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## Gain and loss frames in bilateral negotiation

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### Summary

This dissertation deals with negotiation behavior as a function of the negotiators' frame -- their conception of their potential own outcomes as gains or as losses (Bazerman, 1983; Tversky & Kahneman, 1981). Negotiators with a gain frame see their potential own outcomes in positive terms and evaluate their concessions as decreases in their gains. Negotiators with a loss frame, in contrast, see their potential own outcomes in negative terms and evaluate their concessions as increases in their losses (Bazerman, 1983; Kahneman, 1992).

A review of research dealing with effects of the own gain or loss frame on the negotiator's own cognition and behavior shows that because losses are more aversive than equivalent gains are pleasing, negotiators with a loss frame have relatively stronger *concession aversion*. Consequently, loss frame negotiators demand more, concede less and settle less easy than negotiators with a gain frame (Carnevale, Gentile & De Dreu, 1992; De Dreu, 1992; Kahneman, 1992).

In an attempt to augment this past research, a more interpersonal perspective on frames is proposed. It is assumed that (a) following information search prior to negotiation, negotiators may have foreknowledge about their opponent's reference outcome and concomitant gain or loss frame (cf. Russo & Schoemaker, 1989), and (b) during negotiation, disputants may exchange information about their own frame: they may communicate their frame (cf. Kahneman, 1992; Neale & Bazerman, 1985, 1991). No prior research investigated the impact of foreknowledge about the opposing negotiator's frame, or dealt with the effects of the opponent's communicated frame.

The primary focus of the laboratory experiments reported in Chapter 2, 3 and 4 was on the negotiator's own cognition and behavior as a function of own frame, opponent's communicated frame, and their interactions. In computer-simulated buyer-seller negotiations, the subject was always the seller and was led to believe that s/he negotiated the transaction of three issues with another subjects who assumed the role of buyer. In fact, the buyer was a preprogrammed computer. Subjects either negotiated net profit (own gain frame), or expenses that would cut into their gross outcome (loss frame); the objective outcomes were identical in both conditions. The opponent's communicated frame was manipulated by messages the buyer sent to the subject on each round of the negotiation (six in total). In the other's communicated gain frame condition, the buyer sent messages evaluating the buyer's own outcomes as gains (e.g., "This concession means a big decrease in my gains"), whereas the messages evaluated the buyer's own outcomes as losses in the opponent's communicated loss frame condition (e.g., "This concession means a big increase in my losses"). The (preprogrammed) buyer always started the negotiation with a first offer, and a frame-related message, whereupon the subject responded with a counter-offer and, if s/he wanted, a written message. This procedure continued for six rounds,

whereupon the negotiation was interrupted and a questionnaire was administered.

Based on the assumption that negotiators reciprocate other's communication (cf. Putnam & Jones, 1982) and converge toward similar definitions of their situations (Giles & Smith, 1979; Lewicki & Litterer, 1985), the *frame adoption hypothesis* predicted that negotiators adopt other's communicated frame. Hence, other's communicated loss frame induces a loss frame with its concomitant strong concession aversion, whereas other's communicated gain frame induces a gain frame with its concomitant weak concession aversion, low demands and large concessions. Because loss framed negotiators are more focused on their own outcomes than gain framed negotiators, they may be less sensitive to the opponent's features, characteristics and behaviors (De Dreu, Emans and Van de Vliert, 1992a; De Dreu, Lualhati & McCusker, in press; cf. Taylor, 1991). Hence, the predicted frame adoption was expected to occur especially when negotiators themselves have a gain rather than loss frame.

The results of the research reported in Chapters 2, 3 and 4 yielded good support for the frame adoption hypothesis. Negotiators placed higher demands and made larger concessions when their opponent communicated a loss frame rather than a gain frame. Also, they communicated a loss frame more frequent when their opponent communicated a loss frame, and a gain frame more frequent when their opponent communicated a gain frame. This frame-adoption effect was as expected stronger when subjects themselves had a gain rather than loss frame. Also, as shown in Chapter 4, when opponent's communicated frame was incongruent with foreknowledge about other's frame (gain--loss or loss--gain), the effects of other's communicated frame dissipated. This suggests that the frame adoption effect is due to central and systematic rather than peripheral and heuristic processing of other's communicated frame.

The studies reported in Chapter 3 dealt with the relationship between communicated frames reflecting the evaluation of the own outcomes, and *communicated cooperativeness or competitiveness*, reflecting the interpersonal goals the communicator pursues (cf. Rubin & Brown, 1975). In Study 2, it was found that the negotiators' frame is indeed reflected in their communicated frame, as well as in their communicated cooperativeness, but that the relation between the latter two variables was nonsignificant. Study 3 examined whether the frame adoption effect was independent of the opponent's communicated cooperativeness. Results showed that opponent's communicated frame affects behavior as predicted in the frame adoption hypothesis, but did not affect the negotiator's own communicated cooperativeness. Other's communicated cooperativeness, in contrast, affected the own communicated cooperativeness but not the own communicated frame. It is concluded that the communicated frame dealing with the perception of own outcomes is independent of the communicated cooperativeness dealing with the interpersonal relationship.

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In the experiment in Chapter 4 it was also predicted that because losses loom larger than equivalent gains (Kahneman & Tversky, 1979), other's concessions would loom larger when the other has a loss frame (and other's concessions increase other's losses), rather than a gain frame (and other's concessions decrease other's gains). Hence, the opponent would be seen as more cooperative when the opponent has a loss rather than a gain frame. Following the negotiation literature (Carnevale & Pruitt, 1992), it was also predicted that the more cooperative the other was seen (in the case of other's loss rather than gain frame), the higher the own demands and the smaller the own concessions (i.e., mismatching). The results supported both suppositions: other's loss frame made the other appear more cooperative, and led to higher own demands than other's gain frame. It is concluded that foreknowledge about the opponent's gain or loss frame makes the other appear less, or more cooperative, respectively.

Taken together, this dissertation underscores the validity and importance of an interpersonal perspective on negotiator frame. The studies consistently show that because losses loom larger and are more aversive than equivalent gains, negotiators are influenced by their own frame, foreknowledge about other's frame, the other's communicated frame, and their interactions. Given the conclusions outlined in the preceding paragraph, it is interesting to note that professional negotiators often try to convince their opponent that they have a loss perspective (Neale & Bazerman, 1991). This dissertation shows that such a strategy might be very counter-productive. Conveying a loss frame induces a loss frame in the opponent, and enhances other's tendency to mismatch one's apparent larger concessions. Conveying a loss frame thus increases other's concession aversion and may lead to escalation rather than de-escalation of the conflict.