negotiators consumed a moderate amount of alcohol to reach a blood alcohol level of about 0.05. This amount of alcohol is well below the legal intoxication limit for driving in all states, and translates to the consumption of about two and a half beers within an hour by a person weighing 180 pounds. Negotiations were tape recorded and independently coded for specific negotiator behaviors. Negotiated outcomes were also measured, and since the negotiation contained opportunities for joint gains, some dyads reached more efficient agreement than others.[31]

Results from this study revealed that inebriated negotiators used significantly more aggressive tactics than sober negotiators. Inebriated negotiators were more likely to insult, mislead, and threaten their negotiation partner. These tactics included insults such as, "You don't have a lot of experience," misrepresentation of facts, misrepresentation of one's interests, and threats to terminate the negotiation. In some cases these tactics

can strengthen a negotiator's bargaining position, but there are costs to their use. They may escalate conflict and lead to less integrative outcomes.[32]

Alcohol also impairs cognition.[33] This impairment can harm work performance and increase the likelihood that managers will make mistakes.[34] In negotiations, alcohol's influence on cognition may contribute to less integrative outcomes as negotiators miss opportunities for realizing joint gains. Alcohol reduces the amount of information people can process, impairs short-term memory, and causes decision makers to become myopic.[35] As a result of these disadvantages, inebriated negotiators have difficulty reaching efficient solutions and tend to use simplified strategies for resolving their differences. Results from the alcohol and negotiation experiment revealed that sober dyads were able to reach significantly more efficient agreements than inebriated dyads.[36] Sober dyads were more likely to logroll (trade-off issues of different value) and realize opportunities for joint gains. Sober dyads also reached more efficient agreements than dyads where one sober negotiator was paired with an inebriated negotiator. In these cases, the inebriated negotiators were more aggressive than the sober negotiators and, as expected, the inebriated negotiators claimed a larger share of the smaller pie. That is, sober negotiators did particularly poorly when negotiating against someone who was drinking. These results suggest that managers should take particular care in bargaining with someone who has consumed even a moderate amount of alcohol.

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Inebriated negotiators are also more likely to make mistakes. In the alcohol and negotiation experiment, mistakes were coded as contradictions such as, "I propose a start date of 12 weeks . . . no, four weeks. I'm sorry, I was confused." In this study, over 90 percent of inebriated negotiators made at least one mistake, while fewer than two-thirds of sober negotiators made a mistake.

Even moderate amounts of alcohol impair a manager's ability to handle complex situations and solve problems.[37] Inebriated negotiators are likely to perform especially poorly in situations requiring mathematical agility. One real estate investor signed a contract during a late night dinner to sell a property she had owned for over 20 years. She awoke the next morning to realize that the property was worth double her sale price, and that, in her words, she had been "zapped by Bordeaux wine."[38] In fact, this type of mistake occurs so often that legal precedents provide some recourse for intoxicated negotiators.[39]

In some cases alcohol consumption may even impair performance the day after a night of drinking. One study documented a significant hangover effect among pilots who had drunk heavily a full 14 hours before a training exercise.[40]

Inebriated negotiators are more apt to focus on irrelevant information or to miss key components of a problem. Because drinkers must exert greater mental effort to focus on core issues, they are likely to neglect subtle aspects of a negotiation. For example, inebriated negotiators are less likely to grasp the underlying implications of an argument and thus more likely to misinterpret the key concerns of their counterparts.

A related perceptual bias is the egocentric perception of fairness. In general, negotiators tend to perceive fair agreements as those that favor themselves.[41] Alcohol is likely to exacerbate this bias by limiting a negotiator's ability to adopt different points of view and empathize with others. Ultimately, this may lead negotiators to become more confrontational and less accommodating.

Studies have also found that alcohol consumption inflates positive self-perceptions.[42] This can lead to overconfidence, especially since inebriated people frequently fail to notice nonverbal cues and negative feedback. In a quote attributed to Elizabeth Johnson, wife of the 18th century lexicographer and essayist Samuel Johnson, "Alcohol does not improve conversation. It only alters the mind so you are more pleased with any conversation." In a negotiation, inebriated managers may perceive that they are more convincing or more agreeable than they really are. While this may provide a boost for those lacking in self-confidence, it may also result in behavior that is overbearing or inappropriate.[43] Exaggerated self-perceptions may also explain the finding that people are willing to assume greater business risk under the influence of alcohol than they would when sober.[44] Further, the combination of overconfidence in one's ability to influence people, coupled with an exaggerated sense of camaraderie, may lead a negotiator to make overly generous commitments. This was the case in 1996 for a south Florida supplier of shoe repair products. After copious drinking at a cocktail party hosted by a wholesaler, the supplier offered to pay the $5,000 cost of the cocktail party if the wholesaler would agree to purchase his new product, something the wholesaler would have almost certainly have agreed to do anyway.[45]

In many cases, alcohol's effects on performance are likely to go unnoticed. Because inebriated negotiators perceive themselves to be more articulate, convincing, and successful than they actually are, drinkers generally underestimate the effects of alcohol on their own functioning. In the alcohol and negotiations study, most inebriated negotiators failed to recognize that alcohol had influenced their negotiation performance when, in fact, it had.[46]

Because inebriated negotiators perceive themselves to be more articulate, convincing, and successful than they actually are, drinkers generally underestimate the effects of alcohol on their own functioning.

Alcohol's effects are complicated. Alcohol consumption facilitates relationship building and may even be an expected part of the negotiation process, but at the same time alcohol may significantly harm the process and jeopardize the outcome. In some cases, alcohol may be used strategically by one party to gain an advantage over another. These cases merit special attention and are described in the next section.

Guarding Against the Strategic Use of Alcohol by a Negotiation Partner

Alcohol consumption typically confers a relative advantage to one or more individuals. Obviously, not every occasion in which alcohol is present represents an attempt to gain an unfair advantage. In many cases, negotiators introduce alcohol to put others at ease, or for ritualistic or habitual reasons. For example, Russians may start a meeting with a toast and often feel compelled to finish a bottle of vodka once it is opened.[47] Similarly, many Chinese believe that they are better able to communicate and reach an understanding after a few glasses of wine. In many cases, Westerners, who are unaccustomed to these approaches to business meetings, mistakenly assume that their negotiation partners are using alcohol strategically to gain an advantage.[48]

Although alcohol is often not introduced for strategic aims, careful managers should be aware of several negotiation tactics that involve alcohol. One obvious tactic derives from differences in inebriation levels. Individual reactions to alcohol vary considerably, and differences in body weight, age, consumption history, and even genetics make one individual more susceptible than another to alcohol's effects. While many factors affect blood alcohol levels, such as time elapsed since drinking and an individual's metabolism, there is an approximate relationship between the number of drinks consumed, body weight, and blood alcohol level. For example, the blood alcohol concentration (BAC) level for a 125-pound person after a single drink is 0.03. After four drinks consumed within an hour, the BAC level for a 125-pound person rises to 0.10, the legal limit for driving in most states.[49] For a 200-pound person the corresponding BAC levels after one and four drinks are 0.01 and 0.06.

While greater alcohol consumption leads to greater impairment, managers who rarely drink and have a low body mass should be particularly aware that they are likely to be more affected by alcohol than their counterparts. In addition, managers should take precautions not to drink on an empty stomach.

Task practice will also make a difference. We know from the literature on drunk driving that the driving performance of intoxicated drivers who routinely drive under the influence of alcohol suffers less than the performance of inexperienced drunk drivers. Analogously, negotiating over drinks may confer a relative advantage to negotiators who routinely negotiate over drinks.

Returning to the example of the arms control negotiations between the United States and the Soviet Union, it was the Soviets who were more experienced at drinking while negotiating. As Edward Rowny explained, consuming alcohol during negotiations conferred a substantial advantage to the Soviets. The Soviets were able to handle their liquor, while the Americans gave away important secrets.[50] Before negotiating, you should evaluate your relative alcohol tolerance. If your negotiation partner is a regular drinker, you may be at a distinct disadvantage during negotiations.

Since drinking increases self-disclosure, an inebriated negotiator is more likely to disclose confidential business information or personal problems that provide a negotiating advantage to his or her counterpart.[51] Such revelations are more likely when a negotiator perceives his or her counterpart to be inebriated and therefore equally vulnerable. At times, actual levels of inebriation can be difficult to discern; Japanese, for example, may pretend to be more drunk than they really are. Japanese are also more comfortable with silence. The combination of alcohol, simple questions, and long periods of silence can prompt accidental disclosures by unwary Westerners. As one American executive warns, "Americans are prone to very modestly launch into lectures of valuable technical informa-

tion—in some cases the very 'asset' which they are hoping to sell."[52]

In parts of Asia, negotiators sometimes intentionally schedule drinking occasions to undermine their counterpart's negotiating abilities.[53] This tactic is especially effective when coupled with other timing tricks, such as scheduling negotiations after a big dinner or before a newly arrived foreigner has had an opportunity to adjust to the time zone. A related maneuver involving two teams of negotiators has been used to fatigue business travelers negotiating abroad. The first team negotiates during the day, and the second team takes the visitors out at night for several rounds of drinks. Managers new to a culture may be unsure of the proper protocol and reluctant to risk offending their hosts by refusing to socialize. Outnumbered and on unfamiliar terrain, even self-aware managers can find the double-team tactic exhausting.

Not all negotiating tricks involving alcohol depend on physical fatigue. The psychological effects of alcohol can also lend themselves to manipulation. Under the influence of alcohol, for example, arguments based on emotional appeal may appear more convincing and salient than they would otherwise. A life insurance salesperson who makes a pitch by dwelling on worst-case scenarios may be more successful in selling policies over a few drinks than over mineral water. Similarly, appeals based on nostalgia (old times) or guilt (past favors or perceived wrongs) are likely to have greater impact when the target has been properly prepared. While alcohol's influence on physical and intellectual functioning is well known, its effect on emotional states is generally less recognized.

One context that warrants particular caution is strip clubs, where business associates are sometimes taken after work.[54] The visual stimulation and sexually charged atmosphere of the clubs are almost certain to be distracting in themselves; when combined with the effects of alcohol (lowered inhibitions, susceptibility to social pressure, and impaired cognitive functioning), targets, especially those unaccustomed to these surroundings, are less capable of focusing and functioning effectively as astute and wary customers. Besides producing sensory distractions and cognitive impairment, these meetings engender a social rather than business-like atmosphere. In keeping with norms of social interaction, a customer in this setting may be reluctant to confront a host, to refuse the hospitality of a second or third drink, or to raise differences that might spoil the atmosphere of sociability and conviviality. Social norms of reciprocity, reinforced by the setting and the alcohol, may encourage the guest to respond in kind as the host reveals information and makes concessions.

Although alcohol is often introduced without strategic aims in mind, the fact remains that alcohol's capacity to undermine a manager's negotiating abilities provides his or her counterpart with a tempting opportunity to manipulate the context within which their business is transacted. Managers who negotiate frequently are likely at some point to encounter a situation in which alcohol is used as a tool to obtain information or concessions. Reasonable prudence suggests that managers need to think carefully and realistically about the setting in which negotiations are to take place, the probability that alcoholic beverages will be present, and their own tolerance for drinking. Whether the effect is intentional or not, there is no doubt that alcohol can seriously interfere with a manager's ability to achieve his or her objectives.

Guidelines for Alcohol Use in Business Settings

The decision to introduce even low levels of alcohol into a business setting should depend on a clear sense of purpose and a thorough understanding of its effects. For example, alcohol facilitates relationship building, but harms the actual bargaining process.

Alcohol might be appropriate when the objective of an encounter is to develop a relationship or share information. Alcohol lowers inhibitions, encourages conversation, and causes individuals to feel closer to each other than they might otherwise. By encouraging disclosure, moderate use of alcohol can deepen and personalize formal business ties. And by encouraging a sense of closeness and mutual identification, it can help legitimize different points of view and reduce mistrust. It therefore might be appropriate when a primary objective is to develop a long-term relationship. Consequently, alcohol may be better suited for top decision-makers structuring the general framework of an agreement than for their subordinates who need to resolve the technical details of the deal. For similar reasons alcohol may facilitate agreement in particularly contentious negotiations such as when negotiators have reached an impasse.

Decisions to consume alcohol should be made with respect to cultural norms. In many foreign cultures with strong drinking norms, alcohol may be an essential component of the negotiation process, and may even be a prerequisite for reaching a deal. In China, for example, prospective partners may be subjected to relationship tests that include extensive dining and drinking sessions. Similarly,

in Korea the refusal to drink may be perceived as an insult and a signal of disrespect.

Alcohol consumption should be viewed along a continuum. Participating in a toast is quite different from spending an evening of heavy drinking, and the relative benefits and costs will change across quantity levels.

In many situations alcohol should be avoided altogether. The introduction of alcohol may create unease for those who decline a drink for personal, religious, company policy, or other reasons. Even when everyone is comfortable consuming alcohol, its introduction may create undesirable effects. For example, a manager may inadvertently reveal sensitive information, commit a serious faux pas, or escalate a conflict. In addition, alcohol should be avoided in situations that require critical judgment or creative thinking such as a technical discussion of financing arrangements. Table 1 describes some relationship and negotiation process considerations regarding alcohol consumption.

Alternatives to Drinking

There are many situations in which alcohol consumption should be avoided altogether. In practice, however, avoiding alcohol or declining a drink may be awkward or difficult. In this section we suggest some practical alternatives.

Choose the setting of your meeting carefully. The best approach for avoiding alcohol consumption is to choose a time and place for your meeting that minimizes the likelihood that alcohol will become an issue. By choosing lunch rather than dinner, and cafes rather than bars, managers can reduce the likelihood of being offered a drink and the potential awkwardness of declining one. In China, for example, experts have suggested that establishing relationships over meals may be as effective as establishing relationships over drinks,[55] and in many countries tea and coffee houses represent readily available alternatives to bars.[56] In Japan, heavy drinking after dinner is common, and one option for avoiding this type of alcohol consumption is to decline an invitation to join the group after dinner by citing a pressing phone call or jet lag.[57]

The best approach for avoiding alcohol consumption is to choose a time and place for your meeting that minimizes the likelihood that alcohol will become an issue.

In Russia, steam baths represent a popular venue for building business relationships. This environment enables associates to build relationships from a sense of openness and vulnerability. American managers hoping to avoid alcohol, however, should be wary of this environment. Vodka often plays a role in steam-bath gatherings, and the combination of alcohol and dehydration from the heat can be especially debilitating.

Develop relationships in informal settings. In general, developing and personalizing relationships can be achieved in a variety of ways and settings that do not include alcohol. These range from joining people for cultural and sporting events, rounds of golf, or any number of activities and entertainment. Note that eliminating the pres-

Table 1
Alcohol Consumption and the Negotiating Context

Negotiating context	Avoid consuming alcohol when:	Alcohol might be appropriate when:
Relationship considerations	• you want to manage your impression (e.g., meeting someone of higher rank for the first time); • you want to be careful about drawing professional boundaries; • you do not want to exert social pressure that makes others uncomfortable or forces others to drink.	• social norms favor drinking and the benefits of in-group status outweigh alcohol's risks; • the opportunities for valuable social exchange outweigh alcohol's risks; • the value of developing a stronger bond, such as for a long-term relationship, outweigh alcohol's risks.
Negotiation process considerations	• the negotiation involves a large number of issues; • the negotiation involves calculations (e.g., financial analysis); • you want to be careful and tactful about how you communicate; • the potential to escalate interpersonal conflict is high.	• the focus of the negotiation is the long-term relationship; • appealing to emotional criteria; • learning information about the other party is a primary goal; • your relative tolerance level is high.

ence of alcohol avoids both a potentially awkward situation as well as the alcohol consumption of your counterpart. This may be particularly important during a negotiation in which your counterpart's alcohol consumption could escalate conflict or create inefficiency that could harm your outcome.

Offer brief explanations when declining a drink. When business settings do involve unwanted alcohol, managers face a difficult choice. In some cases, accepting a drink without imbibing may be practical, but in others a certain amount of drinking may be expected. In these situations declining to drink may be interpreted as impolite and aloof. Managers who decline a drink should provide a brief, clear explanation and make an effort to signal interest in the relationship in some other way. For example, in China it is acceptable to decline drinks for health reasons or to claim stomach problems.[58] In the U.S., a vice president of TeleAmerica, Inc. in Evanston, Illinois, declines drinks by explaining that she has to drive some distance afterwards and that drunk-driving laws in her state are quite strict.[59]

Respect the symbolic importance of alcohol across cultures. In many cultures alcohol has ritualistic and symbolic significance. If you decline a drink, take care not to offend your host. In some cases, the symbolic value of alcohol consumption is more important than actual drinking. Though the appropriate course of action will vary by situation and culture, raising your glass during a toast is generally more important than actually drinking from it. In some contexts, drinking non-alcoholic versions of alcoholic beverages may also suffice.

In instances where drinking is expected, there are typically limits to these expectations. In Russia, for example, participating in the first two rounds of drinks is important, but stopping after the second round is generally acceptable.[60] In Japan, one option is to leave the glass full or half-full. This approach can tactfully signal an intention not to drink.[61]

Anticipate alcohol consumption when assembling a negotiation team. In some cases senior managers should develop negotiation teams with drinking situations in mind. For example, before American managers send groups to negotiate in Asia, they should consider the composition of the team not only in terms of technical, cultural, and language expertise, but also with respect to the potential for alcohol consumption. This strategy was employed by a senior executive from SmithKline Beecham who routinely brought along a sales representative to participate in the evening drinking activities while she returned to her hotel room to relax and sleep.

Setting Company Policy on Alcohol Use

Develop a realistic alcohol policy. Senior managers should anticipate the role of alcohol in negotiations in setting company policy regarding alcohol consumption. Most company policies do not reflect the complex relationship between alcohol consumption and business practice. In some cases, firms ban alcohol consumption for all company-related events, both on- and offsite.[62] Such policies reflect the growing threat of corporate liability—a real concern following a 1991 ruling in which a Florida company was ordered to pay $800,000 in punitive damages after a drunken salesman caused an accident while returning home from a trade show.[63]

Prohibitionist policies, if they are actually enforced, may curtail corporate liability and may also provide employees with a ready excuse for declining an unwanted drink. However, such policies lack flexibility and may be impractical in many cross-cultural contexts. To the extent corporate alcohol policies are viewed as simplistic or unrealistic, they are likely to remain ignored and unenforced.

Articulate and enforce the company's alcohol policy. Companies should have written guidelines regarding alcohol consumption, and clearly identify job roles and cases in which alcohol consumption may be appropriate. Policies restricting the use of alcohol need to be strictly enforced and, for liability purposes, companies should keep records of how they are enforced.

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For example, a policy that encourages inebriated employees to take cabs might be documented with a file of used receipts from cab rides. In addition, companies should provide help for employees with drinking problems.[64]

Train managers to evaluate alcohol's hazards and benefits. Managers need to recognize the symbolic and strategic importance of alcohol in different settings. In some cases, alcohol use will engender specific benefits that outweigh its hazards. Employees in specific situations should be empowered to make informed decisions regarding their

use of alcohol. They should be trained to evaluate the costs and benefits of alcohol consumption and sensitized to the serious consequences that even moderate amounts of alcohol can have on their performance and self-perception of their performance. In addition, corporations should educate their members about the serious physiological effects of alcohol as well as the symptoms of alcoholism, which are not always obvious. Alcohol abuse remains the most common form of drug abuse in the workplace, and represents a major health risk as well as a significant drain on productivity.[65]

Choosing Wisely

The use of alcohol introduces a complex element into business relationships with potentially important consequences for individual managers and their organizations. The decision to mix drinking with business merits careful consideration rather than the thoughtless consumption that often characterizes its use.

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For centuries, alcohol has been used as a catalyst for relationship building, coalition formation, and bonding among business partners. Although it is well known that alcohol compromises cognitive and physical functioning, in many cases the costs of impaired judgment from consuming alcohol are underestimated. Used wisely, alcohol can yield relationship and strategic benefits, but these benefits must be balanced against alcohol's liabilities.

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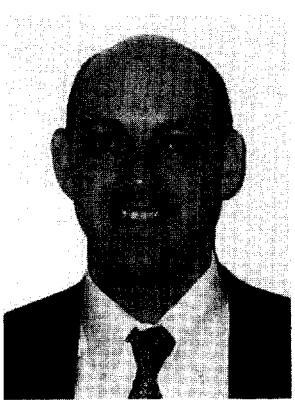

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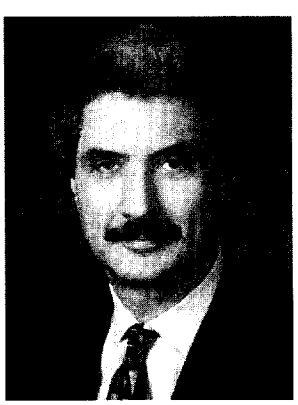

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