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### The Influence of Past Negotiations on Negotiation Counterpart Preferences

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RUNNING HEAD: Past Negotiations and Counterpart Preferences

The Influence of Past Negotiations on Negotiation Counterpart Preferences\*

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## Abstract

Choosing the right counterpart can have a significant impact on negotiation success. Unfortunately, little research has studied such negotiation counterpart decisions. Three studies examined the influence of past negotiations on preferences to negotiate again with a counterpart. Study 1 found that the more favorable a past negotiated agreement the stronger the preference to negotiate with the counterpart in the future. Moreover, this relation was mediated through liking of the counterpart. Study 2 manipulated the difficulty of achieving a favorable agreement in the negotiation and found a significant effect of this situational factor such that subsequent counterpart preferences were less favorable when the negotiation was difficult. Similar to Study 1, this effect was mediated through liking of the counterpart. Study 3 examined the possibility of debiasing negotiator preferences from the biasing influence of situational characteristics by providing relevant information about the negotiation situation. Replicating the results of Study 2, negotiation difficulty affected counterpart preferences before additional information was given or when irrelevant information was given. However, once negotiators received relevant information on the negotiation situation, the effect of negotiation difficulty disappeared. Theoretical and practical implications are discussed.

**KEYWORDS:** interpersonal liking; negotiation; negotiation bias; negotiation counterpart decision; negotiation counterpart preference; negotiation preparation

People frequently negotiate, both at work – with superiors, peers, subordinates, and customers – and in their private lives – with spouses, children, and friends. As such, being good at negotiating can provide a variety of benefits. Not surprisingly, researchers and practitioners alike have been trying to uncover the factors that lead to successful negotiations. In addition to the behaviors at the “bargaining table”, authors have emphasized the paramount importance of negotiation preparation for achieving one’s negotiation goals (Lewicki, Barry, Saunders, & Minton, 2003; Raiffa, 2002; 1982; Thompson, 2001).

Negotiation preparation consists in the variety of activities undertaken before the negotiators actually sit down at the bargaining table, such as clarifying one’s goals, setting one’s aspirations as well as reservation price, getting information about potential negotiation counterparts, and laying out one’s negotiation strategy (Lewicki et al, 2003). Negotiation preparation also includes searching for potential negotiation counterparts and then deciding with whom to negotiate (Reb, 2007; Raiffa, 2002, p. 200). Unfortunately, relatively little research has addressed how negotiators make such *negotiation counterpart decisions* (for exceptions see Barry & Oliver, 1996; Tenbrunsel, Wade-Benzoni, Moag, & Bazerman, 1999). To help address this gap in the literature, the present paper examines the influence of past negotiations on individuals’ preferences to negotiate with a counterpart again in the future.

In the following, I will first elaborate more fully on the concept of negotiation counterpart decisions. Next, Study 1 tests the hypotheses that economic gain from past negotiated agreements leads to stronger preferences to negotiate with a counterpart again in the future, and that this relationship is mediated through liking. Study 2 then examines whether counterpart preferences are more favorable following a negotiation that was easy (because of a wide bargaining zone) rather than difficult (because of a narrow bargaining zone). Finally, Study

3 attempts to debias negotiators' counterpart preferences by providing information about the difficulty of the negotiation situation.

### *Negotiation Counterpart Decisions*

In many situations, such as which applicant to hire, with which company to form a joint venture, from whom to purchase supplies for production, or from whom to buy a car, more than one counterpart is potentially available for negotiations. For reasons such as lack of time and resources, it is typically not possible to negotiate with all potential counterparts; a decision needs to be made with whom, and with whom not, to negotiate. Even when the pool of potential counterparts is small enough so that it would be possible to negotiate with all of them, at the least, a negotiator needs to decide on an order in which to negotiate with the available counterparts. And, at the most basic level, the negotiation counterpart decision is about either selecting or rejecting a specific counterpart.

Selecting the right counterparts and rejecting the wrong ones can have a significant impact on negotiation success (Reb, 2007; Tenbrunsel et al, 1999). For example, the probability of achieving one's negotiation goals often differs considerably across potential counterparts. Counterparts differ in the resources they have to offer, in their negotiation styles and in many other respects. Negotiators can benefit by choosing counterparts that are compatible in terms of values, resources, style etc. (Raiffa, 2002). Further, negotiating is a costly activity drawing on limited resources such as time, attention, and money. While negotiating with the wrong counterpart need not lead to a suboptimal agreement as the negotiation can be broken off without reaching agreement, scarce resources are still being used up during the process. Moreover, negotiating with the wrong counterpart can be emotionally frustrating because of a lack of fit between the negotiators. Thus, it is important that we understand better how negotiators form

preferences about potential counterparts.

### *Past Outcomes and Negotiation Counterpart Preferences*

One might expect that negotiators choose among potential counterparts using an explicit and forward-looking analysis of the expected utility of negotiating with that party in order to achieve the best possible negotiation outcome. Such a rational process would require negotiators to collect and analyze all available information about potential counterparts and then use this information to calculate the expected utility of negotiating with these counterparts. However, research has shown that individuals tend to follow cognitively much less demanding decision processes based on heuristics (e.g., Gilovich, Griffin, & Kahneman, 2002; Gigerenzer & Goldstein, 1996; Kahneman, Slovic, & Tversky, 1982), conditioning, and learning from past experience (e.g., Erev & Barron, 2005; Erev & Roth, 1998; Estes, 1964).

Consistent with this view of individuals as, at best, boundedly rational (March & Simon, 1958; Neale & Bazerman, 1991), Tenbrunsel et al (1999) provided evidence that negotiators use a kind of “relationship heuristic” (p. 278) when selecting from a pool of potential counterparts. In their studies, negotiators were given the opportunity to first interact with several counterparts and then reach an agreement with only one of them. Results suggest that negotiators were more likely to enter into agreements with parties they knew relatively well (“strong ties”). Interestingly, these agreements were on average worse than agreements between negotiators not connected through prior relationships, suggesting that the use of this heuristic process reduces negotiation success.

These findings are interesting because they suggest that the mere presence of past experiences with another party can affect negotiation counterpart preferences. However, I expect that, in addition to the presence or absence of a relationship, the *quality* of any past interaction

also matters for counterpart preferences. Moreover, the quality of past interaction might be especially important when the past experience was actually a negotiation (rather than a different type of interaction, say a small-talk at a dinner party). Past negotiation experiences can provide a source of learning about the other party and serve as easily available cues to quickly judge the value of a potential counterpart for future negotiations. Specifically, negotiators might use some form of a “win-stay, lose-change” heuristic (Kelley, Thibaut, Radloff, & Mundy, 1962; Thorndike, 1911): If the past negotiation was successful, negotiate again with the counterpart; if the past negotiation was unsuccessful, search for a new counterpart. Such a heuristic would predict a positive relation between past negotiation quality and preference to negotiate with the counterpart again.<sup>1</sup>

While negotiation quality can be assessed in a variety of ways, the economic gain a negotiator derives from an agreement is likely to be one of the most salient indicators of negotiation quality. After all, reaching a favorable economic outcome is often the reason to enter into a negotiation in the first place. Because salient cues tend to have a strong effect on judgments (Tversky & Kahneman, 1974), Study 1 focuses on the relation between the economic gain derived from a past negotiated agreement and subsequent negotiation counterpart preferences. I expect that the more favorable a past negotiated outcome, the higher the preference to negotiate again with the other party in a subsequent negotiation.

*Hypothesis 1: Economic gain from a past negotiated agreement is positively related to preference to negotiate again with the counterpart in a future negotiation.*

#### *The Role of Interpersonal Liking in Negotiation Counterpart Preferences*

Hypothesis 1 is rather intuitive. One interesting question concerns the process through which past outcomes influence counterpart preferences. I propose that the influence of past

outcomes on subsequent counterpart preferences works to a significant extent through liking of the other party. Indeed, research has shown a profound influence of liking on preferences (Zajonc, 1980). In the negotiation context, liking has been found to lead to more positive perceptions of the counterpart, especially when combined with familiarity (Druckman & Broome, 1991). Liking can serve as a simple heuristic through which negotiators arrive at judgments and preferences (Neale & Bazerman, 1991). Thus, negotiators might rely to a substantial degree on their “gut feelings” to make decisions about negotiation counterparts (although that the relative influence of conscious strategy and gut feelings on such decisions may differ and depend on a variety of factors such as the affective state of the negotiator, cf. Barry & Oliver, 1996). How much one likes another party provides an easily available cue to evaluate that party. Thus, despite the strategic, mixed-motive nature of the negotiation situation, I predict that interpersonal liking significantly influences negotiation counterpart preferences.

*Hypothesis 2: Liking of a counterpart is positively related to preference to negotiate again with the counterpart in a future negotiation.*

This prediction is entirely consistent with the argument concerning the influence of past outcomes on subsequent counterpart preferences. Specifically, liking can be caused by feeling rewarded from another person (Byrne, 1971; Lott & Lott, 1974). Therefore, a favorable negotiation outcome may lead a negotiator to like the counterpart more. This increased liking then leads to a stronger preference to negotiate with the other party again. In other words, the relation between the favorability of a negotiated agreement and subsequent counterpart preference may be mediated through liking.

*Hypothesis 3: Liking mediates the relation between economic gain from a past negotiated agreement and preference to negotiate again with the counterpart.*



Study 1 was designed to test Hypotheses 1 to 3.

## Study 1

### *Method*

#### *Overview, Design, Procedure, and Participants*

Participants performed a simulated recruitment negotiation between a job candidate and a recruiter. Participants were randomly assigned to dyads and roles (candidate or recruiter) and were given 45 minutes to complete the negotiation exercise. They were encouraged to take the exercise seriously. Upon completion of the simulation the negotiators together filled out an agreement form on which they calculated the number of points the agreement was worth to them. Then, they completed by themselves a post-negotiation questionnaire measuring negotiation counterpart preferences and interpersonal liking.

Seventy-six undergraduate students at a Southeast Asian university participated in this simulation as part of a course assignment.

#### *Materials and Measures*

*Negotiation.* The exercise was an integrative negotiation between a job candidate and a recruiter that involved eight issues, including two distributive issues (salary, starting date), four integrative issues (bonus, vacation time, moving expense coverage, insurance coverage) and two common value issues (job assignment, location). Together with the negotiation and role instructions, negotiators received a payoff table that allowed them to calculate the number of points (i.e., the economic gain) derived from any possible agreement. They were instructed to try to maximize the number of points they received from the agreement. At the end of the negotiation, they calculated their score, which was used as independent variable.

*Negotiation counterpart preference.* Two items measured negotiators' preferences for the

other party as a counterpart in future negotiations: “I would like to negotiate again with my counterpart in a negotiation exercise like this one”, and “I would like to negotiate again with my counterpart in a negotiation like this but for real outcomes.” Both measures were assessed with a 7-point Likert scale (7: strongly agree, 1: strongly disagree). Because the reliability of this scale was relatively low ( $r = .49$ ,  $\alpha = .66$ ), I also performed all analyses with the single items. All results were replicated with each item. Thus, for brevity, I report below analyses on a counterpart preference index that averages the two variables.

*Interpersonal liking.* Negotiators’ interpersonal liking of the counterpart was measured with the following item on a 7-point Likert scale (7: strongly agree, 1: strongly disagree): “Based on my experience in this negotiation I like my negotiation counterpart.”

## *Results*

### *Economic Gain and Subsequent Counterpart Preferences*

As expected, the economic gain derived from a negotiated agreement significantly predicted subsequent counterpart preferences,  $r = .32$  (see Table 1 for all means, standard deviations, and correlations). The more favorable the agreement reached, the stronger was the preference to negotiate with the counterpart again in the future. These results are consistent with Hypothesis 1.

### *The Role of Interpersonal Liking*

I next examined the role of interpersonal liking in determining counterpart preferences in general, and as a mediator of the relation between past outcome and subsequent counterpart preference in particular. First, liking predicted counterpart preferences,  $r = .51$ . Consistent with Hypothesis 2, the more negotiators liked their counterparts based on the past negotiation experience, the more did they want to negotiate with them again in the future. To test for

mediation (Hypothesis 3), I followed the widely-used procedure described in Baron and Kenny (1986). First, economic gain predicted the hypothesized mediator, liking,  $r = .26$ . The more favorable the negotiated agreement, the more negotiators liked their counterpart. Second, as reported above, both the independent variable, economic gain from the negotiated agreement, and the presumed mediator, liking, predicted the dependent variable, negotiation counterpart preference. Next, when predicting negotiation counterpart preferences simultaneously from past economic gain and interpersonal liking, liking continued to be a significant predictor,  $\beta = .46$ ,  $t(73) = 4.51$ ,  $p < .001$ , but past gain became insignificant,  $\beta = .20$ ,  $t(73) = 1.91$ , *ns*. Finally, a Sobel (1982) test for mediation showed that the indirect, or mediational, path from economic gain through liking to counterpart preference was significant ( $z = 2.06$ ,  $p < .05$ ). Thus, consistent with Hypothesis 3, liking mediated the relation between the gain derived from a past agreement, and preference to negotiate with a counterpart again in the future.

[Insert Table 1 about here]

### *Discussion*

Study 1 provided evidence for the influence of past negotiation outcomes on subsequent negotiation counterpart preferences. The higher the gain derived from a negotiated agreement, the stronger an individual's preference to negotiate again with the other party in the future. Interpersonal attraction also predicted counterpart preferences such that the more negotiators liked the other party, the stronger the counterpart preference. Further, liking significantly mediated the relation between past outcomes and counterpart preferences. While entirely correlational in nature, these results are consistent with the idea that the quality of past interactions influences counterpart preferences through the influence of a gut feeling of liking the counterpart.

As is true for all heuristics, choosing based on the favorability of past agreements can lead to systematic biases (Gilovich et al, 2002). Consider the potential problems of a “win-stay, lose-change” strategy, in which a negotiator decides to negotiate again with a counterpart if the past negotiation turned out well, but rejects the counterpart if the past outcome was unfavorable. First, there may be important differences between the past negotiation situation and a future negotiation situation. Because of these differences, a counterpart who provided a favorable outcome in the past may not be the best match for a future negotiation. Second, the gain derived from a past negotiated agreement provides at best an imperfect cue to judge the value of a counterpart. Specifically, the reason for the favorable outcome achieved in a past negotiation may not have lied as much in the characteristics of the counterpart as in the negotiation situation. For example, a good outcome could have been achieved because of a wide bargaining zone, i.e., a large pie to distribute between the negotiators. A negotiation with the same counterpart with a narrower bargaining zone would likely have resulted in a much less favorable outcome, while at the same time being more contentious and unpleasant.

I predict that negotiators’ counterpart preferences will fail to take situational factors, such as the difficulty of a negotiation, adequately into account. Negotiators’ counterpart preferences may be negatively affected by an unfavorable outcome even when this outcome is due to the situational constraint of a narrow bargaining zone, rather than the other party. This prediction is consistent with research on the fundamental attribution error (Ross, 1977; Nisbett & Ross, 1980), or the tendency to interpret the behavior of other people in terms of personality characteristics rather than characteristics of the situation. More recently, Morris, Larrick, & Su (1999) provided evidence for this tendency among negotiators by showing that negotiators made personality-trait attributions for behaviors caused by a situational factor. Specifically, they found that negotiators

ascribed more negative personality characteristics, such as lower agreeableness, when the negotiation situation was difficult than when it was easy.

Building on this work, I predict that counterpart preferences will be influenced by (irrelevant) situational factors. Specifically, I expect that negotiators who performed a difficult negotiation (i.e., a negotiation in which it is difficult to achieve a favorable outcome because of a narrow bargaining zone) will have less favorable subsequent counterpart preferences than negotiators who interacted under more favorable conditions (i.e., a negotiation with a wide bargaining zone). Stated differently, I expect the influence of gain derived from a negotiated agreement to hold even when the gain is unrelated to the quality of the counterpart but is determined by the difficulty of the negotiation situation. Similar to Study 1, I expect this effect of negotiation difficulty on counterpart preferences to be mediated through liking of the other party: A difficult negotiation situation reduces interpersonal attraction towards the counterpart, which then leads to reduced counterpart preference.

*Hypothesis 4: Negotiation difficulty affects negotiation counterpart preference such that the more difficult a past negotiation the less favorable the preference to negotiate with the counterpart again in a future negotiation.*

*Hypothesis 5: Liking mediates the effect of negotiation difficulty on preference to negotiate with the counterpart again in a future negotiation.*

## Study 2

### *Method*

#### *Overview, Design, Procedure, and Participants*

In this laboratory experiment, participants performed a distributive, zero-sum negotiation simulation over a coffee supply contract. The negotiators' goal was to maximize their bonuses

and this could be done by claiming as much as possible of the bargaining zone. For the seller, this meant maximizing the sale price of the coffee, and for the buyer it meant minimizing the price. The study manipulated one factor, negotiation difficulty, between-dyads across two levels (easy vs. difficult) by varying the width of the bargaining zone. About half the dyads had a relatively wide bargaining zone, which made it easy for the negotiators to receive a large bonus, whereas the other half had a relatively narrow bargaining zone, which made it difficult to reach an agreement that was better than the parties' reservation prices, let alone receive a large bonus. Participants were randomly assigned to dyads, roles (buyer or seller), and experimental condition (difficult or easy negotiation) and were given 30 minutes to complete the negotiation exercise. They were encouraged to take the exercise seriously. Upon completion of the exercise the negotiators together filled out an agreement form on which they calculated the bonus they had achieved. Then, they completed by themselves a post-negotiation questionnaire measuring interpersonal liking and negotiation counterpart preferences.

Thirty-six undergraduate students at a US university participated for course credit.

#### *Materials, Manipulation, and Measures*

*Negotiation.* The exercise was a negotiation between a salesperson for a coffee distributor and a hotel purchasing agent. Negotiators were given information about their reservation prices as well as the bonus they would get from their company depending on the agreement reached. In the easy negotiation condition, buyers were told they would receive \$50 bonus for each cent the settlement was below \$3.75 per pound (their reservation price) and sellers were told they would receive \$50 bonus for each cent the settlement was above \$3.15 per pound (their reservation price). This bonus was only hypothetical. The bargaining zone was \$.60 and the total bonus to be distributed between the two negotiators was \$3000. In the difficult negotiation condition

condition, buyers received \$50 bonus for each cent the settlement was below \$3.75 per pound, and sellers received \$50 bonus for each cent the settlement was above \$3.65. The bargaining zone was only \$.10 and the total bonus to be distributed was \$500. This manipulation ensured that the favorability of agreement, as measured by the bonus earned, was considerably higher in the easy negotiation condition.

*Negotiation counterpart preference.* The same two items as in Study 1 were used to measure negotiators' preferences to negotiate again with the other party in future negotiations. The two measures were again combined into an index by averaging,  $r = .69$ ,  $\alpha = .81$ .

*Interpersonal liking.* Using the same seven-point scale as in Study 1, a second item was added to measure negotiators' interpersonal liking of the counterpart to ensure greater reliability. The first item was as in Study 1. The second item read: "I specifically enjoyed negotiating with this counterpart." The items were averaged,  $r = .82$ ,  $\alpha = .90$ .

### *Results*

I first examined whether scores at the individual level were dependent on which dyad negotiators were randomly assigned to, following the procedure described in Kashy and Kenny (2000). The analyses revealed no influence of dyad on any dependent variables (all  $p > .9$ ). Based on these results, I analyzed the data at the individual level.

#### *Manipulation Check*

To test whether the experimental manipulation of negotiation difficulty was successful, I examined how exhausting the negotiation was (on a 7-point Likert scale as described above). As expected, the negotiation was experienced as significantly more exhausting in the difficult negotiation condition ( $M = 3.30$ ) than in the easy negotiation condition ( $M = 2.19$ ),  $F(1, 34) = 5.61$ ,  $p < .05$ .

*Negotiation Difficulty and Negotiation Counterpart Preferences*

To test for the predicted effect of negotiation difficulty on counterpart preferences I conducted an ANCOVA with negotiation difficulty as between-subjects factor and role as covariate. Results showed that preference to negotiate with the counterpart in the future was significantly less favorable when the past negotiation situation had been difficult ( $M = 4.95$ ,  $SD = 1.56$ ) than when it had been easy ( $M = 5.94$ ,  $SD = .89$ ),  $F(1, 33) = 4.92$ ,  $p < .05$ . This result is consistent with Hypothesis 4. The covariate was not significant,  $F = .14$ , *ns*.

*The Role of Interpersonal Liking*

I next examined the role of interpersonal liking as a mediator of the effect of negotiation difficulty on negotiation counterpart preferences (cf. Baron & Kenny, 1986). First, replicating the results of Study 1 and consistent with Hypothesis 2, liking predicted counterpart preferences,  $r = .83$  (see Table 2 for means, standard deviations, and correlations). The more negotiators liked their counterparts based on the past negotiation experience, the more did they want to negotiate with them again. Second, negotiation difficulty affected liking,  $r = .36$ . Negotiators liked their counterparts more in the easy negotiation condition than in the difficult negotiation condition. Third, when predicting negotiation counterpart preferences simultaneously from negotiation difficulty and liking, the latter continued to be a significant predictor,  $\beta = .81$ ,  $t(34) = 7.88$ ,  $p < .001$ , but the former became insignificant,  $\beta = .07$ ,  $t(34) = .69$ , *ns*. A Sobel (1982) test showed that the indirect, or mediational, path from negotiation difficulty through liking to counterpart preference was significant ( $z = 2.23$ ,  $p < .05$ ). Thus, consistent with Hypothesis 5, liking mediated the effect of negotiation difficulty on negotiation counterpart preferences.

[Insert Table 2 about here]



*Discussion*

Study 2 examined the effect of a situational factor, the difficulty of the negotiation situation (i.e., the difficulty to achieve a good outcome because of size of the bargaining zone), on subsequent negotiation counterpart preferences. As predicted, individuals' preference to negotiate with the other party again in the future was lower when the past negotiation situation was difficult (i.e., the bargaining zone was narrow) than when the situation was easy (i.e., the bargaining zone was wide). In addition, a difficult negotiation situation led negotiators to like their counterparts less. This reduced liking was associated with lower counterpart preferences. Importantly, statistical analyses suggest that liking mediated the effect of negotiation difficulty on counterpart preferences.

These findings are consistent with research on individuals' tendency to make personal attributions towards others even for events and outcomes that are, in fact, due to characteristics of the situation (Ross, 1977). In the present context, the negative impact of this situational effect is possibly amplified as it works both ways: Both negotiators are likely to attribute a dissatisfying outcome that resulted from a difficult negotiation situation to the other party. The results suggest that such interpretations of past events can place a significant burden on the relation between the two negotiators and create a formidable obstacle for future interactions that very well could have been beneficial for both parties (cf. Morris et al, 1999).

The potential negative consequences of the erroneous attribution of a difficult negotiation situation to the counterpart naturally raise the important question of how resistant this effect is against efforts at debiasing. The effect of negotiation difficulty on counterpart preferences might have been due to a significant degree to negotiators' lack of awareness about the nature of the negotiation situation they faced. Thus, Study 3 examined whether it is possible to weaken, or

even eradicate completely, the influence of past negotiation difficulty on counterpart preferences. The study provided negotiators with either relevant or irrelevant information about the negotiation situation after the negotiation. To test the effect of this information, negotiation counterpart preferences were assessed twice: one time after the negotiation but before the additional information was given and a second time after the information was provided. The theoretical argument suggests a three-way interaction between the difficulty of the negotiation, the relevance of the information, and the measurement (i.e., before or after the information was received). Specifically, one would expect a significant effect of negotiation difficulty on negotiation counterpart preferences before the information was given at the first measurement (consistent with Hypothesis 4 and replicating the results of Study 2) and also after the irrelevant information was given at the second measurement. However, this effect of negotiation difficulty should weaken or even entirely disappear after negotiators received additional relevant information. This prediction is captured in the following hypothesis.

*Hypothesis 6: Negotiation difficulty, information, and measurement interact to affect negotiation counterpart preference. Specifically, the effect of negotiation difficulty on counterpart preference is reduced only after additional relevant information about the negotiation situation is received.*

### Study 3

#### *Method*

##### *Overview, Design, Procedure, and Participants*

Study 3 was designed to test Hypothesis 6. Participants first performed the same distributive, zero-sum negotiation simulation over a coffee supply contract for a hotel as in Study 2. The study manipulated three factors: negotiation difficulty, information, and measurement.

Negotiation difficulty was manipulated between-dyads across two levels (easy vs. difficult) by varying the width of the bargaining zone as in Study 2. Information was also manipulated between-dyads across two levels by either providing relevant information about the difficulty of the negotiation situation (e.g., the width of the bargaining zone) or irrelevant information not speaking to the difficulty of the negotiation situation. Further, in a within-subjects manipulation of measurement, negotiation counterpart preferences were measured twice after the negotiation: first, directly after the negotiation; second, after negotiators read the additional (relevant or irrelevant) information.

Participants were given 30 minutes to complete the negotiation exercise. Participants were encouraged to take the task seriously. Upon completion of the first simulation the negotiators together filled out an agreement form on which they calculated the bonus they had achieved. Then, they completed by themselves a post-negotiation questionnaire measuring negotiation counterpart preference and interpersonal liking. After that, they were given a sheet with additional information about the negotiation and were asked to fill out another post-negotiation questionnaire measuring negotiation counterpart preference for the second time.

Hundred-forty-eight undergraduate business students participated in exchange for course credit.

#### *Materials, Manipulations, and Measures*

The negotiation simulation and manipulation of negotiation difficulty were the same as in Study 2. After having filled out the first post-negotiation questionnaire, all participants received additional information about the negotiation on another sheet of paper. Specifically, participants in the relevant information condition received the following information (with differences between the two negotiation difficulty conditions in parentheses):

You just engaged in a negotiation with a bargaining zone of [10/60] cents. The seller received a bonus for a selling price above [\$3.65/\$3.15] per pound and the buyer received a bonus for a buying price below \$3.75 per pound.

Given a bargaining zone of [10/60] cents, the combined bonus for both negotiators was [\$500/\$3000]. If you had split the bargaining zone equally between the two of you (i.e., settled at [\$3.70/\$3.45]), both negotiators would have received a [\$250/\$1500] bonus. The higher the bonus you received, the lower the bonus your counterpart received, and the larger bonus your counterpart received, the lower was your bonus.

Negotiators were then asked to restate the bonus they earned as well as indicate the bonus they would have received given an equal split.

Participants in the irrelevant information condition received the following information, regardless of negotiation difficulty condition:

You just engaged in a negotiation about a coffee contract. The seller received a bonus for achieving a high selling price and the buyer received a bonus for buying at a low price. The bargaining zone was positive, that is, it was possible to reach an agreement. Negotiations similar to this simulation occur frequently in the real world.

Negotiators were then asked to restate the bonus they earned.

Next, participants in all conditions then responded to the second negotiation counterpart preference measure. Before doing so they were told that they should feel free to give the same answers as before or to change them, whatever they liked. At both times, negotiator counterpart preferences were measured with the following item on a 7-point Likert scale (7: strongly agree, 1: strongly disagree): "I would like to negotiate again with my counterpart in a negotiation like this but for real outcomes".

### *Results and Discussion*

I first examined whether scores at the individual level were dependent on which dyad negotiators were randomly assigned to. The analyses revealed no significant influence of dyad on counterpart preference in the first measurement ( $p = .86$ ) or the second measurement ( $p = .35$ ). As suggested in Kashy and Kenny (2000), the data were thus analyzed at the individual level.

#### *Manipulation Check*

To test whether the manipulation of negotiation difficulty was successful, perceptions of negotiation difficulty were assessed (“I found this negotiation exercise to be difficult”; on a 7-point Likert scale). As expected, the negotiation was experienced as significantly more difficult in the difficult negotiation condition ( $M = 3.46$ ) than in the easy negotiation condition ( $M = 3.00$ ),  $F(1, 147) = 4.48, p < .05$ .

#### *Debiasing Effect of Relevant Information*

To test Hypothesis 6, I conducted a mixed-measures ANOVA with negotiation difficulty and information as between-subjects factors and measurement as within-subjects factor. As predicted, this analysis revealed a significant three-way interaction between negotiation difficulty, information, and measurement,  $F(1, 143) = 4.23, p < .05$ . A closer look at the form of the interaction showed that the interaction was consistent with Hypothesis 6 (see Figure 1).

Replicating the results of Study 2 and in further support of Hypothesis 4, negotiation difficulty significantly affected counterpart preferences before additional information about the negotiation situation was received (first measurement),  $F(1, 143) = 6.72, p = .01$ . As expected, before any information was received, negotiators in the difficult negotiation condition showed a lower preference to negotiate with their counterpart again ( $M = 4.82, SD = 1.47$ ) than those in the easy negotiation condition ( $M = 5.38, SD = 1.28$ ). Negotiation difficulty continued to affect

counterpart preferences at the second measurement when the information provided before the measurement was *irrelevant*,  $F(1,84) = 2.83$ ,  $p < .05$ , one-tailed. As expected, counterpart preferences were lower when the negotiation was difficult ( $M = 4.9$ ,  $SD = 1.32$ ) than when it was easy ( $M = 5.34$ ,  $SD = 1.08$ ).

However, when *relevant* information about the difficulty of the negotiation situation was given before the second measurement, the difference in counterpart preferences disappeared,  $F(1, 60) = .14$ , *ns*, and negotiators had similarly strong preferences to negotiate with their counterpart again in both the difficult ( $M = 5.50$ ,  $SD = 1.50$ ) and the easy negotiation condition ( $M = 5.63$ ,  $SD = 1.33$ ). Further analyses revealed that the assimilation of counterpart preferences was the result of ratings improving in the difficult negotiation condition when relevant information was given. Specifically, counterpart preferences in the difficult negotiation condition at the second measurement were higher when relevant ( $M = 5.50$ ,  $SD = 1.50$ ) rather than irrelevant information ( $M = 4.9$ ,  $SD = 1.32$ ) was received prior to measurement,  $F(1, 72) = 3.27$ ,  $p < .05$ , one-tailed. No such difference was found in the easy negotiation condition,  $F(1, 72) = 1.09$ , *ns* (relevant information,  $M = 5.63$ ,  $SD = 1.33$ , irrelevant information,  $M = 5.34$ ,  $SD = 1.08$ ). Further, counterpart preferences significantly improved from the first assessment ( $M = 4.78$ ,  $SD = 1.68$ ) to the second assessment ( $M = 5.50$ ,  $SD = 1.50$ ) only when relevant information was received between the measurements *and* the negotiation situation was difficult,  $F(1, 31) = 9.41$ ,  $p < .01$ . When the negotiation situation was easy, no significant change occurred between the first measurement ( $M = 5.59$ ,  $SD = 1.27$ ) and the second measurement ( $M = 5.69$ ,  $SD = 1.31$ ),  $F(1, 28) = .37$ , *ns*. Similarly, when the information provided was irrelevant, counterpart preferences did not improve. This was the case when the negotiation situation was difficult (first measurement,  $M = 4.86$ ,  $SD = 1.30$ , second measurement,  $M = 4.9$ ,  $SD = 1.32$ ),  $F(1, 41) = .22$ ,

*ns*, and when the negotiation was easy (first measurement,  $M = 5.25$ ,  $SD = 1.28$ , second measurement,  $M = 5.34$ ,  $SD = 1.08$ ),  $F(1, 43) = .49$ , *ns*.

[Insert Figure 1 about here]

### General Discussion

Before negotiations can start, negotiators need to decide with whom to negotiate. Such negotiation counterpart decisions can have a significant impact on negotiation success (Raiffa, 2002; Reb, 2007; Tenbrunsel et al, 1999). Unfortunately, little research has addressed such negotiation counterpart decisions. Three studies examined the influence of past negotiations on subsequent negotiation counterpart preferences. Study 1 found that the more favorable a past negotiated agreement the stronger the preference to negotiate with the counterpart again in the future. Moreover, this relation was mediated through liking of the counterpart: the better the past outcome, the more liked was the counterpart; and the higher the liking, the stronger the preference to negotiate with the counterpart again in the future. Study 2 manipulated how difficult it was to achieve a favorable outcome from the negotiation and found a significant effect of this situational factor such that preference to negotiate with the counterpart again was lower when the negotiation was difficult. Similar to Study 1, this effect was mediated through liking of the counterpart. Study 2 suggests that negotiators misattribute situational determinants of negotiation outcomes to the counterpart, thus unduly biasing negotiation counterpart preferences. Study 3 examined the possibility of debiasing counterpart preferences by providing relevant information about the negotiation situation. Replicating the results of Study 2, results showed that negotiation difficulty negatively affected counterpart preferences before any information was given and also after irrelevant information was given. However, once negotiators received relevant information on the negotiation situation, the effect of negotiation difficulty on

counterpart preferences disappeared. Thus, Study 3 showed a way in which negotiation counterpart preferences can be protected from a misattribution bias of situational factors to personal characteristics of the counterpart. The present research has several noteworthy implications.

#### *Past Negotiation Experiences and Negotiation Counterpart Preferences*

One might expect negotiators to base their counterpart decisions on a forward-looking analysis of the expected utilities of negotiating with their potential counterparts. However, research on decision making and negotiation suggests that negotiators will be guided by simple heuristics that use limited information to arrive at a relatively fast and cognitively less demanding counterpart evaluation (Gilovich et al, 2002; Neale & Bazerman, 1991; Zajonc, 1980). Based on this research, I predicted that negotiators' counterpart preferences would be significantly influenced by past negotiation experience with the counterpart, as such past experience can serve as a convenient and easily available cue to evaluate a counterpart. This prediction was confirmed in several studies.

The results of Study 1 suggest that the more economic gain is derived from a negotiated agreement, the more favorable are preferences to negotiate with the counterpart again in the future. Study 1 focused on such an "objective" measure of the outcome of a negotiation partly because it is of high importance in most negotiations and partly because it is a relatively salient cue that negotiators can easily use to evaluate a counterpart. However, future research should examine the role of other types of negotiation outcomes on subsequent counterpart preferences. First, this research could examine the influence of subjective measures, such as outcome satisfaction. Past research has found that objective negotiation outcomes and subjective evaluations of these outcomes can diverge significantly (Galinsky, Mussweiler, & Medvec,



2002; Galinsky, Seiden, Kim, & Medvec, 2002). Thus, it would be interesting to test whether the results reported here replicate with subjective measures of negotiation outcomes.

Second, the relation between other aspects of the negotiation experience and counterpart preferences should be examined. Although most negotiation research focuses on own instrumental or economic outcomes, negotiators also care about other aspects of a negotiation (Greenhalgh, 1987; Novemsky & Schweitzer, 2004). For example, one might expect the quality of, or satisfaction with, the negotiation process to affect counterpart preferences. In other words, given the same economic value of the agreement, one might expect counterpart preferences to be higher when the counterpart used a fair negotiation process rather than an unfair one. Negotiation process variables that could be examined include whether the other party was polite, fair, cooperative, and respectful.

Studies 2 and 3 suggest that counterpart preferences may be unduly influenced by situational determinants of the negotiation experience. In particular, when it was difficult to reach a favorable outcome from the negotiated agreement due to a narrow bargaining zone, preference to negotiate with the other party again in the future was significantly lower than when it was easy to reach a favorable agreement (cf. Morris et al, 1999). Study 3 also showed a way to debias counterpart preferences: When negotiators received relevant – but not when they received irrelevant – information, the effect of negotiation difficulty on preferences disappeared.

One can wonder to what extent variables such as process satisfaction are influenced by situational factors rather than characteristics of the counterpart and to what extent negotiators are able to accurately distinguish between these two. Just as in the present studies, negotiators might tend to attribute detrimental situational influences to the other party. One interesting question is whether beneficial situational influences also tend to be attributed incorrectly to the counterpart.

The results of Study 3 suggest that it is the negative influence of a difficult situation that carries more weight. This study found that the debiasing information only improved counterpart preferences in the difficult negotiation situation condition; preferences in the easy negotiation condition remained unchanged. Future research could attempt to tease apart more carefully the influence of positive and negative situational factors on counterpart evaluations.

#### *Interpersonal Liking and Negotiation Counterpart Preferences*

The present studies suggest that liking of another party leads to a stronger preference to negotiate with that party. In addition, liking seems to play an important role as a mediating variable through which other, more distal variables influence negotiation counterpart preferences. This finding is consistent with research that shows liking to serve as a simple and quick heuristic to form preferences (Zajonc, 1980). Future research could examine more fully the implications of the relation between liking and negotiation counterpart preferences. In particular, it may be interesting to examine how liking-based counterpart preference may lead negotiators astray. For example, research suggests that familiarity increases liking (Zajonc, 1968; Brockner & Swap, 1976). Thus, one might expect negotiators to prefer to negotiate with familiar others, such as friends and family. Past research has been inconclusive about whether negotiations with close others lead to superior or inferior outcomes than negotiations with strangers (Valley, Neale, & Mannix, 1994). Certainly, there is a danger that the conflict inherent in negotiations burdens the relationship. Thus, liking may draw individuals to negotiate with close others even though the negotiation may negatively effect the relationship between the parties.

Also, consider the implications of the finding that similarity leads to liking (Byrne, 1971; Byrne & Griffitt, 1973). Because negotiators can reach integrative agreements by trading off their differences in values, preferences, and expectations, more similar negotiators are likely to

achieve lower outcomes because of a lack of trade off possibilities (Raiffa, 2002). Also, consider that people tend to like physically attractive individuals more (Berscheid & Walster, 1974) and, thus, may prefer to negotiate with physically attractive counterparts. However, because physically attractive individuals tend to perform better in social interactions such as negotiations (Hosoda, Stone-Romero, & Coats, 2003), choosing such a counterpart might actually lead to less favorable outcomes. In other words, negotiators might actually be better off choosing a physically unattractive counterpart, even though they are likely to do the opposite.

#### *Other Influences on Negotiation Counterpart Decisions*

The present studies focused on the influence of past negotiations on counterpart preferences, and in particular, the role of economic gain, negotiation difficulty, and liking. Future research could examine additional variables that might influence negotiation counterpart decisions. For example, in addition to liking, other variables relating to the relationship between the two negotiators might play an important role in shaping preferences. Thus, future research could examine the role of trust, power, and status in order to be able to paint a more detailed picture of the formation of negotiation counterpart preferences.

More broadly, future studies could examine variables not related to past negotiation experiences with the counterpart. Negotiators will often not have first-hand negotiation experience with most of the potential counterparts. How do negotiators select their counterparts in such situations? One possibility is that they rely on information provided by the potential counterparts, including information about their resources, negotiation style, etc. Another possibility is that they use information from other sources about counterparts' reputation, status, power, or personality. Yet another possibility is that they choose the most convenient, easily available counterpart in an effort to keep transaction costs low. Quite likely, which strategy is

chosen will depend on such factors as the ease of availability of the different pieces of information as well as their perceived reliability. As these examples illustrate, there are a number of interesting research questions in search for answers.

### *Improving Negotiation Counterpart Decisions*

From a more applied perspective, more research should be conducted on ways to improve counterpart decisions. The results of Study 3 suggest, for example, that the influence on counterpart preferences of irrelevant situational factors, such as the difficulty of the negotiation situation, can be eliminated by providing relevant information about the negotiation situation. Of course, in real negotiations such information will often not be available. Clearly, more research is needed on other ways to “debias” negotiators from the influence of situational characteristics on counterpart preferences, and also, more generally, on how to help negotiators make better counterpart decisions. As one direction, Barry and Oliver (1996) propose that a negative affective state will lead negotiators to make more strategic, rational counterpart decisions. Perhaps less emotionally unpleasant, bringing the importance of selecting the right counterpart to negotiators’ awareness could be a simple, yet effective, way to improve counterpart decisions.

### *Limitations*

Very little research has examined negotiation counterpart decisions. As such one must be careful not to draw any premature conclusions on the basis of the present studies. Some of the present results, such as the relation between liking and counterpart preferences and the effect of negotiation difficulty on counterpart preferences, were found in two studies, which is reassuring to some extent. However, several limitations of the present research need to be kept in mind. First, we do not know how well the present findings generalize to other types of negotiators and negotiations. The present study participants were relatively inexperienced in negotiating. Would

more experienced negotiators be influenced just as much by interpersonal liking, or would their approach to selecting counterparts be more “strategic” and analytical?

Also, in all three studies negotiators performed simulated, rather than real, negotiations with hypothetical, rather than real outcomes. Negotiators were encouraged to take the task seriously in order to make the negotiations more engaging. Also, the large majority of participants used most of the available time for the negotiation, suggesting they took the task seriously. In addition, the highly controlled environment created in the laboratory was conducive to the internal validity of the studies. Nevertheless, laboratory studies should be complemented by field research of negotiation counterpart decisions in the “real world.”

Further, the present studies assessed counterpart preferences towards one party only, namely, the counterpart of the negotiation just completed. Only in Study 3 did negotiators expect to negotiate again and believed that their counterpart preferences would influence with whom they would be paired for the second negotiation. However, in the present studies negotiators did not actually choose their preferred counterpart among a set of potential counterparts. While our design was chosen so as to get at the influence of past negotiations on subsequent counterpart preferences, future research should also examine choices among a pool of potential counterparts.

Finally, it is important to recognize that negotiators do not always have a choice with whom to negotiate. Examples include negotiations that take place in ongoing relationships between employee and supervisor, wife and husband, or partners in a joint venture. In other cases, the pool of available counterparts will be large, such as in the case of a car buyer who can choose from among a huge number of other parties. Sometimes, a counterpart choice may exist even when it is not obvious at first. For example, a choice of counterpart may be available in negotiations by agents for principals (Bazerman, Neale, Valley, Zajac, & Kim, 1992). Even

though the negotiation counterpart is fixed at the level of the principal (e.g., the partner in a joint venture), there may nevertheless be some choice at the level of the agents who perform the actual negotiating. Further, a counterpart choice may be opened up through a consideration of time frame. The idea here is that “physically” the same counterpart may negotiate differently at different times. For example, if employees expect their supervisors’ negotiation behavior to be different, and more favorable for them, on a Friday than on a Monday, they can deliberately decide to negotiate with their “Friday-bosses” and avoid negotiating with their “Monday-bosses”.

### *Conclusion*

Mannix (2003) pointed out the need for new directions to give fresh impetus to the field of negotiation research. Most negotiation research starts with the negotiators sitting at the “bargaining table”. Moreover, it is the researchers who typically assign negotiators to their counterparts rather than the negotiators matching up with each other by themselves. It is perhaps partly due to the restricting influence of this “standard methodology” that past research has largely ignored negotiation counterpart decisions. By highlighting the role of this neglected aspect of negotiations, I hope that the present studies contribute to a widening of our fields’ view of the negotiation process and provide impetus for more research on negotiation counterpart decisions. In addition to the theoretical contributions, there seems to be substantial practical value of such research given the importance that is attributed to negotiation preparation in general (e.g., Lewicki et al, 2003) and negotiation counterpart decisions in particular (Raiffa, 2002; Tenbrunsel et al, 1999) for achieving successful negotiations. Research on negotiation counterpart decisions is only at its beginning, but, I believe, holds substantial promise to increase our understanding of negotiation behavior as well as to help negotiators achieve better outcomes.

Footnotes

1 A similar argument could be made for the quality of the negotiation *process*: if the past process was good (e.g., procedurally and interactionally fair), negotiate with the counterpart again; if it was bad, search for a new counterpart. Indeed, research on organizational justice has highlighted the important role of process in people's evaluations (e.g., Lind & Tyler, 1988). I will take up this issue again in the General Discussion section.

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Table 1: Means, Standard Deviations, and Intercorrelations (Study 1)

	<i>M</i>	<i>SD</i>	1	2	3
1. Economic gain	5.23	1.10	--		
2. Interpersonal liking	5.51	.96	.26*	--	
3. Negotiation counterpart preference	5.35	1.15	.32**	.51***	(.66)

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

*Notes.* Interpersonal liking and negotiation counterpart preference were assessed on a 7-point Likert-scale (1-7).

Table 2: Means, Standard Deviations, and Intercorrelations (Study 2)

	<i>M</i>	<i>SD</i>	1	2	3
1. Negotiation difficulty	1.56	.50	--		
2. Interpersonal liking	5.57	1.17	.36*	(.92)	
3. Negotiation counterpart preference	5.39	1.38	.36*	.83***	(.81)

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

*Notes.* Interpersonal liking and negotiation counterpart preference were assessed on a 7-point Likert-scale (1-7).

Figure 1: Interaction Effect between Negotiation Difficulty, Information, and Measurement on Negotiation Counterpart Preferences (Study 3)

