

- *Conversations transform frames in ways negotiators may not be able to predict but may be able to manage.* As parties discuss an issue, introduce arguments and evidence, and advocate a course of action, the conversation changes, and the frame may change as well. It is critical for negotiators to track this shift and understand where it might lead.
- *Certain frames are more likely than others to lead to certain types of processes and outcomes.* For example, parties who are competitive are likely to have positive identity frames of themselves, negative characterization frames of each other, and a preference for win-lose approaches to resolving their dispute. Recognizing these tendencies empowers negotiators to reframe their views of themselves, the other, or the dispute resolution mechanism in play in order to pursue a process that will resolve the conflict more productively.

Cognitive Biases in Negotiation

So far in this chapter, we have examined how information is perceived, filtered, distorted, and framed. In this section, we examine how negotiators use information to make decisions during the negotiation. Rather than being perfect processors of information, it is quite clear that negotiators (like all decision makers) have a tendency to make systematic errors when they process information.³ These errors, collectively labeled *cognitive biases*, tend to impede negotiator performance; they include (1) the irrational escalation of commitment, (2) the mythical belief that the issues under negotiation are all fixed-pie, (3) the process of anchoring and adjustment in decision making, (4) issue and problem framing, (5) the availability of information, (6) the winner's curse, (7) negotiator overconfidence, (8) the law of small numbers, (9) self-serving biases, (10) the endowment effect, (11) the tendency to ignore others' cognitions, and (12) the process of reactive devaluation. We discuss each of these in more detail, and summarize them in Table 6.1

1. Irrational Escalation of Commitment

Negotiators sometimes maintain commitment to a course of action even when that commitment constitutes irrational behavior on their part. This is an example of a broader psychological phenomenon known as "escalation of commitment," which is the tendency for an individual to make decisions that stick with a failing course of action (Brockner, 1992; Staw, 1981; Teger, 1980). Classic examples include a country that continues to pour military resources into an unwinnable armed conflict or an investor who continues to put more money into a declining stock in hopes its fortunes will turn ("throwing good money after bad," as escalation of commitment is sometimes colloquially described). Escalation of commitment situations are defined by "repeated (rather than one-shot) decision making in the face of negative feedback about prior resource allocations, uncertainty surrounding the likelihood of goal attainment, and choice about whether to continue" (Brockner, 1992, p. 40).

Escalation of commitment is due in part to biases in individual perception and judgment. Once a course of action is decided, negotiators often seek supportive (confirming) evidence for that choice, while ignoring or failing to seek disconfirming evidence. Initial commitments become set in stone (see the later section on anchoring and adjustment), and

TABLE 6.1 | Cognitive Biases in Negotiation

Form of Bias	Definition
Escalation of commitment	Tendency for an individual to make decisions that persist in pursuing a failing course of action.
Mythical fixed-pie beliefs	Tendency to see negotiation as a zero-sum or win-lose situation with parties' interests diametrically opposed.
Anchoring and adjustment	Being overly influenced by a standard or reference point (an anchor) and failing to make adjustments from it.
Issue framing and risk	Tendency to be unduly influenced by the positive or negative frame through which risks are perceived.
Information availability	Tendency to overweight information that is easily recalled or otherwise readily available at the expense of information that is critical but less salient.
The winner's curse	Tendency to settle quickly on an outcome and then feel discomfort about a negotiation win that comes too easily.
Negotiator overconfidence	Tendency to believe that one's ability to be correct or accurate is greater than is actually the case.
The law of small numbers	Tendency to draw inappropriate conclusions based on small data samples or a small number of examples.
Self-serving bias	Tendency to make attributions about causes of behavior that are self-serving (take personal credit for successes, blame aspects of the situation for negative results).
Endowment effect	Tendency to inflate the value of something you own or have in your possession.
Ignoring others' cognitions	Failure to consider the other party's thoughts and perceptions, inhibiting an accurate understanding of their interest and goals.
Reactive devaluation	Placing less value on concessions made by the other simply because the other party offered them.

a desire for consistency prevents negotiators from changing them. This desire for consistency is often exacerbated by a desire to save face and to maintain an impression of expertise or control in front of others (see Chapter 11). No one likes to admit error or failure, especially when the other party may perceive doing so as a weakness. Escalation of commitment is common when a union goes on strike and expects management to capitulate eventually, in competitive bidding or auction situations, or when negotiators make a threat in anger and then find that they have to follow through on it.

One way to combat these tendencies is to have an adviser serve as a reality checkpoint—someone who is not consumed by the “heat of the moment” and who can warn negotiators when they inadvertently begin to behave irrationally. Also, a study by Ku (2008) found that decision makers are less likely to escalate if they experienced regret following a previous escalation situation. Unfortunately, many negotiators and decision makers may not have previously experienced such a situation to learn from, so it is important to highlight Ku's finding in a follow-up experiment: even just having people *imagine* escalation-related regret before making a crucial decision induces them to de-escalate.

2. Mythical Fixed-Pie Beliefs

Many negotiators assume that all negotiations involve a fixed pie (Thompson, 1990b). Negotiators often approach integrative negotiation opportunities as zero-sum situations or win-lose exchanges. Those who believe in the mythical fixed pie assume that parties' interests stand in opposition, with no possibility for integrative settlements and mutually beneficial trade-offs, so they suppress efforts to search for them (see Pinkley, Griffith, and Northcraft, 1995; Thompson and Hastie, 1990a, 1990b). In a salary negotiation, the job applicant who assumes that salary is the only issue may insist on \$55,000 when the employer is offering \$52,000. Only when the two parties discuss the possibilities further do they discover that moving expenses and starting date can also be negotiated, which may facilitate resolution of the salary issue.

The tendency to see negotiation in fixed-pie terms varies depending on how people view the nature of a given conflict situation. This was shown in a clever experiment by Harinck, de Dreu, and Van Vianen (2000) involving a simulated negotiation between prosecutors and defense lawyers over jail sentences. Some participants were told to view their goals in terms of personal gain (e.g., arranging a particular jail sentence will help your career), others were told to view their goals in terms of effectiveness (a particular sentence is most likely to prevent recidivism), and still others were told to focus on values (a particular jail sentence is fair and just). Negotiators focusing on personal gain were most likely to come under the influence of fixed-pie beliefs and approach the situation competitively. Negotiators focusing on values were least likely to see the problem in fixed-pie terms and more inclined to approach the situation cooperatively. Stressful conditions such as time constraints contribute to this common misperception, which in turn may lead to less integrative agreements (de Dreu, 2003). Fixed-pie beliefs may also vary with cultural values that negotiators bring to the exchange (see Box 6.2).

In Chapter 3 we provided advice on minimizing this fixed-pie belief through procedures for inventing options. We mention two additional approaches here. First, by focusing on underlying interests rather than merely on the issues being negotiated, negotiators are more likely to see that their fixed-pie perception is misguided (Giacomantonio, de Dreu, and Mannetti, 2010). Second, fixed-pie perceptions can be diminished by holding negotiators accountable for the way they negotiate. In one experiment (de Dreu, Koole, and Steinel, 2000), some negotiators were told that they would be interviewed afterward by experts to discuss what happened. Fixed-pie perceptions were weaker for these negotiators compared with negotiators who were not expecting an "accountability interview." Negotiators operating under accountability also reached agreements having higher joint value for the two parties. It appears that introducing accountability into the negotiation context is one way to increase the chances that individuals will overcome fixed-pie beliefs and strive for more integrative agreements.

3. Anchoring and Adjustment

Cognitive biases in anchoring and adjustment are related to the effect of the standard (or anchor) against which subsequent adjustments are made during negotiation. A classic example of an anchor in negotiation is hearing the other side's first offer and then thinking, "Gee, that offer was much lower than I expected; perhaps I've misconstrued the value here

Michele Gelfand and Sophia Christakopoulou investigated whether the tendency to view negotiations in fixed-pie terms might vary according to cultural values held by negotiators. They argued that fixed-pie judgments are probably commonly experienced across cultures at the start of negotiations but are stronger in some cultures than others by the end of a negotiation encounter. Gelfand and Christakopoulou compared negotiators in an individualistic culture, where cultural norms emphasize individual rights, accomplishments, and competition, with negotiators in a collectivistic culture, where the emphasis is on group accomplishment, interdependence, and harmony. They predicted that negotiators from individualistic cultures would focus more on their own interests and priorities, which may diminish the negotiator's ability to accurately gauge the other party's interests, leading to persistent assumptions that the pie is fixed.

Gelfand and Christakopoulou tested this prediction in a simulated business negotiation involving students from an American university (a highly individualistic culture) and students from a university in Greece (a highly collectivistic culture). Participants were asked both before and after the negotiation, which took place via e-mail, to record their judgments of the other party's interests and desires. With this method,

fixed-pie perceptions are present to the extent that an individual regards the other party's interests as directly opposed to his or her own interests. (Such perceptions were inaccurate in the study because the negotiation task did incorporate some integrative potential.)

As expected, the researchers found that there was no difference in the level of fixed-pie errors between U.S. and Greek negotiators at the start of the negotiations. After the negotiation, however, Americans were significantly more likely than Greeks to make errors in judging the other party's interests, indicating a bias toward assuming a fixed pie. Transcripts of the negotiations revealed that Greek negotiators made more statements about insight into and awareness of the other party's interests. Curiously, although American negotiators made more judgment errors, they expressed more confidence after the negotiation than Greek negotiators that their understanding of the other party's interests was accurate!

Source: Adapted from Michele J. Gelfand and Sophia Christakopoulou, "Culture and Negotiator Cognition: Judgment Accuracy and Negotiation Processes in Individualistic and Collectivistic Cultures," *Organizational Behavior and Human Decision Processes* 79 (1999), pp. 248–69.

and should reconsider my goals and tactics." Anchors like this set a potentially hazardous trap for the negotiator on the receiving end because the choice of an anchor (e.g., an initial offer or an intended goal) might well be based on faulty or incomplete information and thus be misleading in and of itself. However, once the anchor is defined, parties tend to treat it as a real, valid benchmark by which to adjust other judgments, such as the value of the thing being negotiated, or the size of one's counteroffer (Kristensen and Garling, 1997, 2000).⁴ A study of real estate agents, for example, showed that agents appraising the value of a house were very strongly affected by its asking price (Northcraft and Neale, 1987). The asking price served as a convenient anchor to use in appraising the value of the house.

Goals in negotiation—whether set realistically or carelessly—can serve as anchors. These anchors may be visible or invisible to the other party (a published market price versus an uncommunicated expectation), and, similarly, the person who holds them may

do so consciously or unconsciously (a specific expectation versus an unexamined, unquestioned expectation or norm). Anchors also can arise from information about prior deals or trading prices in an existing market for the item being negotiated (Phillips and Menkhaus, 2010). There is also evidence that anchors operate differently in different cultural settings; in one recent study, opening offers induced anchoring and hindered joint gains among American negotiators but facilitated mutually beneficial outcomes among Japanese negotiators (Adair, Weingart, and Brett, 2007). Thorough preparation, along with the use of a devil's advocate or reality check, can help prevent errors of anchoring and adjustment.

4. Issue Framing and Risk

As we discussed earlier in this chapter, a frame is a perspective or point of view that people use when they gather information and solve problems. The framing process can cause people to exhibit certain types of behavior while avoiding others. Frames can lead people to seek, avoid, or be neutral about risk in negotiation. The way a negotiation is framed can make negotiators more or less risk averse or risk seeking. For instance, people respond quite differently when they are negotiating to "gain" something rather than to "not lose" something (Schurr, 1987).⁵ Simply focusing on the target price during negotiations rather than the lower boundary can lead to higher outcomes (Galinsky, Mussweiler, and Medvec, 2002), although the exact nature of how framing and risk propensity influence negotiation outcomes seems to be influenced by the negotiation task (Bottom, 1998).

The way an issue is framed influences how negotiators perceive risk and behave in relation to it. A basic finding from research that led to the development of what is known as "prospect theory" (Kahneman and Tversky, 1979) is that people are more risk-averse when a decision problem is framed as a possible *gain*, and risk-seeking when it is framed as a *loss*. To illustrate, consider this typical salary negotiation (adapted from Bazerman and Neale, 1992):

1. Your current salary (\$47,000).
2. Your potential employer's initial offer to you (\$52,000).
3. The least amount you are willing to accept (\$55,000).
4. Your estimate of the most the company is willing to offer to you (\$57,000).
5. Your initial salary request (\$52,000).

The tendency to either seek or avoid risk may be based on the *reference point* against which offers and concessions are judged. The reference point is important because it is the number against which you may evaluate negotiation progress and success. In this salary example, there are various possible reference points. If you adopt your current salary (\$47,000) as your reference point, then you would view (frame) a settlement offer of \$52,000 as a gain in relation to your current salary. But as your standard of comparison moves down the list, that same offer of \$52,000 becomes progressively framed as a loss (e.g., if your reference point is your reservation price of \$55,000). This distinction is important because if you frame the employer's offer as a gain, you are more apt to settle (be risk-averse) rather than take a chance (be risk-seeking) that a better outcome can be obtained. But if the offer is

framed as a loss, you are more likely to take risks for a better deal. In a recent experiment illustrating this effect, Ghosh and Boldt (2006) asked corporate managers to focus either on the profit that would be earned or the profit that would be forgone in a prospective transaction. They found that managers primed with a negative frame (profit forgone) were less flexible, held higher expectations, and claimed a larger share of the profit available compared with those primed with a positive frame.

Two things to keep in mind about the effect of frames on risk in negotiation are (1) negotiators are not usually indifferent to risk, but (2) they should not necessarily trust their intuitions regarding it (Neale and Bazerman, 1992a). In other words, negotiators may overreact to a perceived loss when they might react more positively to the same situation if it is framed as a perceived gain. Hence, as a negotiator you must “avoid the pitfall of being framed while, simultaneously, understanding positively and negatively framing your opponent” (Neale and Bazerman, 1992a, p. 50). When negotiators are risk-averse, they are more likely to accept any viable offer simply because they are afraid of losing. In contrast, when negotiators are risk-seeking, they are apt to wait for a better offer or for future concessions.

This positive/negative framing process is important because, as we saw in the preceding salary negotiation example, the same offer can elicit markedly different courses of action depending on how it is framed in gain-loss terms. Negotiations in which the outcomes are negatively framed tend to produce fewer concessions and reach fewer agreements, and negotiators perceive outcomes as less fair than negotiations in which the outcomes are positively framed (Bazerman and Neale, 1992). Remedies for the potentially pernicious effects of framing are similar to those we have mentioned for other cognitive biases (e.g., awareness of the bias, sufficient information, thorough analysis, and reality checks) but can be difficult to achieve because frames are often tied to deeply held values and beliefs or to other anchors that are hard to detect.

5. Availability of Information

Negotiators must also be concerned with the potential bias caused by the availability of information or how easy information is to retrieve—that is, how easily it can be recalled and used to inform or evaluate a process or a decision (Tversky and Kahneman, 1982). One way the availability bias operates in negotiation is through presentation of information in vivid, colorful, or attention-getting ways; making it easy to recall; and making it central and critical in evaluating events and options. Information presented through a particularly clear message, diagram, or formula (even one that is oversimplified) will likely be believed more readily than information presented in a confusing or detailed format—regardless of the accuracy of each.

The availability of information also affects negotiation through the use of established search patterns. If negotiators have a favorite way of collecting information or looking for key signals, they will use these patterns repeatedly and may overvalue the information that comes from them. In Chapter 4, we noted that many negotiators fail to plan and that the planning they do tends to focus on a limited subset of information that is easily available. Negotiators who do not plan properly run the risk of being overwhelmed by the availability bias and thus losing the benefits of thorough analysis.

6. The Winner's Curse

The winner's curse refers to the tendency of negotiators, particularly in an auction setting, to settle quickly on an item and then subsequently feel discomfort about a negotiation win that comes too easily (Bazerman and Samuelson, 1983).⁶ If the other party capitulates too quickly, the negotiator is often left wondering, "Could I have gotten this for less?" or asking "What's wrong with the item/product/option?" The negotiator may suspect that the other party knows too much or has insight into an unseen advantage; thus, either "I could have done better" or "This must be a bad deal."

For example, in an antique store several years ago one of the authors of this book saw a clock that he and his wife fell in love with. After spending the afternoon in the neighborhood deciding on a negotiation strategy (opening offer, bottom line, timing, feigned disinterest, the good guy/bad guy tactic), the author and his wife returned to the store to enact their strategy. The store owner accepted their first offer. Upon arriving home, suffering from the winner's curse, they left the clock in the garage, where it remains collecting dust.

Recent research suggests that the winner's curse stems, in part, from counterfactual thought processes. Counterfactual thoughts involve entertaining the possibility of "what might have been" if that offer hadn't been accepted (Kahneman and Miller, 1986). The easier it is to imagine a better alternative to an agreement, the less satisfied the negotiator will be (Naquin, 2002). Thinking counterfactually about "what might have been" doesn't just create dissatisfaction in the wake of a bad outcome; it also affects future behavior. One study showed that negotiators who were dissatisfied after having their first offer accepted reported that they would be less likely to make the first offer in future negotiations (Galinsky, Seiden, Kim, and Medvec, 2002). Another study found that negotiators encouraged to engage in counterfactual thinking were less likely to reach integrative agreements that satisfy mutual interests (Kray, Galinsky, and Markman, 2009). This decline in collaboration may depend, however, on the kind of counterfactual thinking that occurs: Kray and colleagues found in a follow-up experiment that negotiators who dwelled on mistakes made (things I shouldn't have done) were less likely to reach integrative agreements than those who thought about forgone opportunities (things I could have done).

The best remedy for the winner's curse is to prevent it from occurring in the first place by doing the advance work needed to avoid making an offer that is unexpectedly accepted. Thorough investigation and preparation can provide negotiators with independent verification of appropriate settlement values. Negotiators can also try to secure performance or quality guarantees from the other party to make sure the outcome is not faulty or defective.

7. Overconfidence

Overconfidence is the tendency of negotiators to believe that their ability to be correct or accurate is greater than is actually true. Overconfidence has a double-edged effect: (1) It can solidify the degree to which negotiators support positions or options that are incorrect or inappropriate, and (2) it can lead negotiators to discount the worth or validity of the judgments of others, in effect shutting down other parties as sources of information, interests, and options necessary for a successful integrative negotiation. For instance, Neale and Bazerman (1983) found that negotiators who were not trained to be aware of

choose to retaliate (Allred, 1998; Bies and Tripp, 1998). In one recent study, opponents' expression of anger led negotiators to make concessions outwardly, but also to seize an opportunity to engage in covert retaliation (Wang, Northcraft, and van Kleef, 2012). Negative emotions may also lead to less effective outcomes. The more a negotiator holds the other responsible for destructive behavior in a previous interaction, the more anger and less compassion he or she feels for the other party. This in turn leads to less concern for the other's interests and a lower likelihood of discovering mutually beneficial negotiated solutions (Allred, Mallozzi, Matsui, and Raia, 1997).

- *Not all negative emotions have the same effect.* Anger may tend to escalate conflict and foster retaliation, but what about less "hot" negative emotions, such as worry, disappointment, guilt, and regret? van Kleef, de Dreu, and Manstead (2006) examined how people react to negotiation opponents who are experiencing these kinds of emotions. They found that negotiators made smaller demands of worried or disappointed opponents, presumably feeling sorry for their situation, but made fewer concessions to guilty or regretful opponents. Negotiators did, however, report more favorable impressions of regretful opponents, viewing them as more interpersonally sensitive than opponents experiencing worry or disappointment.

Aspects of the Negotiation Process Can Lead to Negative Emotions As with positive emotion, research exploring the negative emotional consequences of negotiation is recent and limited. Here are three findings:

- *Negative emotions may result from a competitive mindset.* Negotiators with a fixed-pie perception of the situation tend to be less satisfied with negotiated outcomes than those with an integrative orientation. This may stem from the perception that when a negotiation is viewed as zero-sum, the other party's gains mean an equivalent loss for self (Thompson and DeHarpport, 1994). In a similar vein, individualistic (egoistic) parties report less satisfaction with their outcomes compared to those with a pro-social (altruistic) value orientation (Gillespie, Brett, and Weingart, 2000).
- *Negative emotions may result from impasse.* When a negotiation ends in impasse, negotiators are more likely to experience negative emotions such as anger and frustration compared with negotiators who successfully reach agreement (O'Connor and Arnold, 2001). These researchers found, however, that people with more confidence in their negotiating ability were less likely to experience negative emotion in the wake of impasse. This is important because impasse is not always a bad thing—the goal is achieving a good outcome, not merely reaching an agreement.
- *Negative emotions may result merely from the prospect of beginning a negotiation.* We might assume that inexperienced negotiators are most prone to be nervous about an upcoming bargaining session, Wheeler (2004) points out that even experienced negotiators may feel anxiety going in to the encounter. He identifies several sources of anxiety at the outset of negotiation: doubts about one's competence, concerns about the opponents' attitudes or likely behaviors, and "the inevitable uncertainty about what path negotiation will take" (p. 153). Anxiety isn't all bad, however; Wheeler argues it may spark creativity that can help produce constructive outcomes.

The Effects of Positive and Negative Emotion in Negotiation It is possible for positive emotion to generate negative outcomes and for negative feelings to elicit beneficial outcomes, as we explain here:

- *Positive feelings may have negative consequences.* First, negotiators in a positive mood may be less likely to examine closely the other party's arguments. As a result, they may be more susceptible to a competitive opponent's deceptive tactics (Bless, Bohner, Schwartz, and Strack, 1988). In addition, because negotiators with positive feelings are less focused on the arguments of the other party, they may achieve less-than-optimal outcomes (Kumar, 1997). Finally, if positive feelings create strong positive expectations, parties who are not able to find an integrative agreement are likely to experience the defeat more strongly and perhaps treat the other party more harshly (Parrott, 1994).
- *Negative feelings may create positive outcomes.* Just as positive emotions can create negative outcomes, it is clear that negative emotions can create positive consequences for negotiation. As a general matter, expressions of anger in workplace settings that are low in intensity and are expressed verbally rather than nonverbally can lead to positive organizational outcomes (Gibson, Schweitzer, Callister, and Gray, 2009). In negotiation, specifically, negative emotion has information value. It alerts the parties that the situation is problematic and needs attention, which may motivate them to either leave the situation or resolve the problem (van de Vliert, 1985). There is also evidence that when a negotiator uses words that trigger negative emotions, others become more optimistic that the negotiation will be successfully resolved (Schroth, Bain-Chekal, and Caldwell, 2005). Schroth and her colleagues note that this optimism is justified if the intention of the party triggering emotion is to convey seriousness of purpose and a desire to focus the discussion, but not if the point is merely to wield (or match) power. In short, anger and other negative emotions can serve as a danger signal that motivates both parties to confront the problem directly and search for a resolution.

Anger, of course, may also signal that a person is tough or ambitious, and researchers have found that negotiators concede more often to an angry opponent than to a happy or unemotional partner (Sinaceur and Tiedens, 2006; van Kleef, de Dreu, and Manstead, 2004). Concessions are made because negotiators on the receiving end of anger construe in that anger the presence of an implied threat (Sinaceur, van Kleef, Neale, Adam, and Haag, 2011).

Anger doesn't necessarily induce the other party to give in, however. Sometimes it provokes an angry or competitive response (e.g., Friedman et al., 2004). So when will anger elicit conciliation and when will it breed a competitive response? Work by van Kleef and Côté (2007) indicates that it depends on the *appropriateness* of the anger: Negotiators in their study made lower demands and more concessions when they perceived their opponent's display of anger to be appropriate for the situation (i.e., when it appears that the angry individual has a legitimate reason to be angry). But even if it sometimes pays to be angry in competitive negotiations (as a signal of toughness or reluctance to compromise), research also tells us when anger can backfire. Anger is less likely to elicit concessions when the party on the receiving end of anger either (1) has the opportunity to respond with deception (e.g., misrepresent his own interests) or (2) has little at stake, meaning little to