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The Impact of Collectivism and Uncertainty Avoidance on Concession Frames in Negotiations

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ABSTRACT

The aim of the present master's thesis is to investigate framing effects in negotiation across cultures. This research analyses the potentially opposing effects of collectivism and uncertainty avoidance on concession frames in negotiations. Concession frames refer to presenting a concession in negotiation as emphasizing its costliness to the conceder versus its benefit to the receiver.

Specifically, this thesis explored two contrasting viewpoints. On one hand, it is possible that a culture high on uncertainty avoidance may reciprocate the cost frame less as it is associated with ambiguity compared to the benefit frame. On the other, it is possible that collectivism, with its emphasis on self-sacrifice for the good of the group, might make receivers of the cost frame, reciprocate more than the benefit frame. This thesis tests these two contrasting predictions with participants from cultures high on both of these cultural dimensions, Portugal and Qatar in two experimental studies.

The data revealed that receivers of the cost frame reciprocated their concessions more and had less negative views of their counterpart compared to receivers of the benefit frame. These findings suggest that collectivism must be the important dimension for the use of concession frames and are consistent with previous research conducted in North America (individualist society), which found that the cost frame is viewed less favorably than the benefit frame.

The available evidence shows that framing effects in negotiation are subject to change around the world.

O Impacto do Coletivismo e da Aversão à Incerteza nos quadros de concessão nas Negociações

Mariana Magalhães

SUMÁRIO EXECUTIVO

O objectivo da presente tese de mestrado é investigar, em diferentes culturas, os efeitos de enquadramento (framing effects) nas negociações. Assim, analisam-se os potenciais efeitos opostos do coletivismo e da aversão à incerteza nos quadros de concessão (concession frames) nas negociações. Quadros de concessão referem-se à forma de apresentar uma concessão numa negociação, dando ênfase ou ao custo que o concedente acarreta ou ao benefício para o destinatário.

Especificamente, é possível que uma cultura com alta aversão à incerteza retribua menos o quadro custo (cost frame), dado estar associado a ambiguidade comparativamente ao quadro benefício (benefit frame). Por outro lado, é possível que o coletivismo, que dá ênfase ao sacrifício pelo grupo, leve os recetores do quadro custo a retribuir mais. Esta tese testa as duas hipóteses contrastantes, em dois estudos experimentais, com participantes de culturas com valores altos nas referidas dimensões culturais, Portugal e Qatar.

Os dados revelaram que os recetores do quadro custo retribuíram mais e tiveram percepções menos negativas acerca do outro negociante, comparativamente aos do quadro benefício. Assim, o coletivismo deverá ser a dimensão relevante nos quadros de concessão, o que é consistente com estudos já realizados na América do Norte (sociedade individualista), que revelaram que o quadro custo é visto de forma menos favorável que o quadro benefício.

As evidências disponíveis mostram que os efeitos de enquadramento na negociação podem sofrer alterações à volta do mundo.

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1. INTRODUCTION

Negotiation

One of the most common definitions of negotiation is that it is a process of give and take, where parties have some interests that are shared and some that are opposed (Carnevale & Pruitt, 1992). This definition implies that in order to reach an agreement in any negotiation, parties need to give up some of their aspirations so their counterpart can achieve some of his own to finally arrive at a point of agreement. This process of concession making is an essential component of any negotiation. As such, **concessions**, defined as reductions negotiators make from their offers, have received ample attention from negotiation researchers.

Most of this work has focused on negotiation magnitude, that is, how much a negotiator concedes and how this magnitude influences the negotiation process and outcomes (Bazerman, Magliozzi, & Neale, 1985; De Dreu, Carnevale, Emans, & Van de Vliert, 1994; Neale & Bazerman, 1985). While concession magnitude is without doubt an important factor in any negotiation, it is also true that concessions can influence negotiators beyond just their magnitude. Negotiation, after all, is a process of interpersonal influence where negotiators can use a multitude of rhetorical and behavioral strategies to influence their counterparts and ensure favorable outcomes for themselves (Malhotra & Bazerman, 2008). Actually, recent work in this domain shows that the way in which negotiators present their concessions to their counterparts can be a critical determinant of the negotiation process and respective outcomes, even when the magnitude of the concession is constant (Turan, 2014). Specifically, framing concessions to emphasize how a concession may help the receiver of the concession versus how it hurts the maker of the concession is shown to result in divergent negotiation outcomes. In this thesis, I adopt a similar approach to studying concessions and focus on concession frames, that is, framing a concession to emphasize conceiver-cost versus receiver-benefit. More importantly, I build on this prior work by extending it to cultures beyond North America. Before going into the details of which cultural dimensions I will be exploring with regards to concession frames, I would like to provide more information on negotiation concepts that will be essential to this dissertation.

Negotiations, as studied in management literature, take two forms: **distributive or integrative** (Walton & McKersie, 1965). In integrative negotiations, there are multiple issues under consideration and by making trade-offs across issues that are differentially valued by the two sides, it is possible to create outcomes that benefit both negotiators. These cooperative

agreements are also known as “win-win” solutions (Deutsch, 1973). Distributive negotiations, on the other hand, are those where parties are trying to distribute a fixed sum of resources. These negotiations usually involve only one issue, such as a sale price, and therefore negotiators’ goals are directly opposed to each other. Consequently, distributive negotiations are “win-lose” in their nature since one party’s cost will be equal to the other’s gain (Deutsch, 1973).

This thesis is situated within the context of **distributive negotiations**. Because this type of negotiations usually has only one issue to be decided on by the parties, making a concession in this context automatically results in a benefit for the receiver and at the same time, a cost to the conceiver. As such, the distributive context is ideal to explore concession frames that emphasize conceiver-cost versus receiver-benefit. Specifically, in this thesis I will be examining behaviors, perceptions and outcomes that result from concession frames in distributive negotiations and in cultural contexts where this topic has never been explored before. Particularly, I will be looking at how much negotiators concede in return in reaction to the concession frame (that is, counteroffers) and the outcomes they obtain following these counteroffers.

Negotiation research to date has focused on two types of outcomes: objective and subjective. Objective outcomes are the economic outcomes of a negotiation, such as a sale price. Thompson theorizes that these outcomes are associated with tangible, quantifiable measures and economic results of the negotiation process (as cited in Curhan, Elfenbein, & Xu, 2006). For example, how much joint gain has been generated or in what way the goods or resources have been allocated among negotiators.

However, negotiators also have perceptions and emotions about the negotiation process and their counterparts during and after the negotiation, which manifest themselves in their satisfaction. This type of qualitative outcome in a negotiation is also known as a subjective outcome (Curhan, Elfenbein, & Xu, 2006).

Bearing in mind the aforementioned concepts, I will focus my research on extending previous findings on the framing of concessions in distributive negotiations beyond the North America context, where this particular topic has been studied before. Specifically, in the next sections, I will explore the effect of concession frames on the negotiation process and outcomes in the context of two new cultures (Qatar and Portugal) that are unique in important cultural dimensions. Actually, cultural idiosyncrasies in these two societies are the main drivers for the predictions of the studies performed in this thesis.

Framing: An Important Cognitive Bias

So far, I have emphasized the essential role of concessions in shaping the outcomes of distributive negotiations and the potential influence of cultural dimensions on this relationship. Now, I focus on the way concessions are presented during a negotiation. Specifically, I will apply the concept of framing to negotiations and explore whether the way in which a concession is framed differentially influences negotiation outcomes. I will be basing my work on previous research conducted in the context of North America (Turan, 2014). This research posits that there are two aspects of a concession in a distributive negotiation: making a concession brings a cost to the negotiator making the concession but at the same time, provides a benefit to its receiver and examines whether emphasizing only one of these aspects differentially influences negotiation outcomes. Findings in the North American context point out that receivers of concessions that emphasize conceder-cost are more skeptical of this argument and thus concede less in return compared to receivers of the benefit frame and obtain better economic outcomes since conceding less in a distributive negotiation context automatically improves outcomes. However, this research was conducted solely in the North American context, specifically in the United States. Since ample research documents cross-cultural differences on negotiation processes, it is likely that concession frames may also work differently in other cultural contexts. Before I go into to the details of why and how this may be the case, I would like to explain the concept of framing in some more detail.

Ample research across multiple disciplines demonstrates that framing differently the same decision, action, question etc. can drastically influence people's cognitions and behaviors toward what is being framed. By **framing**, I refer to "alternative descriptions of a decision problem" or a statement (Tversky & Kahneman, 1986). For example, imagine a dice roll. When the outcome of this dice roll is framed as 50% likelihood of winning, people are more willing to take the gamble than when it is framed as a 50% likelihood of losing. These two outcomes, obviously, are objectively the same but framing the outcome in terms of losses versus gains shifts people's preferences regardless. Indeed, past research showed that people react more optimistically when they are before gambles portrayed in a positive way. (Levin et al., 1986; Levin, Snyder, & Chapman, 1988).

In this way, the effect of frames on human judgment and decision-making falls under the larger phenomenon of cognitive biases. That is because though the two situations being described using a frame are objectively the same, people deviate from rationality by reacting differently to them (Gelfand & Brett, 2004; Malhotra & Bazerman, 2008; Tversky &

Kahneman, 1979, 1981, 1986).

Past literature on the psychology of negotiations has been studying several types of cognitive biases and their impact on negotiators' behaviors and outcomes. Take as an example the anchoring bias (Tversky & Kahneman, 1974), which shows that people fixate on the first piece of information that they hear (e.g. a first offer in a negotiation) and base their subsequent evaluations and behaviors on this value. This is mainly the reason why first offers influence final settlement prices so heavily in negotiation (Galinsky & Mussweiler, 2001). Another example is the overconfidence bias stating that excessive optimism about potential outcomes leads negotiators to engage in less concessionary behaviors (Neale & Bazerman, 1985). Similarly, ample research shows that framing, which is an important cognitive bias, is very influential in negotiation as well.

Framing in Negotiation

Following the key property of Prospect Theory (Kahneman and Tversky, 1979) that "losses loom larger than gains", i.e. a loss is more painful than a gain of the same magnitude, loss-framed negotiators pay more attention to their own outcomes and reciprocate concessions less than gain-framed negotiators (De Dreu & McCusker 1997; De Dreu et al., 1994; Lim & Carnevale 1995). Accordingly, the monetary value of concessions is usually lower when a loss frame is adopted instead of the gain frame. (De Dreu et al., 1994; Neale & Bazerman, 1985).

Furthermore, loss versus gain frames influence not only negotiators' behaviors but also their perceptions. Loss-framed negotiators perceive less justice in the negotiation and as a result impasses and conflict spirals occur more often. Besides, the number of achieved agreements and the number of transactions were both higher when the gain-frame was used (Bazerman et al., 1985; Neale & Bazerman, 1985).

Framing effects in concessions

Taken together, this research shows that framing can critically influence negotiation processes and outcomes. More importantly, for this thesis, as mentioned before, framing effects have been studied within the context of concessions specifically (Turan, 2014; Turan, Chow, & Weingart, 2014). This work finds that receivers of concessions that emphasize cost are more skeptical of this argument than receivers of the benefit argument. Subsequently, they reciprocate the concession less and obtain better economic outcomes but at the same time, these negative perceptions of their counterpart leave them less satisfied with the negotiation. An important aspect of these previous findings from North America is the reason why the

conceder-cost frame is viewed with skepticism by receivers. This research shows that while receivers of the concession frame can assess whether the concession has indeed been beneficial to them as the concession maker claims, they don't have a way of corroborating whether the concession is actually costly. In other words, there is less information available to confirm the costliness of a concession. As such, receivers of this frame are more skeptical of the argument contained in the cost frame compared to receivers of the benefit frame.

With these previous findings from North America in mind, the question for the current thesis is whether these findings should hold in other cultures. I argue that there is reason to expect so based on literature on cross-cultural negotiation. Extant work in this domain shows that cognitive biases such as framing may lead to outcomes different than those in the North American cultures where most of the previous findings are based. Similarly, I expect that certain cultural dimensions, which will be explained in the next section, can critically influence the effect of concession frames on negotiation behaviors and outcomes, as depicted in the figure below:

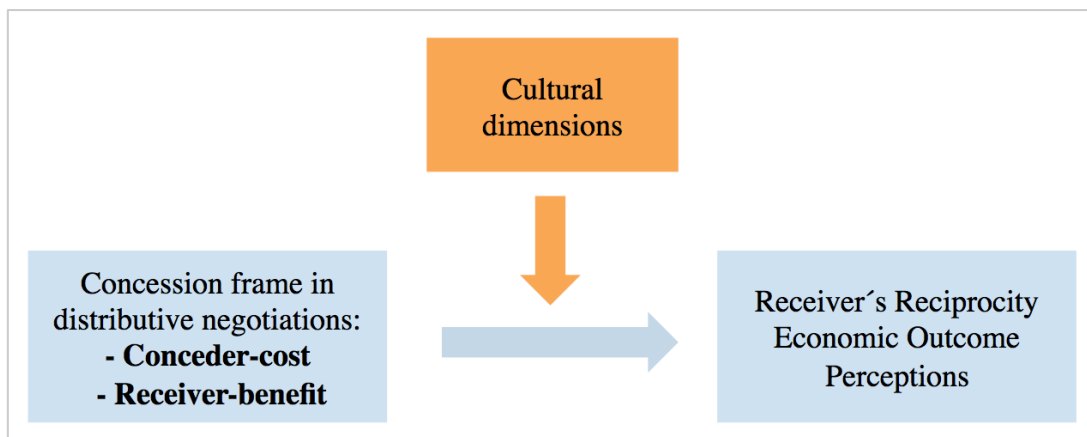


Figure 1. Rationale Behind the Present Research

In the next section, I will focus on the cultural concepts and dimensions that I think provide the reason behind my argument for cross-cultural variation on concession frames.

2. A CULTURAL PERSPECTIVE

Culture

Culture, defined by Hofstede (1980a) as the “collective programming of the mind which distinguishes the members of one human group from another” (p. 25), encompasses values, norms and behaviors of a group (Brett, 2000). While culture may take different forms depending on the group in question (e.g. culture of an organization, an ethnic group, a racial group etc.), in this thesis, I focus on one of the most omnipresent kind of culture: the national

culture. As any individual is surrounded by his culture from the moment he is born, the influence of national culture can be felt in almost all aspects of life. As such, ample research shows the effects of national culture on negotiation processes (Brett, 2000; Gelfand & Brett, 2004).

Different Cultural Frameworks

However before going into the details of this past research on culture and negotiation, it is important to outline the cultural dimensions that have guided it. A diverse set of frameworks has been identified in past literature in order to systematize the distinct properties of national cultures (Brett, 2000; Gelfand & Brett, 2004; Hofstede, 1980a; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Kirkman, Lowe & Gibson, 2006; Schwartz, 1994).

Of these frameworks, the most widely studied and applied to negotiation is that of Geert Hofstede (Kirkman, Lowe & Gibson, 2006). Hofstede is recognized worldwide for creating the “first empirical model of dimensions of national culture” (Hofstede, 2001; Hofstede, Jan Hofstede, & Minkov, 2010). Hofstede’s framework has been used worldwide in a variety of fields such as psychology and management. He performed an extensive research about differences in national values throughout the subsidiaries of IBM across the world, by collecting data from more than 88,000 IBM employees (Kirkman et al., 2006). With this, Hofstede’s original framework (1980a) could compare 40 countries across 4 cultural dimensions: power distance, uncertainty avoidance, individualism, and masculinity. This framework has been improved later on by adding more countries and dimensions to the previous research (1991, 2001, 2005 and 2010). For the purposes of this thesis, two of these dimensions are especially relevant:

Individualism vs. Collectivism (IND-COL): Individualism is described as “a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only” and Collectivism “is characterized by a tight social framework in which people distinguish between ingroups and outgroups, they expect their ingroup to look after them, and in exchange for that they feel they owe absolute loyalty to it” (Hofstede, 1980b, p. 45).

Uncertainty avoidance (UA): “the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise” (Hofstede, 1980b, p. 45).

Cultural Dimensions & Negotiation

Past research shows that both individualism-collectivism and uncertainty avoidance are important cultural dimensions that can influence negotiation processes and outcomes. Regarding the Individualism vs. Collectivism dimension, past research demonstrated substantial differences across cultures. For instance, collectivist cultures show more concern

about others' results, value more the satisfaction inside the group than outside of it and usually collaborate more. (Kirkman et al., 2006) On the other hand, individualistic cultures use more "self-presentation" (Cocroft and Ting-Toomey, 1994), "self-interest" (Brett & Okumura, 1998), and "self-enhancement" (Tinsley and Pillutla, 1998) strategies, are more anti-social (Cocroft and Ting-Toomey, 1994), more prone to implement first-hand businesses (Mitchell et al., 2000), and desire "contractual safeguards" more (Steensma et al., 2000, as cited in Kirkman et al., 2006, p. 292).

Furthermore, according to Gelfand & Realo (as cited in Kirkman et al., 2006, p. 303) in "high accountability negotiations, the more collectivistic the dyad, the higher the level of willingness to concede, cooperative behavior, profit from the negotiation, and positive impressions of one's opponent."

More importantly, it has been theorized that culture can specifically influence biases such as framing in negotiation.

Culture & Cognitive Biases in Negotiation

As shown above, cultural dimensions influence negotiation judgments and behaviors. Cognitive biases in negotiation, such as framing effects, have also been shown to be open to the influence of culture. However, it is also the case that not all cognitive biases are affected by culture.

A relevant question that prior work tried to answer was what types of negotiation biases were more likely to change across cultures (Gelfand & Brett, 2004).

The concepts of social vs. numerical judgments were studied to find the answer. Researchers have theorized that **numerical judgments** – e.g. predictions of values and risk aversion biases - are not usually influenced by culture because they are associated with "innate information" – "mental rules and structures" (Gelfand & Brett, 2004) everybody is born with, instead of being learnt along his life. A common numerical judgment is the so-called "endowment effect" (Thaler, 1980) – a cognitive bias that is related with the tendency for the owners (future sellers) to value their goods more than the buyers.

On the other hand, **social judgments** - e.g. evaluations of character, justice, and perceptions about others actions – may vary substantially across cultures as they are more learned throughout a person's life (Gelfand & Brett, 2004; Heine, Lehman, Markus, & Kitayama, 1999; Morris & Peng, 1994).

Taking the negotiation field as background, social judgment biases have been studied across cultures and rich findings were obtained. According to Gelfand & Brett (2004) there are three examples that deserve special emphasis: the so-called "**fixed-pie bias**" – in which negotiators consider integrative agreements to be impossible to achieve since they assume

opposing interests is the only type of goals present at the bargaining table – or the **“egocentric bias in fairness judgments”** – where a person’s own arguments and concerns are considered more relevant and valid than the counterpart’s – both of these bias are more evident in western (individualistic) cultures than in east Asian (collectivistic) cultures. The final example is commonly named as **“dispositionist bias in judging counterparts’ intentions and traits”** – negotiators create wrong perceptions about the counterpart personality traits (e.g. dishonesty, self-centered) leading to inefficient decisions – that has also been documented to be more present in western than east Asian cultures regarding interpersonal disagreements.

Because this thesis focuses on perceptions and behaviors in negotiation as a function of concession frame, social judgments are quite relevant. This provides further reason to expect cross-cultural variation in the effect of concessions framed to emphasize conceder-cost versus receiver-benefit.

Cultural Dimensions Examined in the Current Thesis

Individualism vs. Collectivism may be a factor influencing concession framing effects because in collectivistic cultures engaging in self-sacrifice for the good of the group (such as a negotiating dyad) is seen as desirable and acceptable (Hofstede, 2001, 2010, 2011; Kashima et al., 1995; Oyserman, 1993). Accordingly, the conceder-cost frame would be viewed more positively than the receiver-benefit frame in collectivistic cultures. This prediction would also be consistent with previous findings on concession frames in the North American (high on individualism) context where the conceder-cost frame was viewed more negatively than the receiver-benefit frame (Turan, 2014).

On the other hand, it is also possible that uncertainty avoidance is the cultural dimension playing a more relevant role in concession framing effects. As a result, in a culture high on uncertainty avoidance, the ambiguity associated with the cost frame may be especially aversive. This would lead to the conceder-cost frame being viewed more negatively compared to the receiver-benefit frame.

Taken together, these possibilities based on two cultural dimensions, individualism-collectivism and uncertainty avoidance, present two competing hypotheses regarding the role of culture on concession frames providing a fertile ground for exploration. The question, then, is how to test these two competing hypotheses. Given there are already results from North America that can be a comparison benchmark for the effects of concession frames on negotiation processes and outcomes, the most viable way of testing the role of culture is to understand how concession frame influences negotiation outcomes and perceptions in cultures

that are sufficiently different from the United States in terms of individualism-collectivism and uncertainty avoidance. For this thesis, I will be using the cultures of Portugal and Qatar to fulfill this role.

Before going further, I would like to point out that the Hofstede's framework does not measure Qatar as a single region. For my analysis, I will be using Hofstede's combined score for Arabic countries (Hofstede, 1991) since there is little variation in this geographic region in terms of culture.

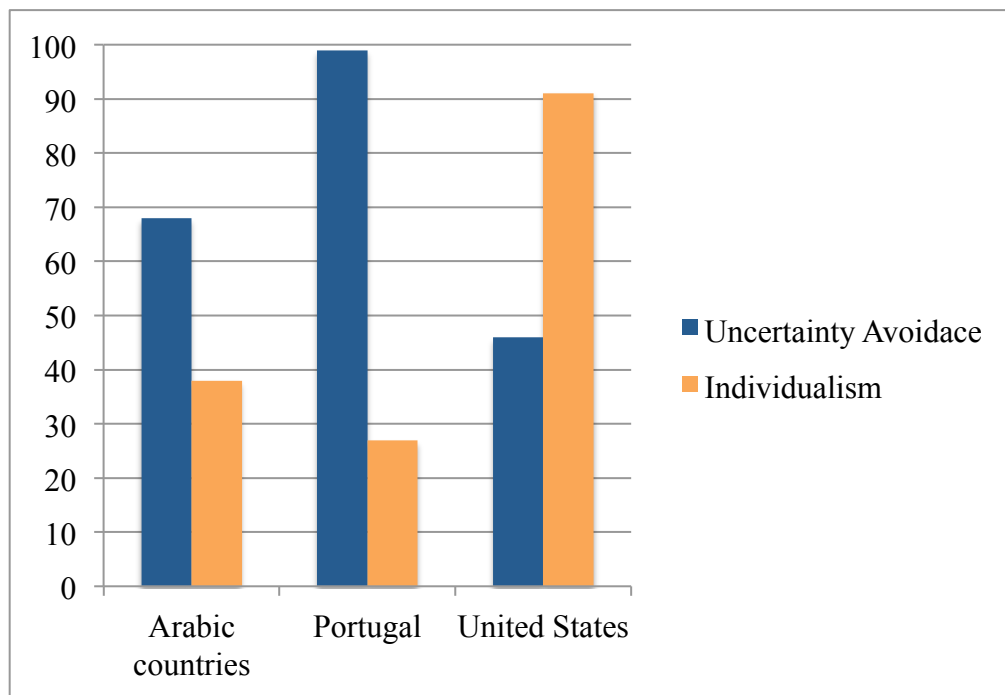


Figure 2. Uncertainty Avoidance and Individualism scores for the countries in analysis

Collectivism & Self Sacrifice

As it can be seen on the table above, the United States is clearly the society more individualistic of this group of countries. In fact, United States has been studied widely in cross-cultural research as the prototypical individualistic society (Gelfand & Brett, 2004; Kirkman et al., 2006; Maddux et al., 2010). This is also true for cross-cultural negotiation research. The result of this individualistic orientation for the negotiation context is that Americans have a “win-lose” attitude towards negotiation and view the process as competitive (Gelfand & Brett, 2004). In such a bargaining environment, the claim that one is engaging in cost for the counterpart is naturally viewed with skepticism.

On the other hand, Portugal and Qatar are collectivistic cultures. People from these cultures show a long-term duty to the groups they belong to, such as the family members

They regard loyalty to their groups as a fundamental aspect of their lives. In other words, it is crucial for people from collectivistic cultures to sustain and nurture long-term connections with and be accepted by the others in the society (Hofstede, 2001, 2010, 2011; Markus & Kitayama, 1991).

Accordingly, in collectivist societies, there is a “We - consciousness” (Hofstede, 2011) while, on the contrary, in the atmosphere of individualist societies each individual is evaluated regarding his own accomplishments (Oyserman, 1993).

Therefore, it is possible that collectivist cultures are more prone to engage in self-sacrifice for the others since strong in-group relationships are considered an important facet of their existence.

Uncertainty Avoidance

Portugal and Qatar score notably higher than U.S. in uncertainty avoidance. Cultures that score high on uncertainty avoidance are averse to ambiguity and uncertainty and thus have very well established codes, rules and beliefs to counteract them (Hofstede, 2001, 2010, 2011). For instance, in Arabic countries there are several distinctive cultural rules: it is mandatory to be absolute loyal to the father, women must wear headscarves and in the month of Ramadan it is forbidden to eat and drink specific products (Kabasakal & Bodur, 2002). These examples may reflect people’s preference for certain situations that will develop around predicted, precise and known circumstances.

U.S. is the country with the lower value in this dimension. It is a society characterized by a great risk taking propensity, having innovative ideas, being enthusiastic about putting into action novelties in several fields (Hofstede, 2001, 2010, 2011). This is because Americans do not rely on many rules or formalities. In summary, people from the United States can handle uncertainty and risk better than people from Portugal and Qatar.

3. HYPOTHESES: TWO COMPETING PREDICTIONS

As explained earlier in this thesis, findings from the United States, a culture low on collectivism and low on uncertainty avoidance, find that receivers of the conceder-cost frame are more skeptical of this frame and form more negative perceptions of their counterparts using this frame compared to receivers of the benefit frame. As a result of these negative perceptions, they concede less in return and obtain better economic outcomes but are also less satisfied with their negotiation.

Taking these findings into consideration as the starting point for my predictions, I predict that the two cultural dimensions, individualism-collectivism and uncertainty avoidance may

influence the effect of concession frames on frame receivers' perceptions and outcomes. To test my predictions, I will perform two studies in two cultures, Portugal and Qatar, both scoring high on collectivism and uncertainty avoidance. This way, I will be able to compare my results with the findings from North America, which show the opposite pattern of values on these two cultural dimensions (high on individualism, low on uncertainty avoidance).

My expectations regarding the influence of framing on negotiation's perceptions, behaviors and outcomes can be described as follows:

Hypotheses 1: Collectivistic cultures, which value self-sacrifice toward the others, **accept more favorably the conceder-cost frame than the receiver-benefit frame.** This leads, in turn, to more reciprocity from the concession receiver and positive perceptions about the concession conceder.

My rationale for this hypothesis is that in collectivistic cultures engaging in self-sacrifice for the group is seen as acceptable and desirable. Thus, in a collectivistic culture, the conceder-cost frame should be seen more favorably.

Hypotheses 2: Cultures that score high on uncertainty avoidance, which dislike unknown and ambiguous situations, **accept less favorably the conceder-cost frame than the receiver-benefit frame.** This results in lower reciprocity from the concession receiver and less favorable perceptions about the concession conceder.

My rationale for this hypothesis is that previous research finds that the conceder-cost frame is met with skepticism and uncertainty because it is not clear to receivers whether the conceder is indeed incurring a cost. Thus, it is possible that in a culture high on uncertainty avoidance, the conceder-cost frame would be seen as especially aversive. The explanatory mechanism for these hypotheses is synthesized in the figure below:

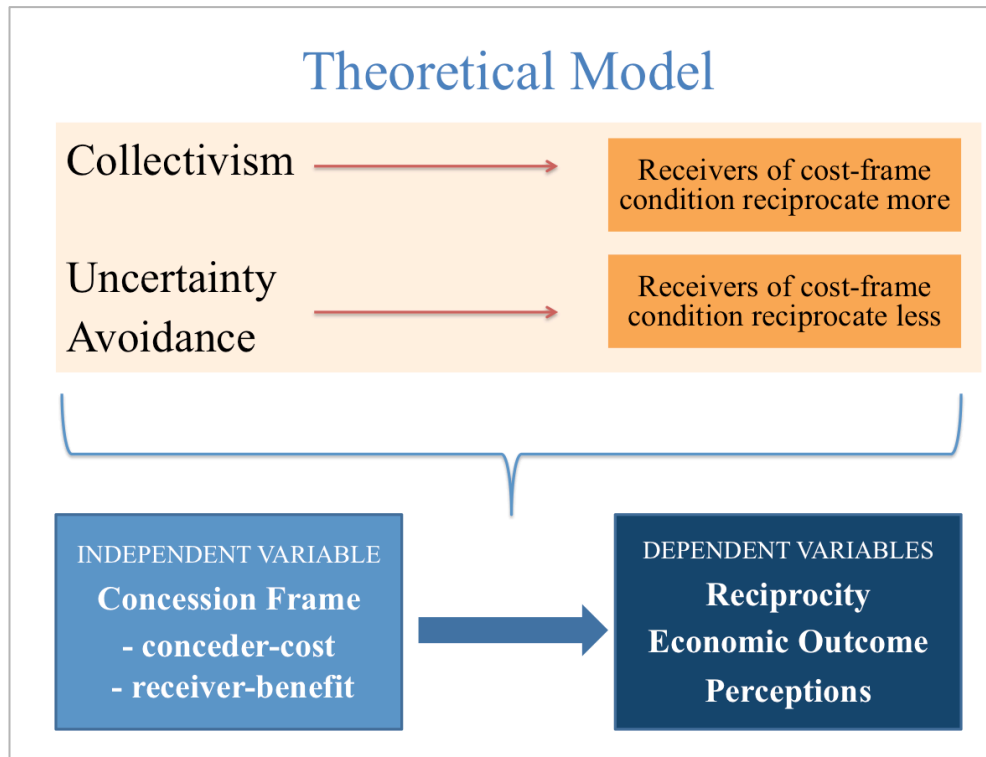


Figure 3. Theoretical Model - Foundation for the Competing Hypotheses

In the next section, I explain how I tested these two competing hypotheses and present the results of the studies.

4. STUDIES

Overview of Studies

In this thesis, I presented two competing hypotheses regarding the effects of concession frames in a cross-cultural context. I focused on collectivism and uncertainty avoidance as the critical cultural dimensions to influence the effect of frames and hypothesized that in collectivistic cultures, it is likely that conceder-cost frame may be viewed more favorably than the receiver-benefit frame due to the acceptance and desirability of engaging in self-sacrifice for the good of the group in such cultures. Alternatively, I also reasoned that the opposite might be true when focusing on uncertainty avoidance. Given an aversion of

ambiguity in cultures high in uncertainty avoidance, it is likely that conceder-cost frame would be seen especially unfavorably compared to the receiver-benefit frame due to the opaqueness of this argument.

In order to test these competing hypotheses, I conducted two studies in Qatar and Portugal, countries high both on collectivism and uncertainty avoidance. Study 1 was conducted in Qatar and examined reciprocity and economic outcomes as a function of concession frame. Study 2 was conducted in Portugal and examined reciprocity, economic outcomes as well as perceptions as a function of concession frame.

Note that, in both studies, the concession maker - the seller - was the party who made the first concession and framed it in the beginning of the negotiation process. Since my theory and predictions are concerned with how concession receivers respond to the concession frame, all of my analyses are from the perspective of the receiver. For this, I will evaluate both, the final settlement price and reciprocity. The latter constitutes the “movement” of the concession receiver from his first offer until the end of the negotiation. My expectation is that this movement of the buyer will be affected by either the conceder-cost or the receiver-benefit frame, depending on which argument the conceder uses. This way, by tracing the overall amount of counteroffers by concession receivers it will be possible to understand in which of the concession frames obtains more reciprocity. Additionally, in Study 2 my research will be extended beyond objective outcomes and I will also examine concession receivers’ perceptions of the conceder as a function of the frame.

4.1 STUDY 1

Study 1 examines the effects of concession frames on objective negotiation behaviors and outcomes. I had two competing predictions in this study. If collectivism is the important cultural dimension with regards to concession frames, then receivers of the conceder-cost frame should reciprocate more and obtain worse economic outcomes than receivers of the benefit frame. That is because engaging in self-sacrifice for the good of the group is desirable in a collectivistic culture. On the other hand, if uncertainty avoidance is the important dimension, then the results should be the opposite: receivers of the cost frame should reciprocate less and do better than receivers of the benefit frame as the uncertainty associated with the cost frame will be aversive to them.

Method

Participants. Ninety undergraduate students (62% female, 36% male, 2% gender not reported, $M_{age}=19.72$, $SD_{age}=1.03$) participated in the experiment during a negotiations course

at Carnegie Mellon University Qatar. Students were randomly assigned to 45 negotiating dyads. Data collection followed the recommendations for classroom data collection (Loyd, Kern, & Thompson, 2005).

Procedure. Participants were told that they would be negotiating over the sale of a factory. They were randomly assigned to the role of either the buyer or the seller. They received their role materials multiple days in advance of the negotiation. The manipulation materials (described below) were introduced shortly before the negotiation and were presented as an “Important Message for the Seller”. Since my goal was to understand the differential effects of a concession frames as being costly to the conceder or beneficial to the receiver on outcomes in a negotiation, I manipulated the concession frame of only one negotiator in each dyad: the seller. This also helped me avoid potential role effects (Neale, Huber, & Northcraft, 1987). Thus, a total of 45 negotiating dyads were randomly assigned to either the conceder-cost or receiver-benefit concession frame condition.

The negotiation task was Biopharm-Seltek (Greenhalgh, 2001), which involves describes the sale of a factory. It is a distributive negotiation scenario with the price of the factory as the only issue to be decided in the negotiation. In this way, a concession on the price in this negotiation automatically brings a benefit to the receiver of the concession but at the same time a cost to the conceder of the concession.

Manipulated and measured variables. The manipulation was introduced as an “Important Message for the Seller”. All sellers first read: “Concessions are reductions that a negotiator makes during the course of a negotiation. Most negotiations require that parties make at least some concessions. As part of your strategic planning for the negotiation, you should think carefully about how to present your concessions to the other party”.

Concession frame manipulation. Sellers in the *conceder-cost* condition then read: “According to negotiation experts, **you should emphasize to the other party that your concessions have been costly to you.** Whenever you make a concession, **remind the other party what you are giving up** by agreeing to concede.”

On the other hand, recruiters in the *receiver-benefit* condition read: “According to negotiation experts, **you should emphasize to the other party that your concessions have been beneficial to them.** Whenever you make a concession, **remind the other party that you are helping them out** by agreeing to concede.”

In addition to these descriptions of conceder-cost and receiver-benefit, sellers were also provided with some example phrases of the frame that they could use during the negotiation.

Reciprocity. I measured reciprocity as the extent to which the receiver of the concession moved from the initial offer. For example, if a buyer starts by offering \$10 million for the factory and after some negotiating offers \$14 million, he reciprocated by \$4 million.

Economic outcome. The settlement sale price of the factory constituted the economic outcome measure.

It should be noted that reciprocity and economic outcome were recorded via an outcome sheet participants filled out at the end of the negotiation. This outcome sheet asked them for their first offers, counteroffers and settlement prices.

Results

As mentioned earlier, It should be noted that this study looks at the effect of receiving a concession framed around conceder-cost or receiver-benefit and so all analyses and results reported below are from the perspective of the receiver of the concession, that is, negotiators in the role of the buyer in the negotiation.

Preliminary analyses.

Since Carnegie Mellon University Qatar is an international school with a considerable foreign student population, I first checked the nationality breakdown of the study population. This analysis revealed that Qataris constituted only 42% of this population. The breakdown of sample nationality is provided in Table A. Since national culture and the cultural dimensions of collectivism and uncertainty avoidance are at the heart of this thesis, this nationality breakdown was problematic to analyze as a whole. So, I examined the nationalities present in the dataset in terms of their scores on Hofstede's collectivism and uncertainty avoidance dimensions, which revealed all nationalities in the dataset with the exception of India scored high on collectivism and uncertainty avoidance. Table B shows the nationalities in the sample on these two dimensions. In addition, there were a few participants with dual nationalities (e.g. American/Pakistani). Since it is impossible to know which of these nationalities were more represented in one's identity, I excluded these participants, as well as the Indian participants from the dataset, and proceeded to the analysis with the remaining 32 participants.

Main analyses.

Reciprocity. I conducted a one-way Analysis of Variance (ANOVA) to test the effect of frame on the extent to which concession receivers (i.e. buyers in this study) reciprocated the concessions they obtained. Thus, *concession frame* was my independent and *reciprocity* was my dependent variable in this analysis. Contrary to predictions, results did not indicate any significant differences between the conceder-cost and receiver-benefit conditions with regards

to reciprocity, $F(1,22) = .32, p = .58$. However, it must be noted that the pattern of means revealed that receivers of the cost frame reciprocated descriptively more than receivers of the benefit frame ($M_{\text{conceder-cost}}=3.48, M_{\text{receiver-benefit}}=2.24$).

Economic outcome. To test the effect of concession frame on economic outcome, I reran the above analysis with the sale price of the factory as the dependent variable this time. In the light of findings above, perhaps unsurprisingly, I did not observe significant differences there, either, $F(1,23) = .26, p = .61$. As above, receivers of the cost frame paid descriptively more for the factory than receivers of the benefit frame, ($M_{\text{conceder-cost}}=19.37, M_{\text{receiver-benefit}}=17.19$).

Discussion

Contrary to both of my predictions, I did not observe a significant difference between the conceder-cost and receiver-benefit frame on reciprocity or economic outcomes in this study. However, this does not necessarily mean that the theory is wrong but rather, there are a number of potential design issues that might have led to this outcome. First, I had a very small final sample in this study, possibly leading to not having enough statistical power to detect differences. Given the descriptive trends are in the right direction, it is possible that if it were possible to add more participants to the study, results could approach significance. Second, the data were collected in the classroom where it is likely that there is a lot of distraction for participants. Though I followed the recommendations for classroom data collection as much as I could, classroom data is not the same as the controlled environment of the laboratory (Lloyd et al., 2005). Finally, it is also possible that participants in this study might have known each other and had relationships with each other outside of the classroom. Though it is not possible in which direction this would affect the results, it is still a possible confound.

With these possible limitations but encouraged by the promising trends observed in this dataset, I moved on to Study 2, where I tested the effect of concession frames with a much more controlled design in the laboratory.

4.2 STUDY 2

Study 2 tests the same predictions as Study 1 but in a more controlled, laboratory setting. In addition to this difference, Study 2 was conducted in Portugal, a country high in collectivism and uncertainty avoidance, and with mostly Portuguese participants.

Method

Participants. One hundred and fifty two participants with ages ranging from 22 to 29 ($M=22.97, SD=1.32, 46\%$ women) completed the study in the LERNE lab maintained by

Católica-Lisbon School of Business and Economics. They received course credits for their participation.

Procedure. This was a scenario based study where participants were told to imagine they were buying a car online. Thus, in this study, participants did not conduct an in-person negotiation but rather responded to a hypothetical negotiation scenario.

The scenario (described below) specified the details of their search and exchanges with the seller. The concession frame manipulation was embedded into this scenario as well. The study elicited first offers, final offers as well as ratings of the seller on a variety of traits from the participants.

Manipulated and measured variables. All participants were asked to imagine that they were looking to buy a used car and after searching online, they had found one that fit their requirements. According to the scenario, the participant had exchanged emails with the seller of this car and found out that the asking price for the car was 14,500 €, which was more than they could pay. However, they (the buyer) and the seller had arranged a time to meet and negotiate in person.

First offer. At this point, participants were asked to provide a first offer to the seller.

Immediately after providing their first offer, participants heard via audio the seller making a concession from his asking price, which also contained the concession frame manipulation. The manipulation was delivered via audio to make it more realistic and interactive for the participants.

Concession frame manipulation. The audio file of the seller's offer contained the manipulation. Participants in the *conceder-cost* condition heard the seller say: "OK, I will be taking a big hit here, but I can reduce the price to 13,500. This is very costly to me, but I can do 13,500." Participants in the *receiver-benefit* condition heard: "OK, I want to help you out here. I can reduce the price to 13,500. I want to provide some benefit to you, so I will do 13,500."

Perceptions of the seller. In this study, I elicited from participants their perceptions of the seller on a number of traits, such as how cooperative, manipulative, greedy, believable etc. they thought the seller was. These measures were on a scale ranging from 1 to 7. A full list of these measures as well as their analyses as a function of concession frame is provided in Table C.

Counteroffer. After hearing the seller make a concession and rating the seller on a variety of traits, participants were asked to provide a counteroffer to the seller.

Reciprocity. As I obtained both first offers before the concession frame manipulation and counteroffers after the concession frame manipulation from the participants, the difference between these numbers constituted my measure of reciprocity in reaction to the concession frame.

Results

Preliminary analyses.

Means, standard deviations and zero-order correlations of variables used in the analysis are reported in Table D. Because Católica-Lisbon has a number of international students that participate in studies for course credit, I checked the data to see the nationality breakdown. Results indicated that there were 117 Portuguese participants in the sample and the remaining 35 participants were mainly from Northern European countries such as Germany or the Netherlands, that are low on collectivism and medium on uncertainty avoidance. Thus, I removed these participants from the dataset and proceeded to the analyses with the remaining 117.

Main analyses.

Reciprocity. To examine the effect of concession frame on the extent to which participants reciprocated the seller's concession, I conducted a one-way ANOVA with concession frame as the independent and the reciprocity measure as the dependent variable. Results indicated a marginal difference, $F(1,115) = 3.25, p < .10$, with receivers of the conceder-cost frame reciprocating more than receivers of the benefit frame ($M_{\text{conceder-cost}}=382.45, SD_{\text{conceder-cost}}=624.30, M_{\text{receiver-benefit}}=125.00, SD_{\text{receiver-benefit}}=890.42$). These results are consistent with the trends observed in Study 1 and suggest that collectivism might be the important cultural dimension for the effect of concession frames across cultures. That is because these results indicate that people from a collectivistic and highly uncertainty avoidant culture reciprocate the conceder-cost frame more, which would not be the case if uncertainty avoidance was the operational variable in this relationship as the conceder-cost frame contains more uncertainty.

To examine this possibility further, I looked at the perceptions of the seller as a function of the concession frame, which can inform about how each frame is viewed by the participants.

Perceptions of the seller. Of the perception variables included in the study (presented in Table C), perceptions regarding the seller's believability and greed were found to be influenced by concession frame. Specifically, when participants were asked how believable the argument of conceder-cost or receiver-benefit was (participants received either one of these questions depending on the condition), they found the conceder-cost argument to be

significantly more believable than the receiver-benefit argument, $F(1,115) = 7.67, p < .001$, ($M_{\text{conceder-cost}}=3.65, SD_{\text{conceder-cost}}=1.67, M_{\text{receiver-benefit}}=2.87, SD_{\text{receiver-benefit}}=1.37$). Furthermore, sellers in the conceder-cost condition were seen as marginally less greedy, $F(1,115) = 3.10, p < .10$, marginally less disingenuous, $F(1,115) = 3.31, p < .10$, and significantly less manipulative $F(1,115) = 6.63, p < .05$, than sellers in the receiver-benefit condition. All means and standard deviations for these variables are in Table C.

Discussion

Study 2, conducted in Portugal with Portuguese participants, finds that receivers of the conceder-cost frame reciprocate the concession they obtained more than receivers of the benefit frame. In addition, receivers of the cost frame find it more believable and also think sellers using this frame are less greedy, manipulative, and disingenuous than sellers using the benefit frame. These results, also consistent with the trends observed in Study 1, are noteworthy because they are exactly in opposition to the findings from the United States, an individualistic country.

These findings suggest that the cultural dimension critical for concession frames might be collectivism-individualism, rather than uncertainty avoidance. If the latter were the critical variable, then conceder-cost would have been seen as particularly aversive because of the opaqueness associated with cost in that argument.

General Discussion

In this thesis, I examined the role of culture on the relationship between concession frames and negotiations. I formulated and tested two competing hypothesis based on two important cultural dimensions: uncertainty avoidance and collectivism. I conducted my tests with cultural high on both of these dimensions, Qatar and Portugal, as previous research had focused on the United States, which is a culture that is low on both of these dimensions. My findings suggest that collectivism is the more important culture facet within the context of negotiation. This is perhaps not surprising as negotiation is an interpersonal experience and thus a cultural dimension that taps into one's interpersonal relationships might capture negotiation better than a purely cognitive dimension such as uncertainty avoidance. Specifically, I found that receivers of the cost frame have more positive perceptions of their counterparts and reciprocate more than receivers benefit frame. These findings were fully supported in the Portuguese sample and were suggestive in the Qatar sample. These findings suggest that collectivism is an important dimension for the cross-cultural effects of concession frames.

In addition, the conclusions derived from my studies are in accordance with prior results obtained in North America (extremely low on collectivism). Here, the results showed the opposite, with less reciprocity and worse perceptions of the counterpart in the conceder-cost condition.

5. OVERALL CONCLUSION

The rationale for carrying out the studies for my research focused on the role of two cultural dimensions in the context of distributive negotiations. In both of the studies, the question under discussion was which dimension, either uncertainty avoidance or collectivism, influenced more the economic outcomes and counterpart perceptions in the context of distributive negotiations as a function of concessions that emphasize conceder-cost vs. receiver-benefit.

I predicted that both of the cultural dimensions could possibly influence the negotiation process since uncertainty avoidance leads people to dislike ambiguity and should subsequently lead them to reciprocate less in reaction to the conceder-cost argument compared to the receiver-benefit argument. Although this may be true, at the same time, collectivism leads people to value self-sacrifice toward the others, what puts forward the view that concession receivers might reciprocate more in reaction to the conceder-cost frame rather than the benefit frame.

The studies I conducted for this thesis revealed collectivism to be the main driver for the buyer behaviors, both in Qatar and Portugal, since concession receivers reciprocated less and developed, at the same time, less favorable perceptions about the counterpart (in terms of greediness, disingenuousness, manipulateness) when they received the benefit frame. These findings point out that there may be considerable variance in the reactions to concession frames across cultures and collectivism may be the important dimension driving these differences.

There is growing support that framing effects in negotiation, namely perceptions, behaviors and attitudes are subject to change across cultures. Cultural knowledge structures people acquire in life, will condition the way they interpret the arguments that were used by the counterpart in negotiations. My research constitutes one more piece of this complex puzzle about understanding cross-cultural negotiations behavior.

6. THEORETICAL & PRACTICAL CONTRIBUTIONS

I believe this research makes theoretical and practical contributions to the field of negotiation and to the study of cognitive biases. To my knowledge, this is the first study to look at how concession frames may vary across cultures and to focus specifically on collectivism and uncertainty avoidance. This is an important contribution because concessions are central to the process of negotiations and thus understanding how reactions to concessions may differ across cultures is critical to negotiator success. In addition, I think this research contributes to the study of cognitive biases as well. My findings demonstrate one more application of the well-documented framing effect to the cross-cultural context: concession frames. This is important because concession frames, differently from traditional gain-loss frames, influence the process rather than just the outcomes the negotiation, such as counterparts' perceptions. Given the immense cross-cultural variation on the importance of interpersonal perceptions, it is important to document framing effects that can influence this process.

On a more practical level, the findings of my research might be useful for two main contexts. Indeed, having the knowledge about which frame is received more favorably in a collectivistic vs. individualistic culture could be fundamental in the context of negotiation processes. Corporations, institutions and companies could better understand how to deal with counterparts in negotiations or decision-making processes involving people from distinct cultural environments. Actually, in a more and more globalized world, companies are engaging in negotiations across countries at an increasing pace. Accordingly, it would be extremely useful to apply the most correct and suitable arguments in order to convince the counterparts to, for example, influence them to reciprocate more or obtain the best opinions and perceptions.

At the more informal level, my findings would be useful in negotiations between individuals as well. If I am Portuguese with the objective of selling my car to a friend for example, and he is from the United States, I may consider the use of the receiver-benefit frame when doing a concession. However, if my American friend wants to sell his car to me, he is better off by invoking the cost of his concessions to himself. In summary, knowing which frame works better for what type of culture can be critical to negotiator success.

7. FUTURE DIRECTIONS

It is possible that there might be something in the negotiation context that is really activating the collectivism rather than activating uncertainty avoidance. This way, future

research could take my study as a basis to investigate the effects of activation of different cultural dimensions on negotiation. Besides, other cultural frameworks could be used to test the influence of new cultural dimensions besides Hofstede's ones, such as the ones present in the prominent research of the GLOBE (House et al., 2004). In this case, several leadership traits (e.g. autonomy and self-protectionism) were analyzed in various countries. It could be interesting to understand for instance, how leadership characteristics would influence perceptions and outcomes of negotiations.

Another source of investigation could be the possible existence of role effects (Neale et al., 1987). Actually, to test the existence of systematic differences depending on who was the person framing and doing the concession (buyer vs. seller) could be extremely expensive since this approach involves the analysis of the perspectives of both, the conceiver and receiver. In turn, this would involve performing the same studies twice, in order to obtain results for both negotiators.

Another interesting variation of my study could be testing the same relationship I tested but in a different type of environment. It could be useful to perform my studies along the managerial environment instead of the university context, in order to understand if the age or job of individuals would influence the negotiation process and respective outcomes.

My hypotheses could be studied around the context of integrative negotiations environment as well. Although more complex to investigate than the distributive context, since it involves several issues, it could be interesting to understand if the possible trade offs and negotiators behaviors would be more influenced by collectivism or uncertainty avoidance.

Lastly, given that my research is conducted around a very specific situation, where the seller is always the one making a concession, further research could investigate the situation where it is the buyer asking for a concession instead of being the seller framing and doing it since the beginning. Note that, for this case, prior work was already made in the context of North America (Turan, 2014).

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APPENDIX

Tables

Table A.

Distribution of participants' nationality in Study 1

<i>Nationality</i>	<i>Frequency</i>	<i>Valid Percent</i>
American/Lebanon	1	2.3
Bangladesh	2	4.5
Brazil/Jordan	1	2.3
Canada	2	4.5
Egypt	2	4.5
India	6	13.6
Jordan	1	2.3
Pakistan	7	15.9
Qatar	19	43.2
Romania	1	2.3
USA/Pakistan	1	2.3
USA/Syria	1	2.3
Total	44	100.0

Table B.

Hofstede Scores of UA and IND of represented nationalities in Study 1

<i>Nationality</i>	<i>Individualism</i>	<i>Uncertainty Avoidance</i>
American/Lebanon	N/A	N/A
Bangladesh	20	60
Brazil/Jordan	N/A	N/A
Canada	80	48
Egypt	25	80
India	48	40
Jordan	30	65
Pakistan	14	70
Qatar (Saudi Arabia)	25	80
Romania	30	90
USA/Pakistan	N/A	N/A
USA/Syria	N/A	N/A

Table C.

Main Effects for all Study 2 Measures as a Function of Concession Presentation

<i>Main effects</i>	<i>Conceder-Cost Condition</i>	<i>Receiver-Benefit Condition</i>	<i>Main Effect F(1, 115)</i>
	<i>Mean (SD)</i>	<i>Mean (SD)</i>	
CP Trustworthy	3.58 (1.10)	3.40 (1.28)	.66
CP Honest	3.30 (1.00)	3.33 (1.42)	.02
CP Deceitful	3.60 (1.22)	3.72 (1.21)	.29
CP Manipulative	4.07 (1.52)	4.78 (1.47)	6.63*
CP Sincere	3.09 (1.02)	3.18 (1.30)	.20
CP Genuine	3.16 (1.05)	2.87 (1.27)	1.82
CP Agreeable	4.12 (1.19)	4.22 (1.33)	.18
CP Cooperative	4.53 (1.07)	4.58 (1.25)	.07
CP Disingenuous	3.68 (1.00)	4.10 (1.42)	3.31†
CP Misleading	3.68 (1.37)	3.80 (1.42)	.20
CP Greedy	3.30 (1.21)	3.72 (1.35)	3.10†

† $p < .10$, * $p < 0.05$, ** $p < 0.01$

Table D.

Means, Standard Deviations, and Zero-Order Correlations of Variables in Study 2

Variable	<i>M</i>	<i>SD</i>	Concession frame	Perceptions of believability	Concession magnitude	Seller manipulative	Seller disingenuous	Seller greedy
Concession frame	-.03	1.00	–					
Perceptions of believability	3.25	1.60	.25**	–				
Concession magnitude	250.43	779.82	.17	.07	–			
Seller manipulative	4.44	1.53	-.23*	-.08	.04	–		
Seller disingenuous	3.90	1.25	-.17	-.08	-.07	.37**	–	
Seller greedy	3.51	1.30	-.16	.01	.23*	.42**	.30**	–

Note: $N=117$ Concession frame is coded as requestor-benefit=-1, conceder-cost=1. * $p<0.05$, ** $p<0.01$

Figures

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THE BIOPHARM-SELTEK NEGOTIATION

Formerly known as Synertech-Dosagen

Leonard Greenhalgh
Amos Tuck School, Dartmouth College

Role for Seltek, CFO

You are the Chief Financial Officer of Seltek, a medium-sized pharmaceutical company with annual sales of \$150 million. You need to sell off a U.S. plant that was set up to produce a line of genetically engineered compounds. Seltek has only been able to develop one successful compound, Petrochek, a bacterium that breaks down oil into water-soluble compounds. You have been selling Petrochek to the oil industry, where it is used to help clean up oil spills, and have just completed the research to show that it can be used in sewage treatment plants to biodegrade whatever petroleum-based products find their way into sewers. The business potential for the oil industry has a present value of \$5-7 million; the potential for the sewage treatment industry is hard to pinpoint, but might be very lucrative, depending on worldwide environmental regulation trends.

Your company, Seltek, needs to sell the U.S. plant because it barely breaks even with the one product it can manufacture there. Top management originally expected to be manufacturing a whole line of genetically engineered compounds, but some compounds that initially seemed promising have since been abandoned. The current strategy is to concentrate instead on conventional pharmaceuticals. Therefore, Seltek has decided to get completely out of biotech manufacturing, and this is why the biotech plant and the Petrochek patent must be sold.

The plant has been hard to sell because it is uniquely configured to manufacture genetically engineered compounds. This kind of manufacturing requires special water processing. With minor modifications, the plant could also be used for making computer

chips; however, the computer chip industry has too much capacity, so it's highly unlikely any chip manufacturer would buy it.

You have considered the option of rebuilding the plant so that it would have a normal configuration for general manufacturing. Doing so would take six months and cost \$3 million, but after rebuilding it would have an appraised value of \$10 million (thus, you would just as soon sell the plant for \$7 million right now because the net yield from rebuilding the plant is only \$7 million—\$10 million minus the \$3 million you would have to invest). Furthermore, you would prefer to sell the plant to someone who will take over operating it as a pharmaceutical plant, because this will keep the work force intact. This is very important to you because, when it became obvious that Seltek's biotech operation was foundering, many of the workers thought about finding new jobs while the labor market was favorable. You convinced the key employees to stay on, promising them six months severance pay if the plant were shut down. The liability for severance pay is \$1 million, which you would avoid having to pay if you sold the plant as a "turnkey" operation to BioPharm.

BioPharm, a \$700 million U.S. pharmaceutical company, has expressed some interest in buying the plant. Their plant engineers have inspected the plant and deemed it suitable for their purposes. You know from public documents that they have no genetically engineered compounds in their current product line, so you're not sure whether they intend to reconfigure it as a normal manufacturing facility. The only

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Figure 4. Negotiation Exercise assigned in Study 1 - Seller Role

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reservation expressed by their engineers was that the location is 70 miles away from their headquarters facilities.

The sooner you sell the plant, the better. Seltek management needs to turn its full attention to conventional pharmaceutical manufacturing. There's enough demand for Petrochek that you could keep the plant operating at break-even for up to a year if BioPharm can't do the deal right away. That wouldn't be desirable, however, because you want to free up the funds invested in the plant for other projects that have greater strategic importance.

Once you sell the plant, you will need to sell the Petrochek patent. It's the only compound you have been manufacturing at the plant, and the patent is of zero use to you once the plant is sold. Elf, a European petrochemicals company, has offered you \$4 million for the patent, and if you waited a year, there's a 50% chance you could sell the patent for \$5 million to Exxon when Exxon's new biotechnology plant goes into full operation. (Neither Elf nor Exxon is interested in buying your plant.) It would be perfect if BioPharm would buy the patent—for at least \$4 million—as well as the plant.

Your company is desperately short of funds to invest in new projects, so selling the plant and the patent is an immediate priority. This means that you will refuse to lease the plant to BioPharm, if that's what they are interested in.

The plant can be turned over to BioPharm immediately if they're interested. In order to complete the sale, you or they will have to pay off a \$200,000 property tax liability. This was incurred as a result of a problem with the appraisal. Seltek contested the figure that the appraiser had come up with, because it was inconsistent with the tax break Seltek had been offered to locate the plant where it is. The court ruled in favor of Seltek, so now it's time to pay up. There's no issue

here because you put the \$200,000 into an escrow account pending resolution of the dispute.

You are about to meet with the Chief Financial Officer of BioPharm. You have full authority to sell the plant (and the Petrochek compound, if BioPharm is interested) for whatever you can get. Below is the available information concerning the appraised value of the Seltek plant.

Seltek Plant

The following information is in the public domain and was made available to BioPharm.

1. The plant (i.e., the building and land) was appraised by a real estate agent two years ago at \$20 million. The local real estate market has declined 20 per cent in the last two years due to the state of the economy.
2. Public accounting information shows that the plant is valued at \$12 million on Seltek's accounting statements. The land value is recorded at its original purchase price of \$1 million, and the building has been depreciated from an original \$20 million down to \$11 million, for tax advantages. (The IRS lets a corporation reduce the "book" value of a building every year as if it were "wearing out," like an automobile does with increasing mileage. The resulting theoretical "loss" in value can be deducted from the company's tax bill.)
3. The building is insured against total loss (fire, explosion, hurricane, etc.) for \$8 million.
4. An identical plot of land across the street from the Seltek plant just sold for \$500,000 after being on the market for three years.
5. There are no environmental liabilities pending, but there is a \$200,000 tax lien on the property.

Figure 5. Negotiation Exercise assigned in Study 1 - Seller Role (page 2)

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THE BIOPHARM-SELTEK NEGOTIATION

Formerly known as Synertech-Dosagen

Leonard Greenhalgh
Amos Tuck School, Dartmouth College

Role for BioPharm, CFO

You are the Chief Financial Officer of BioPharm, a U.S.-based pharmaceutical company that has annual sales of \$700 million. You need to buy or build a plant in the U.S. to produce a genetically engineered (“biotech”) antibiotic compound, Depox. You bought a license from the Belgian company that developed Depox. The Belgian company sold the license because they don’t have the plant capacity or other resources to expand the business beyond the European market. The licensing agreement gives you exclusive rights to manufacture and sell Depox in North America.

It makes the most sense to manufacture Depox in the U.S. because this is your biggest market. Depox has great market potential, and it complements BioPharm’s existing product line of conventional antibiotics. A special plant is needed because manufacturing genetically engineered compounds requires special water-processing facilities. You cannot modify an existing BioPharm plant because none of these is set up to handle “biotech” manufacturing with its special water processing requirements. You have two choices: you can build a new plant or buy a plant that is already set up to manufacture genetically engineered compounds.

It will cost \$25 million to *build* a new plant. It will take 12 months from the time you break ground to the time when the first shipments of Depox will reach the U.S. market. Part of that time is taken up with getting the FDA (the U.S. Food and Drug Administration) to approve the *plant* for pharmaceutical manufacturing and to train a new work force in special biotech manufacturing

techniques. The Depox compound has already been approved by the FDA.

Depox is ready for manufacture right now, and you would like to begin production as soon as possible, since time-to-market is a huge competitive advantage. In an ideal world, you would find a “turn-key” plant that you could move into immediately and start operating at the end of this month. Each month you wait for the plant to be ready for production costs BioPharm \$1 million in lost profits. These profits cannot be recovered later: a sick patient can’t wait for an antibiotic.

Anticipating that you will have to build—rather than buy—a plant, you have located a suitable site in a new industrial park 10 miles from your U.S. headquarters’ operations. You need to commit to buying or not buying that site very soon, otherwise you might lose it. You took out a 90-day option to purchase that site for \$500,000. Your option expires tomorrow. (It cost you \$10,000 for that option and you will lose the \$10,000 if you don’t purchase the land tomorrow. If you do purchase the land, the \$10,000 will be credited toward the purchase price.)

In the meantime, you discovered that Seltek, a smaller pharmaceutical company with annual sales of \$150 million, has a suitable U.S. plant for sale. The location is not great—it is 70 miles away from your U.S. headquarters facilities where the research group is located—but Seltek’s plant is running and already has FDA approval. It also has a high-quality, experienced work force which could save you the costs and time of hiring and training your own

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Figure 6. Negotiation Exercise assigned in Study 1 - Buyer Role

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workers. If you were to buy the plant, you very much want to take over operating it as soon as Seltek ceases operations. You don't want them to shut down the plant and leave it idle for a while, because the workers may take other jobs.

Thus, the Seltek plant seems like an ideal "turnkey" facility. Your plant engineers have assured you that BioPharm could start up Depox production and distribution immediately.

In addition to selling the plant, Seltek wants to sell the patent on Petrochek, the compound it has been manufacturing at the plant. Petrochek is of zero interest to you because it is not a pharmaceutical product and you have no way to distribute it. Petrochek is a genetically engineered bacterium that breaks down oil into water-soluble compounds (and is sold for use in treating oil spills). Your present sales force specializes in pharmaceuticals—selling to doctors, hospitals, HMOs, and drug store chains in the U.S.. The sales force would be useless for selling to the oil industry or to government agencies that deal with water pollution. You would need to set up a new sales force to market Petrochek, but it's not in your strategic interests to do so. You don't have any sales people to spare, and you have no one available who could recruit and manage a new sales force for this product. Thus, buying the patent would be inconsistent with BioPharm's corporate strategy. The Board and CEO have said *no* to buying the Petrochek patent.

You are about to meet with the Chief Financial Officer of Seltek. You have full authority from the Board and CEO to buy the plant at any price you deem acceptable. You have up to \$40 million available for investment. To the right is the available information concerning the appraised value of the Seltek plant.

You have learned that Seltek apparently hasn't been paying real estate taxes and owes \$200,000. This would have to be paid by one of the parties to remove the tax lien that would hold up transfer of title. The real estate taxes would be the same at either location you are considering.

Seltek Plant

The following information is in the public domain and was made available to BioPharm.

1. The plant (i.e., the building and land) was appraised by a real estate agent two years ago at \$20 million. The local real estate market has declined 20 per cent in the last two years due to the state of the local economy.
2. Public accounting information shows that the plant is valued at \$12 million on Seltek's accounting statements. The land value is recorded at its original purchase price of \$1 million, and the building has been depreciated from an original \$20 million down to \$11 million, for tax advantages. (The IRS lets a corporation reduce the "book" value of a building every year as if it were "wearing out," like an automobile does with increasing mileage. The resulting theoretical "loss" in value can be deducted from the company's tax bill.)
3. The building is insured against total loss (fire, explosion, hurricane, etc.) for \$8 million.
4. An identical plot of land across the street from the Seltek plant just sold for \$500,000 after being on the market for three years.
5. There are no environmental liabilities pending, but there is a \$200,000 tax lien on the property.

Figure 7. Negotiation Exercise assigned in Study 1 - Buyer Role (page 2)

Important Message for the Seller

Please read this message carefully. It will help you prepare for today's negotiation.

Concessions are things that a negotiator gives up during the course of a negotiation. Most negotiations require that the parties make at least some concessions. As part of your strategic planning for the negotiation, you should think carefully about how to present your concessions to the other party.

According to negotiation experts, **you should emphasize to the other party that your concessions have been *beneficial to them***. Whenever you make a concession, **remind the other party *that you are helping them out by making your concession***.

Some phrases you can use when you are presenting your concessions as being beneficial to your counterpart include:

“Ok I/we will accept that for you”

“I/We will agree to that demand to help you out”

“I/We am/are trying to provide some benefit for you by accepting this”

“I/We will do this because we want to make this work out for you”

Figure 8. Instructions for the Sellers in Study 1 (receiver-benefit condition)

Important Message for the Seller

Please read this message carefully. It will help you prepare for today's negotiation.

Concessions are things that a negotiator gives up during the course of a negotiation. Most negotiations require that the parties make at least some concessions. As part of your strategic planning for the negotiation, you should think carefully about how to present your concessions to the other party.

According to negotiation experts, **you should emphasize to the other party that your concessions have been *costly to you***. Whenever you make a concession, **remind the other party *what you are giving up by making your concession***.

Some phrases you can use when you are presenting your concessions as being costly to you include:

“Ok, I/We will accept but this really hurts me/us”

“I/We take a hit by agreeing to that”

“I/We am/are giving up a lot by agreeing to this”

Figure 9. Instructions for the Sellers in Study 1 (conceder-cost condition)

BIOPHARM-SELTEK OUTCOME SHEET

One sheet per group

Name of buyer (Biopharm):

Name of seller (Seltek):

Settlement price:

Who made the first offer?

What was the first offer amount?

Counteroffer :

Figure 10. Outcome Sheet provided in Study 1

Name:

Post-negotiation questionnaire for BIOPHARM-SELTEK

PLEASE ANSWER THE FOLLOWING QUESTIONS ABOUT YOUR NEGOTIATION.

1. Approximately how many concessions did you make?

2. It was important to me that I and my counterpart reached a mutually beneficial outcome.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

3. My counterpart reciprocated my concessions.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

4. My counterpart tried to take advantage of me.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

5. My counterpart emphasized his/her concessions only so I would give back something in return.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

6. My counterpart used his/her concessions to manipulate me.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

7. My counterpart had my interests at heart.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

8. My counterpart focused only on his or her outcomes in the negotiation.

-3	-2	-1	0	1	2	3
Strongly disagree			Neither agree nor disagree			Strongly agree

Figure 11. Post-Negotiation Questionnaire provided in Study 1

9. To what extent do you think the following traits describe YOUR COUNTERPART'S BEHAVIOR during this negotiation (1=Not at all, 7=A lot)?

	Not at all			Moderately			A lot
Assertive	1	2	3	4	5	6	7
Honest	1	2	3	4	5	6	7
Trustworthy	1	2	3	4	5	6	7
Sincere	1	2	3	4	5	6	7
Cooperative	1	2	3	4	5	6	7
Selfish	1	2	3	4	5	6	7
Submissive	1	2	3	4	5	6	7
Competitive	1	2	3	4	5	6	7
Fair	1	2	3	4	5	6	7
Manipulative	1	2	3	4	5	6	7
Aggressive	1	2	3	4	5	6	7
Self-interested	1	2	3	4	5	6	7

10. How satisfied are you with your own outcome?

1	2	3	4	5	6	7
Not satisfied at all			Neutral			Very satisfied

11. Do you feel like your counterpart listened to your concerns?

1	2	3	4	5	6	7
Not at all			Neutral			Perfectly

12. Would you characterize this negotiation process as fair?

1	2	3	4	5	6	7
Not at all			Neutral			Perfectly

13. Did your counterpart consider your wishes, opinions, or needs?

1	2	3	4	5	6	7
Not at all			Neutral			Very much

14. What kind of overall impression did your counterpart make on you?

1	2	3	4	5	6	7
Extremely negative			Neutral			Extremely positive

15. How satisfied are you with your relationship with your counterpart as a result of this negotiation?

1	2	3	4	5	6	7
Not satisfied at all			Neutral			Very satisfied

16. Did the negotiation make you trust your counterpart?

1	2	3	4	5	6	7
Not at all			Neutral			Very much

Figure 12. Post-Negotiation Questionnaire provided in Study 1 (page 2)

17. How likely would you be to want to negotiate with your counterpart again in the future?

1 2 3 4 5 6 7
Not likely at Neutral Very likely
all

Below are some general questions about your attitudes. Please indicate the extent to which you agree or disagree with them.

18. I dislike situations that are uncertain.

1 2 3 4 5 6 7
Strongly Neutral Strongly
disagree agree

19. I enjoy the uncertainty of going into a new situation without knowing what might happen.

1 2 3 4 5 6 7
Strongly Neutral Strongly
disagree agree

20. People should make sacrifices for their social relationships, even at personal cost.

1 2 3 4 5 6 7
Strongly Neutral Strongly
disagree agree

21. Maintaining strong social ties is important to me, even when they take effort and sacrifice.

1 2 3 4 5 6 7
Strongly Neutral Strongly
disagree agree

DEMOGRAPHICS

Please tell us a little about yourself. Your answers will be kept confidential.

1. What is your gender? MALE / FEMALE
2. How old are you?
3. How long have you lived in Qatar?
4. What is your native language?
5. What type of relationship do you have with your partner (you can choose several options)?
Colleague/Friend/Family

Figure 13. Post-Negotiation Questionnaire provided in Study 1 (page 3)

Study intro

Before you begin, please enter your participant ID that you received from the experimenter.

Welcome and thank you for agreeing to participate in our research. This survey is comprised of two unrelated studies. In the first study, you will read about a negotiation situation and imagine yourself in this negotiation. Please answer the questions based on how you would think, feel and behave in this situation. In the second study, you will answer some questions about your social attitudes.

Block 11

Welcome to Study 1. This study has an audio component. So please confirm that your headphones are on and that the volume is turned up. Now please click on to the next screen to start Study 1.

Scenario all

You are shopping for a used car. You want to buy a well-maintained model with low mileage and you are willing to pay between 11,000€ and 14,000€ for such a car. You start your search online and find a number of cars within this range. Among these, you see one that you are especially interested in.

You did some research online about this type of car and saw that its high retail price is 16,000€, average retail price is 14,000€ and low retail price is 12,000€. The seller's asking price is 14,500€. Seeing the car is somewhat in your price range, you exchange emails with the seller. This email exchange makes you satisfied with the features of the car and leaves the price as the only issue to be discussed.

During this exchange, you also find out that there are other potential buyers for the car. While you can pay up to 14,000€, you think the car's worth is somewhere between its average and low retail value. So, you decide to meet the seller face-to-face to negotiate the price.

First offer

What will your first offer to the seller be? Please provide an amount in euros.

Cost audio

After some negotiating, the seller tells you:

Please click on the play button to listen to what the seller tells you.

The seller told you that the 1000€ reduction in price is costly to him. How believable is this argument?

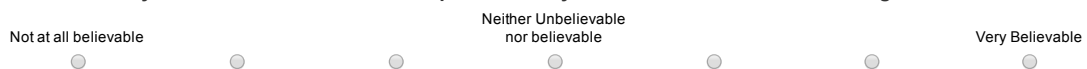


Figure 14. Negotiation Exercise assigned in Study 2

11/12/2014

Qualtrics Survey Software

Genuine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trustworthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disingenuous	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Manipulative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Misleading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The seller's arguments in this negotiation were believable.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I trusted the seller in this negotiation.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

To what extent do you think the seller was truthful in this negotiation?

Not at all truthful Neither Untruthful not Truthful Very truthful

Counteroffer

As you read in the description of the negotiation situation, the seller offered to reduce the price from 14,500€ to 13,500€. What will your counteroffer be? Please provide an amount in euros.

Please briefly explain below why you chose this counteroffer amount.

Block 12

Were you able to clearly hear and understand the audio?

- Yes
 No

What did the seller say in the audio? Please briefly describe the seller's statement.

Intro to Study 2

Thanks for completing Study 1. Now, please click onto the next screen to start Study 2. In this study, you will answer questions about your social attitudes.

Oyserman individualism

Advancement and development in life are dependent of self-initiative.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

<https://co1.qualtrics.com/ControlPanel/Ajax.php?action=GetSurveyPrintPreview&T=wveAg>

3/6

Figure 16. Negotiation Exercise assigned in Study 2 (page 3)

In the end, achievements define me.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I know my abilities and act to obtain maximum utility from them.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I attempt to act on my values and attain my goals without depending on others.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I would be weak if I form my opinions asking for advise of my friends.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

To advance, I must be willing to sacrifice social relations.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

This is a question design to check if you are paying attention. Please do not answer this question.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

Collectivism

Please indicate the extent to which you agree or disagree with the following statements. This set of questions is specifically about your national group. That is, when you see references to "group" in these questions, it refers to your national group (Portuguese, Dutch, American, etc..)

I am prepared to do things for my group at any time, even though I have to sacrifice my own interest.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I don't sacrifice self interest for my group.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I don't support my group when they are wrong.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I stick with my group even through difficulties.

Figure 17. Negotiation Exercise assigned in Study 2 (page 4)

11/12/2014

Qualtrics Survey Software

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

The interests of my group are more important than my personal interests.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

In the end, I feel closer to members of my own group than to others.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I understand I must act in accordance with the honor of my group.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

I understand the needs of my group and act to fulfill them.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

In order to really understand who I am, you must see me with members of my group.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

If you know my national group, you know who I am.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

What is good for my group is good for me.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

Without group loyalty, there is no self-actualization.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

My personal goals match those of my group.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

This is a question design to check if you are paying attention. Please do not answer this question.

Strongly Disagree Disagree Somewhat Disagree Neither Agree nor Disagree Somewhat Agree Agree Strongly Agree

Block 10

<https://co1.qualtrics.com/ControlPanel/Ajax.php?action=GetSurveyPrintPreview&T=wveAg>

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Figure 18. Negotiation Exercise assigned in Study 2 (page 5)

11/12/2014

Qualtrics Survey Software

Thank you for completing our study.
Now, please tell us a little about yourself. This information is strictly confidential and will be used only as an aggregate measure.

Age

Gender

What is your nationality?

What is your native language?

Block 15

Thank you for completing this study. This concludes your research participation for today.

Figure 19. Negotiation Exercise assigned in Study 2 (page 6)