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# Psychological Aspects of Negotiating Strategies and Processes

Mara Olekalns, *Melbourne Business School*

Philip L Smith, *University of Melbourne*



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## **Psychological Aspects of Negotiating Strategies and Processes**

Mara Olekalns  
Melbourne Business School  
University of Melbourne

Philip L. Smith  
Dept of Psychological Science  
University of Melbourne

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One of the first decisions a negotiator makes is whether to adopt a broadly cooperative or broadly competitive approach. This decision is critical because it affects the boundaries that negotiators set (the range of acceptable outcomes), where they start the negotiation and their willingness to make concessions. It also shapes how negotiations unfold because it shifts negotiators' tactical preferences to more heavily emphasize either problem-solving, collaborative behaviors or contentious, power-oriented behaviors.

In making this strategic choice, individuals are faced with the *negotiator's dilemma*. On the one hand, a cooperative strategy is the most effective approach for creating value and maximizing both parties' outcomes. However, if only one negotiator behaves cooperatively, he or she opens the way to exploitation. While behaving competitively might provide protection against exploitation, this strategic approach also has limitations. Among these is the possibility that negotiators fail to create value and bargain over the division of a smaller resource pool. An even greater risk occurs if both negotiators choose the competitive path because they are likely to become locked in a contentious cycle, consequently failing to resolve the negotiation.

### **Factors that Shape Strategic Choice**

Because most negotiations are mixed motive, individuals need to juggle both cooperation and competition. What varies across individuals and situations is the relative weight that negotiators give to one or other of these broad approaches. According to Pruitt's Dual Concern Model, negotiators are most likely to employ a competitive strategy when they are highly concerned about their individual outcomes but unconcerned about maintaining the relationship with the other party. Negotiators shift to a more collaborative, problem-solving approach when they place equal weight on their own and the other party's

outcomes, recognizing the importance of preserving their relationship with the other negotiator. A central question for negotiation researchers is the identification of factors that shift the weights assigned to economic and social outcomes. In this section, we review the factors that influence negotiators' strategic choices. (See also Encyclopedia entries on Mediation by Hardy, Ripeness Theory by Pruitt, Escalation and De-escalation by Pruitt, and Comparative Case Studies by Zartman.)

### *Cognitive biases*

Cognitive biases affect negotiators' representations of their outcomes. Perhaps the most investigated of those biases is the negotiators' frame. Research focusing on framing effects shows that negotiators are more likely to behave competitively if they view their outcomes in terms of losses than in terms of gains. Compared to gain-framed negotiators, loss-framed negotiators set higher minimum acceptable outcomes, make higher opening offers and give smaller concessions to the other party. Because they are more contentious, they take longer to reach settlement. Negotiators' may also behave more contentiously because the fixed-pie error leads to the assumption that negotiators' outcomes are negatively correlated: an improvement for one person is necessarily a loss for the other person.

### *Social Motives*

Social motives determine negotiators' preferences for resource allocation, that is, whether negotiators' focus on maximizing collective (prosocial social motive) or personal (proself social motive) outcomes. These different outcome goals can occur because of dispositional differences (social value orientation) or situational differences (motivational orientation). Although negotiators have a personal preference for cooperation or competition, strategic preferences can be primed to explicitly encourage negotiators to

maximize their own or both parties' outcomes. Factors such as time pressure, accountability to others and no expectation of future interaction all prime a more competitive, proself orientation. Prosocial negotiators adopt a softer bargaining style than proself negotiators, show greater concern about the well being of the other party and are more likely to express support of the other party (De Dreu, Weingart & Kwon, 2000).

### *Power*

In negotiation, it is important to consider both each negotiators' power as well as the distribution of power across negotiators. High power negotiators set both higher targets and higher resistance points. To meet their limits, high power negotiators are more likely to engage in put downs and threats, to use more persuasive arguments and to ask fewer diagnostic questions. Counter-intuitively, when faced with a high-power counterpart, low power negotiators do not respond submissively. Instead, they increase their level of contentiousness by matching the competitive behaviors of the high-power negotiator.

### *Gender*

Men and women differ in how they approach negotiations. Overall, women adopt a somewhat less competitive approach and obtain poorer economic outcomes than men. These differences can be traced back to differences in women's willingness to engage in negotiation, as well their goal-setting processes. Compared to men, women set lower targets and are more likely to settle as soon as their resistance point (lower limit) is met. They are more willing to accept the first offer and, compared to men, receive less generous offers. Finally, women are less willing to persist in the face of difficulties and setbacks in a negotiation.

### *Culture*

Individuals from collectivist, high context cultures place greater emphasis on social outcomes than those from individualistic cultures. As a result, many of their strategy choices reflect their greater emphasis on preserving social harmony. They are more indirect in their communication style and are less likely to give explicit information about their underlying preferences and priorities. Negotiators from these cultures are also more likely to appeal to sympathy and the common good in order to influence other negotiators.

#### *Other intrapersonal variables*

How negotiators feel plays a crucial role in their strategy choices (Druckman & Olekalns, 2008). Negotiators who report positive affect are more honest, more cooperative and more concessionary than negotiators who report negative affect. Emotion can be used strategically by negotiators to elicit concessions from the other party: Individuals make more concessions to angry others than to happy others. However, in disputes, expressing anger triggers an escalatory cycle that blocks problem-solving and resolution. Impressions of the other person, especially their perceived trustworthiness, also affect strategy choices. Negotiators are more likely to share information and problem-solve when they view the other party as trustworthy. However, when one party is perceived as benevolent, it is likely to elicit deception from the other party. (see Encyclopedia entry on Negotiation and Trust by Olekalns & Smith.)

### **Negotiations as Dynamic Processes**

The variables that we have described so far influence how individuals approach their negotiation. However, negotiation is a dynamic process. As we start to negotiate with others we learn more about the context, their goals and intentions, as well as our relative power. All of this might cause negotiators to reassess their initial strategies. In short, we need to understand not just how the factors at the start of a negotiation shape strategic

preferences, but also how negotiators adapt and change their strategies in light of new information (Olekalns & Weingart, 2008; Putnam, 1990). This means that, as well as considering how often negotiators use competitive and cooperative strategies, we need to focus on when those strategies are used.

### *Strategy Sequences*

Negotiations shape how negotiators respond to the other party's tactics. Responses can either confirm a dominant strategic approach or initiate a shift to a different style. For this reason, negotiation researchers focus on strategy sequences, chains of two (or more) strategies. Negotiation researchers have identified three kinds of strategy sequences: reciprocal, complementary and transformational. Reciprocity occurs when negotiators match each other's tactics exactly, for example responding to a threat with a threat. Reciprocity reinforces and maintains the dominant strategic approach. Complementary sequences, sometimes also described as heteromorphic reciprocity, describe tactical chains in which negotiators respond in-kind without the strict matching observed in reciprocal sequences. For example, a negotiator might respond to a threat with a demand. Both tactics are competitive, but they are not identical. A benefit of this 'looser' kind of reciprocity is that it does not lock negotiators into an increasingly rigid strategic approach. Negotiators may also try to break a dominant strategic approach by mismatching strategies. Transformational sequences describe tactical chains of cooperation-competition or competition-cooperation. Research shows that the variables we described above influence not only the tactics that negotiators choose but also the kinds of sequences that characterize their negotiations and lead to high joint gains (Olekalns & Smith, 2000).

### *Strategic adaptation*

How negotiations develop over time also provides important information about each individual's intentions. Communication theorists describe two interaction patterns, convergence and divergence. Convergence occurs when the interaction patterns of two people become increasingly similar over time whereas divergence occurs when interaction patterns become increasingly dissimilar over time. Whereas convergence is interpreted as signaling similarity and reducing social distance, divergence is interpreted as signaling dissimilarity and increasing social distance. In negotiations, the interpretation of convergence is more complex, because negotiators can converge to either a cooperative or a competitive strategy – and it is unlikely that convergence to competition reduces social distance. Convergence is most evident in negotiating dyads that start with different approaches to the negotiation. When this occurs, it is negotiators who start with the more cooperative, accommodating approach who shift their strategies to be like those of their counterparts: negotiators with a prosocial orientation, a gain-frame or low power shift to a more competitive style of negotiating when faced with proself, loss-framed or high power counterparts.

### *Phases and Interruptions*

Strategy sequences focus on how negotiators react to each other on a moment-to-moment basis. However, it is possible to observe broader patterns over time. Both phase and stage models of negotiation focus on larger-scale shifts in strategies as negotiations move from beginning to end. These models differ in how they identify strategic shifts. Phase models are more organic, determining phase shifts inductively by looking for shifts in dominant strategy. In comparison, stage models divide negotiations into a pre-determined number of segments and assess dominant strategies in each segment. Stage models suggest that negotiations begin with competition and positioning, shift to information



search and conclude with the generation and selection of a settlement option. They leave open the question of how negotiators move from one stage to the next, a question better addressed by phase models.

Negotiations do not unfold smoothly over time. Instead, the negotiation process is punctuated by critical events, or turning points. Turning points mark a change in the negotiation process, either for better or worse. They can be triggered by external events such as policy and leadership changes and third-party interventions or by the actions of negotiators, themselves. When negotiators make an unexpected tactical move, they pave the way for a major re-assessment of what is possible in the negotiation. When such surprise moves are better than expected – cooperation after prolonged competition – the negotiation process is redirected towards collaboration and settlement. However, when surprise moves are worse than expected they inhibit settlement and may trigger an escalatory spiral that results in impasse.

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### Key Terms

Negotiation, strategic choice, communication processes, cognitive biases, emotion, gender, power, strategy sequences, strategic adaptations, phases and interruptions, trust.

### Biographies

Mara Olekalns (PhD, University of Adelaide) is a Professor of Management (Negotiations) at the Melbourne Business School, University of Melbourne. Her research examines the factors that shape strategy choices in negotiation, including trust, power and outcome goals. She also researches how gender stereotypes affect negotiators' trustworthiness and outcomes.

Philip L. Smith (PhD, Adelaide) is a Professor of Psychology at the University of Melbourne. He researches the relationship between vision, selective attention, and decision making. He also researches communication processes in negotiation and has developed probabilistic (Markov chain) models for the analysis of sequential dependencies in strategy use in dyads.

### Author Contact Information

[m.olekalns@mbs.edu](mailto:m.olekalns@mbs.edu)