

CONSEQUENCES OF ONE-SIDED JUSTIFICATION
OF THE FIRST OFFERS IN A NEGOTIATION

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Abstract

This article investigated how the provision of one-sided arguments that justified the first offer in a negotiation affected the behavior of the parties. It was demonstrated that adding one-sided justifying arguments to first offers was not beneficial to the negotiator who offered first. In a series of four experiments we showed that both counteroffers and settlement prices were less beneficial to negotiators who made the first offer when they added one-sided justifying arguments. The addition of a one-sided argument to a first offer was likely to cause the responding party to search for counterarguments and this, in turn, led him or her to devalue the negotiated asset.

Negotiation is a social interaction between two (or more) parties who provide arguments in an attempt to influence each other to accept their view regarding the value of the negotiated object. In this sense, negotiation is a mutual persuasion process. Surprisingly, the negotiation literature has rarely drawn upon the abundant research in persuasion or social influence in order to explore the dynamics of this process (Hovland, Janis, & Kelly, 1953; Malhotra & Bazerman, 2008; Petty & Cacioppo, 1986). Malhotra and Bazerman have recently called to create "a new domain of academic inquiry – psychological influence in negotiation" (2008: p. 526), but so far this lacuna has not been theoretically or empirically addressed. In the current paper we propose to examine negotiation within a persuasion framework. Specifically, we study how the provision of arguments that justify the first offer in a negotiation affects the behavior of the parties, namely how it influences counteroffers and settlement prices.

First offers as anchors

First offers are key concepts in the study of negotiation. First offers determine both the process and outcomes of negotiations (Chertkoff & Conley, 1967; Liebert, Smith, Hill, & Keiffer, 1968). In particular, the higher the first offer, the higher the counteroffer and the higher the settlement price (Galinsky & Mussweiler, 2001). Based on these findings, a common advise given to negotiators in distributive settings is to be first in making an offer and to make their first offer as extreme as possible, while still reasonable (Bazerman & Neale, 1992; Raiffa, Richardson, & Metcalfe, 2002; Thompson, 2005).

The effect of first offers on outcomes is explained by the anchoring and adjustment heuristic (Tversky & Kahneman, 1974). According to this heuristic, when people try to estimate an unknown quantity (for instance, an opponent's reservation

price in a negotiation) they tend to anchor on a given number (e.g. the first offer in a negotiation) and adjust from it. Abundant research has demonstrated that the anchoring heuristic is highly robust. It affects judgments in numerous and diverse domains from general knowledge questions and estimations of probability (Chapman & Johnson, 1999; Tversky & Kahneman, 1974) to legal verdicts (Englich & Mussweiler, 2001) and negotiations (Bazerman & Neale, 1992; Galinsky & Mussweiler, 2001; Ritov, 1996). Since negotiations involve a significant degree of uncertainty, negotiators probably use their counterparts' first offers as anchors and adjust their counteroffer relative to this anchor.

Arguments and counteroffers

In this paper we study how adding justifying arguments to first offers affect counteroffers and settlement prices. Counteroffers are important because they mediate the effect of the first offer on subsequent steps in the negotiation process (Galinsky & Mussweiler, 2001; Kristensen & Gaerling, 1997). Deals are rarely closed after the first offer; rather, most negotiations consist of a sequence of reciprocal contacts. Typically, the responding party comes up with a counteroffer, and the process continues until they reach an agreement. First offers influence counteroffers (through anchoring and adjustment), and therefore eventually influence settlement prices. Thus, although studying the effect of first offers on settlement prices is important, this effect is usually suggested by the anchoring effect of first offers on counteroffers.

Our leading question relates to the behavioral impact of adding justifying arguments to first offers. A common sense answer to this question would contend that justifying a suggested price makes it more persuasive and therefore more acceptable. Arguments will convince the other, and both the counteroffer and the settlement price will be more beneficial to the negotiator who offered first and added arguments. Such

an expectation is consistent with evidence regarding the effectiveness of influence tactics that are based on rational persuasion (Eagly & Chaiken, 1984; Kelman, 1958; Yukl & Tracey, 1992).

However, the attitude change literature has also established the idea that persuasion is not merely a matter of logic, and that its source, form and medium play important parts in this social interaction (Festinger & Maccoby, 1964; Greenwald, 1968; Hovland et al., 1953; Petty, Cacioppo, & Heesacker, 1981). Most relevant to our topic is the idea that arguments in first offers are likely to induce counterarguments. In the current paper we explore how arguments in the first offer that do not alter the information set of the other negotiator affect counteroffers and settlement prices.

Justifying a first offer by providing arguments is likely to cause the responding party to look for counterarguments. This is explained by the tendency to be influenced by the behavior of the counterpart and to reciprocate it (Brett, Lytle, & Shapiro, 1998; Butt, Choi, & Jaeger, 2005; Thompson, 1991). When negotiators who make the first offer add arguments to support their position, their counterparts are likely to respond in a similar fashion, namely seek, and focus on, information that supports their own position. In a distributive setting the information that justifies one end of the bargaining zone is by definition contradictory with its other end. Therefore, the arguments sought by the responding party are in fact *counterarguments* that are likely to make the responding party less affected by the first offer.

Two mechanisms can explain how counterarguments affect counteroffers and consequently settlement prices: One mechanism is wearing of the anchoring effect of the first offer, and the other is devaluing the negotiated object. First, several authors contend that the anchoring effect has a "semantic" character, namely that it involves consideration of anchor-consistent information (Galinsky & Mussweiler, 2001; Mussweiler, & Strack 1999a, 1999b, 2000a, 2000b; Strack, & Mussweiler, 1997).

Hence, the anchoring effect can be mitigated by considering information that is inconsistent with the anchor. Indeed, decision makers who were instructed to "consider the opposite" or generated counterarguments to a given anchor were less affected by the anchor (Galinsky & Mussweiler, 2001; Mussweiler & Strack 1999b; Mussweiler, Strack, & Pfeiffer, 2000). In sum, according to this explanation counterarguments weaken the anchoring function of the first offer.

Second, the generation of counterarguments may affect counteroffers and settlement prices by directly devaluating the negotiated object independently of the magnitude of the first offer and its anchoring function (note that the term devaluation is relevant when the respondent is the buyer. When he or she is the seller it can be described as 'overvaluation'. Since in most of the studies below the respondent was the buyer, we use the term devaluation throughout the article). For example, by generating counterarguments a buyer may come to think that the negotiated object is of lower worth than he or she would estimate without focusing on counterarguments. This explanation is consistent with the persuasion literature which views the recipient of the persuasive communication as an active contributor rather than a passive factor in the persuasion process (Greenwald, 1968). Accordingly, the persuasion literature showed that the generation of counterarguments by the recipient of a message is associated with resisting the persuasion attempt (Brock, 1967; Petty & Cacioppo, 1979a; Tormala & Petty, 2004).

In the current article we examine how justifying arguments that are added to first offers in distributive negotiations affect the responding party. Specifically, we predict that justifying a first offer may cause the responding party to think of counterarguments. Counterarguments will cause the buyer (seller) to focus on the disadvantages (advantages) of the negotiated object, which in turn, should result in devaluation (overvaluation) of the negotiated object. Consequently, counteroffers and settlement

prices will be less favorable to the negotiator who made the first offer. In short, we predict that adding arguments to first offers in distributive negotiations is not in the best interest of the negotiator who makes the first offer.

Before we present the studies that test our predictions, we report a conclusion from a pilot survey in which we found that people tended to spontaneously add arguments to their first offers, in spite of the expected disadvantages of doing so. We conducted an e-mail negotiation simulation among a random sample of 51 undergraduates (61% response rate). They read a description of an apartment (identical to that used in study 1 below), and were asked to assume the role of seller of this apartment by sending an open-ended first offer to a potential buyer who supposedly was aware of the same information about the apartment. The majority (71%) did spontaneously add arguments to their first offer (significant at $p < .05$). However, the offers of those who added arguments were not significantly different from the first offers of those who did not. Since participants believed that their counterparts were aware of the same information, it seems that they added arguments not so much to convey information, but probably as an act of persuasion for their own benefit.

Does the addition of arguments act to their benefit? We predict that it does not. We present four experimental studies that test our predictions

Study 1

In the first study participants assumed the role of buyers who respond to first offers made by sellers. The experimental treatment consisted of manipulating the presence or absence of arguments in the first offer. Another factor which is directly relevant to our research – the level of the anchor of the first offer – was kept constant. In studies 2 and 3 below it is treated experimentally in conjunction with the presence or absence of arguments.

Given that the participants were buyers, we hypothesized that the amount of counteroffers would be lower when first offers were accompanied by arguments than when they were not. According to our conceptualization, the effect of arguments on counteroffers is caused by the generation of counterarguments. Therefore, we also predicted that the tendency to include counterarguments in the counteroffer would be higher when the first offer was accompanied by an argument than when it was not.

Method

Participants and Design

48 undergraduate business students at Tel-Aviv University participated in the experiment as part of course assignments. They were randomly assigned to the two conditions of the experiment: Half received first offers with nothing but the amount of the asking price, and the other half received first offers with the same asking price, but also with arguments aimed to justify it.

Procedure and Materials

The negotiation was conducted via e-mail. All participants played the role of buyers that were about to negotiate with a seller. They read a scenario in which they intended to buy a specific apartment as an investment. The following information was provided: (1) an estimate of the value of the apartment made a few years back by a professional estimator (\$170,000). They were also informed that since then the real estate prices had significantly declined, (2) the selling price of a similar (though smaller) property that had been recently sold (\$129,000), (3) if they would fail to complete this deal, their best option would be to buy a similar apartment for \$160,000. This price constituted their BATNA (Best Alternative to a Negotiated Agreement), namely the value which defines the maximum (minimum) a buyer (seller) will be

willing to settle for (White & Neale, 1991). In addition, the materials included nine items of information about the apartment: Two neutral items, three drawbacks (e.g., no parking) and four advantages (e.g., renovated building). Finally, the participants were told that the information included in their materials - besides the BATNA – was known to the seller, and were asked not to reveal their BATNA. They were instructed to wait until they received the first offer from the seller.

Having reviewed the materials, 24 randomly assigned participants received from their counterpart "seller" (one of the experimenters) the following first offer:

"Dear buyer,
I ask \$190,000 for the apartment.
Waiting for your reply.
Yours,
The seller".

The other 24 received the same monetary first offer, but this time it was accompanied by an argument:

"Dear Buyer,
I ask \$190,000 for the apartment. I ask this money because this is a unique apartment in a renovated building that has an elevator. In addition, the building is considered an architectural pearl and it is situated near a nice park in a quiet street.
Waiting for your reply.
Yours,
The seller".

It is important to stress that all participants were aware of the information which constituted the argument as it was part of their experiment materials.

Two 100 NIS (about \$30) prizes were promised to participants who would make the best deal. Since the process did not continue, the prizes were eventually given to those that presented the lowest counteroffers.

The participants were not given any instructions regarding the response format, and they could decide how to present their counteroffers in their open-ended mail response. After the participants replied to the first offers the experiment was over. Debriefing was done by e-mail.

Measures

The amount of the counteroffer was recorded from the responses to the first offers. Two measures were used to assess the presence of counterarguments. First, the verbal content of each response was reviewed to determine whether or not it included counterarguments. Counterarguments were defined as explanations of the monetary counteroffer that explicitly stated one or more disadvantages of the negotiated asset (e.g. 'the apartment has no parking' vs. non-explanatory phrases such as 'the apartment is not worth this amount'). This resulted in a dichotomous variable (counterarguments: yes/no). Naturally, most of the counterarguments were based on the drawbacks of the apartment (see the experimental material above). Second, the number of words in the response (whether or not it included counterarguments) was counted as an objective indicator of its degree of elaboration.

Results and Discussion

39 participants (81%) replied to the first offers. There was no difference between the response rates to first offers with (79%) or without (83%) arguments: $\chi^2(1, 48) = 0.14, p = 0.71$.

Participants who received non-argued first offers replied with an average counteroffer of \$131,100 (SD = 16,654.1), whereas the average counteroffer of those that received argued first offers was \$116,947.4 (SD = 17,883.8). This difference was significant: $t(1, 37) = 2.56, p < .05$. Thus, consistent with our prediction, although participants in both groups replied to identical first offers, their responses were different.

Counterarguments were more likely to appear in the argument condition (94.7%) than in the no-argument condition (60.0%), $p < .02$, two-tailed Fisher's exact test. In addition, although the mean count of response words in the argument condition (M = 68.26, SD = 41.66) was higher than in the no-argument condition (M = 54.15, SD = 33.6), the difference was not significant: $t(1, 35) = 1.17, p = .25$. In the next three experiments, however, this difference was significant.

In sum, the above results are consistent with the predictions that first offers that include justifying arguments generate counterarguments, and they result in counteroffers that are less favorable to the negotiators who made the argued first offers.

Study 2

In study 2 we manipulated both the presence of arguments and the anchor. We allowed negotiations that involved buyers and sellers, let first offers and arguments be spontaneously generated, and followed the negotiation until its conclusion. We used Galinsky and Mussweiler's (2001) anchor manipulation by instructing either the buyer or the seller to offer first. Since buyers would tend to present lower first offers (lower

anchors) than sellers (higher anchors), controlling which role offers first is equivalent to manipulating the anchor. Study 3 below uses a more straightforward method in which the first offer is set by the experimenter (Northcraft & Neale, 1987).

The main idea of Study 2 is that arguments that are added to first offers generate counterarguments which set counteroffers and settlement prices further away from the first offers (i.e., set prices that are less to the advantage of the negotiator who made the first offer). We test this idea in a 2 (who made the first offer: seller/buyer, i.e., anchor) by 2 (argument: yes/no) between-subject factorial design. If our conceptualization is correct so that counteroffers are further away from first offers that include arguments, then the difference between counteroffers of buyers and sellers should be *larger* in the argument condition than in the no-argument condition. We expect this pattern because buyers in the argument condition are likely to present even lower counteroffers and sellers are likely to present even higher counteroffers. A similar effect is likely to occur with regard to settlement prices. The difference between settlement prices when the first offer was made by buyers as opposed to sellers should be *smaller* in the argument than in the no argument condition. Statistically, these patterns should yield interactions between 'who made the first offer' and 'argument' in determining both the amount of the counteroffer and the amount of settlement price.

Method

Participants and Design

Undergraduates in a research methods course in the business school of Tel-Aviv University recruited a total of 112 people (56 dyads) to participate in this experiment. We used a 2 (who made the first offer: buyer/seller) X 2 (argument: yes/no) between-subjects factorial design. Participants were randomly assigned to the four conditions of the experiment.

Procedure and Materials

Half of the participants received the buyer materials by e-mail and the other half received the seller materials. A random half of the participants in each role group were instructed to send (by clicking the reply option) their first offer to their counterparts; the other half were instructed to wait until they received the first offer from their counterparts. Most of the information that was included in the e-mails was identical for buyers and sellers.

The information was taken from Galinsky and Mussweiler (2001). Sellers (buyers) were asked to assume the role of a CEO of a company that intended to sell (buy) a pharmaceutical plant. The plant was on sale because the company had decided to stop manufacturing its line of products. Buyers and sellers alike were informed that: (a) highly experienced workforce was available for recruiting in the vicinity of the plant, (b) the plant had been purchased three years earlier from a bankrupted company for 15 million NIS, below the market price at the time, (c) two years ago the value of the plant was estimated at 19 million NIS, but since then real estate prices in the area declined at about 5%, (d) the plant was a unique property, therefore general real-estate trends may be irrelevant to its pricing, and (e) a similar plant had been recently sold for 26 million NIS.

In addition to the common information, each role received its unique BATNA information. The best alternative for the sellers was to strip the plant and sell the land and machinery separately; the revenues in such case would be 17 million NIS. The best alternative for buyers was to build a new plant which would cost 25 million NIS. All participants were instructed to refrain from revealing their BATNAs to their counterparts.

Half of the negotiators in the argument were requested to add an argument to their offer, using the following format:

"My company asks (offers) _____ million NIS for the plant. We ask (offer) this sum of money, because [blank space] _____".

No instructions regarding the phrasing of the argument were given to participants in the 'argument' condition.

The other half of participants was instructed to send a mere number without adding any text, using the following format:

"My company asks (offers) _____ million NIS for the plant." We emphasized that they should not add anything to this format.

Prizes of 100 NIS were promised to the six negotiators who would reach the best results in the negotiation.

The amounts of counteroffers and settlement prices were recorded. The contents of the responses were assessed to identify counterarguments in the same way as in study 1, and response words were counted.

Results and Discussion

Since settlement price was a key dependent variable in this study, the analysis was conducted on the 43 dyads (77%) that completed the negotiation and reached an agreement. The other 13 dyads (23%) did not complete the negotiation or reached an impasse.

Figure 1 presents settlement prices as a function of who made the first offer and presence of argument in the first offer. Consistent with Galinsky & Mussweiler (2001), being first to offer resulted in better outcomes for the side who was first [$F(1, 39) = 7.72, p < .01$]. Settlement prices were significantly higher when the first offer was made by the seller rather than by the buyer ($M = 23.4, SD = 3.4$ and $M = 20.7, SD = 2.6$,

respectively). Supporting our conceptualization, the interaction between 'who made the first offer' and 'argument' was significant [$F(1, 39) = 4.53, p < .05$]. The difference in settlement prices was *smaller* in the argument condition in comparison to the no-argument condition (table 1 summarizes the main results of study 2).

 Insert Figure 1 about here

Counteroffers showed a similar pattern to settlement prices (see Figure 2). The difference between counteroffers of buyers and sellers was *larger* in the argument condition in comparison to the no argument condition, yielding a marginally significant interaction between 'who made the first offer' and argument [$F(2, 38) = 3.64, p = .06$]. Not surprisingly, the average amount of counteroffers was significantly higher when they were made by sellers ($M = 25.6, SD = 5.3$) rather than buyers ($M = 18.9, SD = 3.1$), $F(1, 40) = 24.2, p < .001$.

 Insert Figure 2 about here

The content analysis revealed that 88.9% of the responses in the argument condition, but only 40.0% in the no-argument condition, included counterarguments [$\chi^2(1, 38) = 9.7, p < .01$ for the difference between the proportions]. In addition, a 2X2 ANOVA on the number of words in the counteroffers revealed a significant effect for the presence of argument [$F(1, 34) = 6.53, p < .05$] associated with more words in the argument condition ($M = 64.1, SD = 49.2$) than in the no-argument condition ($M = 31.6, SD = 23.8$). Neither the main effect of 'who made the first offer' nor the interaction were significant [$F(1, 34) = 1.4, p = .98$, and $F(1, 34) = 1.5, p = .98$, respectively]. Taken together, these results support our conceptualization in that the effect of arguments on

counteroffers is related to negotiators' tendency in the argument condition to look for counterarguments.

Finally, note that the correlation between counteroffers and settlement prices was significantly positive whether the first offer was made by sellers ($r = .48, p < .03, n = 20$) or buyers ($r = .51, p < .02, n = 22$), and that this pattern remained the same when the amount of the first offer was controlled for ($r = .74, p < .001$ and $r = .51, p < .02$, respectively). These correlations suggest that the effect of arguments on settlement prices can be inferred from their effects on counteroffers.

 Insert Table 1 about here

In sum, the results of studies 1 and 2 support the prediction that adding arguments to first offers is associated with generating counterarguments among counterparts, and therefore with devaluating the negotiated asset.

Study 3

The main purpose of Study 3 is to tease out the two alternative explanations regarding the mechanism that accounts for the effect of counterarguments on counteroffers: Devaluation vs. anchor wearing. Similar to study 2, study 3 involved a 2 (anchor: high/low) X 2 (argument: yes/no) design. However, whereas in study 2 anchor was indirectly manipulated through the role (buyer/seller) of who offered first, in study 3 it was manipulated directly by setting the first offer to be high or low.

A direct manipulation of anchor allows a critical test of the two explanations for the anchoring effect. The anchor wearing mechanism suggests an interaction effect, in which the effect of the anchor associated with the first offer is smaller (i.e., worn) in the presence of an argument than in its absence. The devaluation mechanism, on the other

hand, does not predict an interaction, but suggests two independent main effects: One for anchoring (the higher the first offer, the more favorable is the counteroffer to the negotiator who made the first offer), and one for arguments (counteroffers should be less favorable to the negotiator who made the first offer and added arguments). In the appendix we provide a formal treatment for the different predictions of the wearing of the anchoring approach vs. the devaluation approach.

Another feature of the current study is that we use an information-free argument. Using this type of argument in the first offer will strengthen the generalizability of our theory about the effect of arguments in first offers. We remind the reader that in study 1 the argument was drawn from the experimental material known to both sides (therefore, seemingly "objective information"), and in study 2 participants were free to use their own arguments. In study 3 we justified the first offer (in the argument condition) by merely stating that the asking price was fair, without providing any further information. We predicted that this information-free argument would yield the same effect, because what counts is the addition of a justifying argument rather than its specific content.

Method

Participants and Design

80 pre-college students (20 – 24 years old) were randomly selected from a larger pool of potential participants. The study was based on a 2 (anchor: low/high) X 2 (argument: no/yes) between-subjects factorial design. The participants were randomly assigned to the four conditions of the experiment.

Procedure and Materials

Participants received the buyer materials by mail and were asked to interact with a seller of an apartment (who in fact was one of the experimenters). They read a scenario that was almost identical to that of study 1. We chose to include a BATNA

(\$174,000) that allowed first offers with low or high anchors to be similarly far from this BATNA (low = \$155,000, high = \$190,000).

The following four versions of first offers were sent out next:

Dear buyer,

I ask \$ 155,000 (\$190,000) for the apartment.

[In the argument condition the following phrase was added:

I ask this sum of money because it's a fair price for this apartment].

Waiting for your reply,

Yours,

The seller

Participants responded in an open-ended format by sending an email to their counterpart. Prizes of 200 NIS were promised to the six negotiators who would obtain the best deals. The experiment was terminated after they replied to the first offer, and debriefing was later sent to all participants. The prizes were given to the negotiators who made the lowest counteroffers.

The amounts of counteroffers as well as the text of the reply mail were recorded and analyzed in the same way as in study 1.

Results and Discussion

58 of the 80 participants (72.5%) replied with a counteroffer. Table 2 summarizes the main results of study 3. Significant main effects were found both for anchor [$F(1, 57) = 8.25, p < .01$] and argument [$F(1, 57) = 4.97, p < .05$]. On the other hand, there was no interaction effect between these two independent variables [$F(1, 57) = 0.53, p = 0.47$]. These results are consistent with the devaluation interpretation of the

effect of arguments on counteroffers, and are inconsistent with the anchor wearing interpretation.

 Insert Table 2 about here

While 96% of the responses to offers with arguments included counterarguments, this proportion was only 74% when first offers did not include arguments (significant at $p < .05$, two-tailed Fisher's exact test). In addition, responses included more words in the presence of arguments than in their absence (see Table 2), [$F(1, 57) = 7.54, p < .01$]. There was no difference in word count between low and high anchors [$F(1, 57) = 1.03, p = .31$], and no interaction between the two independent variables [$F(1, 57) = 0.99, p = 0.32$]. Thus, study 3 lends support to the devaluation interpretation.

Study 4

Study 3 supports the devaluation interpretation and rejects the anchor wearing interpretation on the basis of a main effect for the presence of argument versus the lack of interaction between argument and anchor, which constitute a null result. In study 4 we provide support for the devaluation interpretation by trying to reject the null hypothesis.

According to the devaluation mechanism, the addition of arguments to first offers should affect counteroffers (i.e., make them less favorable to the negotiator how made the first offer) regardless of whether the offer includes an anchor (i.e., a numerical first offer). Study 4 was designed to test this conjecture. We hypothesized that buyers' counteroffers would be lower when the sellers' first offers were accompanied by arguments than when they were not, *even when the first offer did not include an anchor*.

Method

Participants and Design

The sample consisted of 102 people who registered to an internet site that allows its users to take part in social sciences experiments for pay. Participants assumed a buyer role and were randomly assigned to the two experimental conditions: first offers with / without arguments. The first offers did not present an asking price.

Procedure and Materials

The negotiation was conducted via an online simulation program. Participants were told that they were about to negotiate with a seller (the program was their counterpart). The negotiation materials that appeared on the screen were identical to these of study 3. In addition to the standard participation payment, prizes of 100 NIS were promised to the two negotiators who would reach the best results.

After reading the materials, the following message appeared on the screen:

'Please wait, the system is looking for a potential seller that is willing to?
negotiate with you'.

After a few seconds, another message appeared on the screen:

'The system has found a seller that is willing to negotiate with you. Please wait
while the seller is phrasing his/her first message'

These messages were meant to enhance the realism of the simulation. Next, the seller's message appeared on the screen. Half of the participants received the following message:

Dear buyer,

As you know, I'm selling my apartment.

[The other half read the following addition:

It is a great apartment because the building is renovated and well kept, and there is an elevator. In addition, there is a big park near the apartment.]

Please send me your offer for the apartment.

Yours,

The seller

As in study 1, the arguments were based on information that was known to participants. Furthermore, they had been specifically told all the information was known to both sides (except for the BATNA). The simulation information remained on the screen throughout the simulation.

Next, the following message appeared on the screen:

Now you have to send to the seller the price you are willing to pay for the apartment. Please write your monetary offer below in US\$.

I offer \$_____ for your apartment.

You may write a message to the seller in the following text box.

A text box appeared below this message. The participants were requested to click on a button when they wished to send their offer. After the 'send offer' button was clicked, a message saying that the seller was considering their offer appeared. A few seconds later another message appeared, saying that the seller accepted their offer and therefore the simulation ended. Prizes were eventually given to the two negotiators who made the lowest counteroffers.

The monetary offers of all participants were recorded, and words that were typed in the text boxes were counted. The presence of counterarguments was assessed in the same way as in study 1.

Results and Discussion

As predicted, the participants who received messages without arguments replied with higher counteroffers than those who received messages with arguments: 141,288.5 (SD = 14,249) and 134,346 (SD = 15,705), respectively. This result was significant: $t(1, 99) = 2.33, p < .05$. Since the first messages did not include any numerical anchors, this result cannot be attributed to the anchor wearing mechanism. On the other hand, this result is consistent with the devaluation explanation.

Regarding counterarguments, our analysis showed a significant difference between responses that responded to messages with rather than without arguments: 54% of the negotiators in the argument condition and 34% in the no argument condition added counterarguments. This result was significant [$\chi^2(1, 102) = 3.89, p < .05$]. In addition, counteroffers included significantly more words when the buyers responded to messages with (M = 16, SD = 13.5) rather than without (M = 9.2, SD = 14.83) arguments: $t(1, 100) = -2.4, p < .05$.

General Discussion

Offering first in negotiations is beneficial to the offering party since it affects the counterpart through an anchoring and adjustment process (Galinsky & Mussweiler, 2001; Tversky & Kahneman, 1974). In the current research we examined the effects of adding arguments to first offers. Whereas it could be argued that justifying arguments make the message more persuasive, our results suggested the opposite. We demonstrated in four experiments that both counteroffers and settlement prices were lower (higher) when sellers (buyers) added justifying arguments to their first offers.

These results can be explained by the integration of two ideas taken from the negotiation and persuasion literature. The negotiation literature demonstrated the tendency to reciprocate the behavior of one's opponent (Brett, Lytle, & Shapiro, 1998; Butt, Choi, & Jaeger, 2005; Thompson, 1991). When receiving a first offer, the

recipient of a justified first offer may reciprocate by looking for counterarguments. The persuasion literature established that focusing on counterarguments caused the responding party to resist to the persuasive attempt (Brock, 1967; Petty & Cacioppo, 1979; Tormala, & Petty, 2004), or, in our case, to devalue the negotiated object.

The current research is not consistent with the wearing of the anchor explanation and the selective accessibility model on which it is based (Mussweiler & Strack 1999a, 1999b, 2000a, 2000b; Strack & Mussweiler, 1997). According to this explanation, when people estimate an unknown quantity they selectively look for semantic knowledge that is consistent with the hypothesis that the target equals the given anchor. Therefore, considering information that is inconsistent with an anchor results in overcoming the anchor effect (Galinsky & Mussweiler, 2001; Mussweiler & Strack, 2000b). In our case this may imply that focusing on counterarguments should weaken the effect of the anchor because one searches anchor-inconsistent (rather than anchor-consistent) information. However, the results of studies 3 and 4 in the current article do not support this idea. Note that these results are not inconsistent with the other leading explanation of anchoring, namely - numerical priming (Jacowitz & Kahneman, 1995; Wilson, Houston, Etling, & Brekke, 1996; Wong & Kwong, 2000).

If we consider devaluation as an appropriate explanation for the effect of arguments in first offers, we need to examine Mussweiler and Galinsky's (2000) claim that their findings are explained by wearing the anchor. We suggest that the specific method used in this study to generate counterarguments might have caused the effect. Participants were told that the low (high) anchor presented to them in the experimental material was *too low* (high), and they were instructed to think of arguments against the anchor. These instructions alone could have accounted for the interaction between anchor and counterarguments that was found. The design in another study (Galinsky & Mussweiler, 2001) was similar to that of our study 2, and for similar reasons could not

distinguish between the devaluation and anchor wearing explanations, as level of anchor was not manipulated directly, but rather indirectly by manipulating whether a buyer or a seller made the first offer.

Limitations and Future Research

Alternative explanations: While the results of our four studies are consistent with the contention that the negative effect of arguments in first offers relates to the responding party's generation of counterarguments, additional explanations should be considered. First, it is possible that the negative effect of arguments can be attributed to emotional reactance. Presenting justifying arguments, particularly one-sided arguments, may prompt negative emotions in recipients due to feelings that a counterpart is attempting to limit their negotiation freedom by pushing them or doing the thinking for them. This is commonly known as "reactance effect" (Pennebaker & Sanders, 1976), namely a negative reaction created when trying to control or limit one's actions. This can cause the buyer (seller) to make a lower (higher) counteroffer not due to a cognitive process of reassessing the worth of the asset, but due to an emotional process of resisting the persuasion attempt by taking a more extreme position.

Second, the added arguments may decrease the credibility of the first offer, (thereby lowering trust). Negotiators typically do not reveal their reservation prices to their counterparts, therefore signals such as a first offer are often used to assess this missing information. Added arguments, however, might signal that the negotiator is going out of his way to justify an unreasonably extreme offer. This explanation is in line with evidence that under certain conditions two-sided arguments pose a more convincing appeal than one-sided arguments (Chu, 1967; Eisend, 2007; Hovland et al., 1953; Kamins & Assael, 1987). This effect is attributed to the increase in source credibility and the decrease in a search for counterarguments when two-sided arguments are

presented (Eisend, 2007). Thus, the difference between one and two-sided arguments added to first offers should be further tested.

Future research: Future research should distinguish between arguments and information. In the current research all information regarding the negotiation aside from the opponent's BATNA was provided by the researchers and was shared by the two sides. In real-life negotiations, however, negotiators provide at least some of the information. For example, job candidates tell recruiters about their experience, knowledge and achievements. When the added information is perceived by the recipient primarily as objective data, not so much as justification in a persuasion context, the negative effect of arguments is not expected, because the responding party has not been influenced into searching for counterarguments.

To enhance generalizability, contextual features should also be tested. For example, it is more difficult to develop trust in online rather than face-to-face settings (Rocco, 1998). Rich media such as video or audio facilitate the emergence of trust compared with text chat (Bos, Olson, Gergle, Olson, & Wright, 2002). If trust (or credibility) mediates the effect of arguments in first offers, using different communication channels might alter the results. Thus, we suggest testing the effect of arguments on first offers in alternating communication situations: face-to-face and audio chat (Bos et al., 2002). In addition, integrative (rather than distributive) scenarios should be examined. In integrative negotiations the parties need to communicate and join forces in order to find a mutually beneficial (win-win) pie-expanding solution (Thompson, 2005). It is possible that the added arguments scenario yielded a negative effect due to the distributive nature of our setting, and that in integrative settings added arguments would not yield the same effect. Finally, future research should investigate this effect across cultures. Our participants were members of a collectivist culture (Hofstede, 1980). People from collectivist cultures show lower trust toward strangers

(Jarvenpaa, Tractinsky, & Saarinen, 1999) and exhibit higher propensity for risk taking (Weber & Hsee, 1998). It is possible that Israeli participants did not trust opponents who added arguments to a first offer, but were more willing to take the risk of an impasse accompanying an extreme counteroffer. Thus, the behavior of negotiators toward a justifying argument in individualist cultures should also be examined.

Table 1. *Summary of results - Study 2*

Who Made the First Offer		Argument	
	Variables	Yes	No
Seller	Buyer's	18	19.6
	Counteroffer	(1.6)	(3.8)
	Number of Words in Counteroffer	64.4 (38.5)	31.5 (29.6)
Buyer	Settlement Price	22.1 (2.3)	24.4 (3.8)
	Seller's Counteroffer	27.4 (6.3)	23.9 (3.5)
	of Words in Counteroffer	63.7 (60.5)	31.6 (15.7)
	Settlement price	21.5 (2.1)	19.9 (2.9)

N = 43 dyads (86 participants)

Table 2. *Summary of key variables - Study 3*

Anchor	Variables	Yes	Argument No	
Low	amount of counteroffer	118,000 (22,148)	125,178.6 (16,461.6)	121,350 (19,709.6)
	of Words in Counteroffer	67.82 (30.7)	50.93 (30.6)	60.2 (31.4)
High	amount of counteroffer	128,250 (19,666)	142,375 (12,883.5)	136,321.4 (17,333.5)
	number of words in Counteroffer	87.3 (58.4)	51.13 (25)	67.3 (46.2)
		122,392.9 (21,372.1)	134,350 (16,836.5)	
		76.3 (45)	51 (27.3)	

N = 58

Figure 1.

Settlement price by: who made the first offer (seller/buyer) and argument in first offer

(yes/no) Study 3

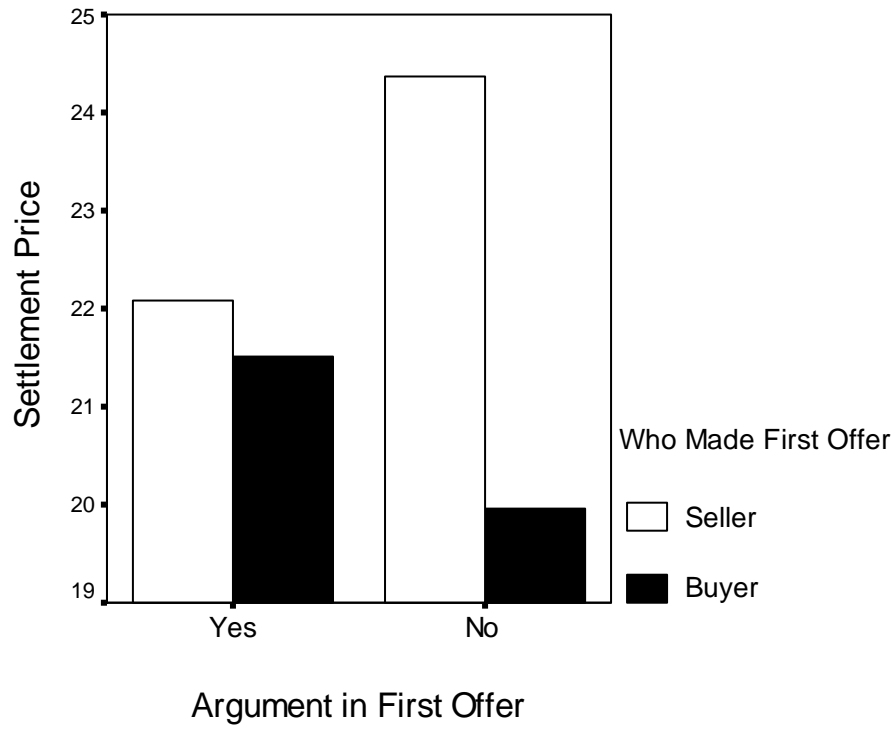
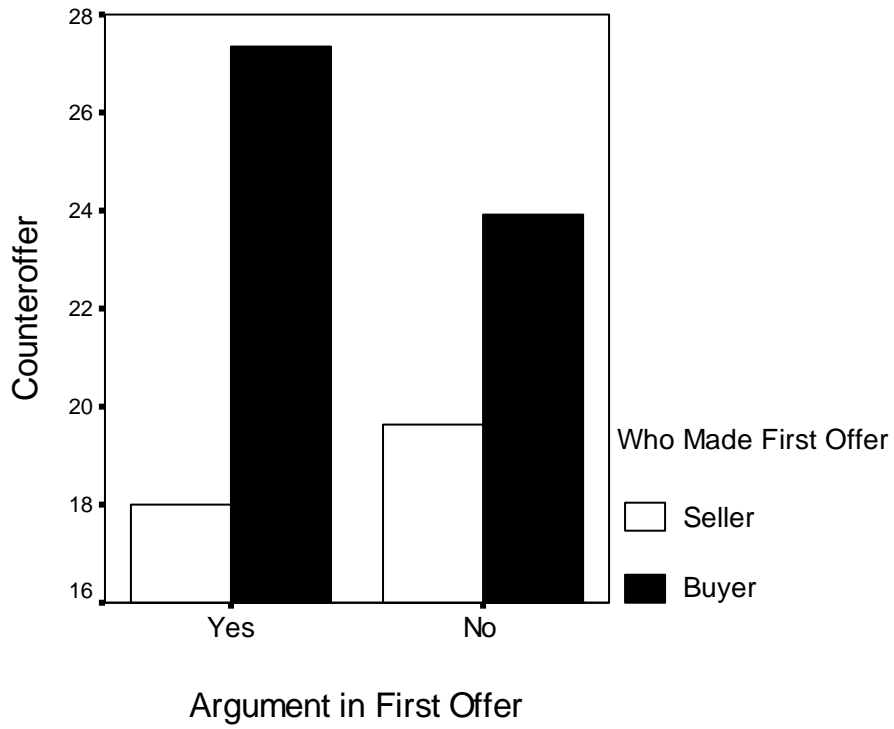


Figure 2.

Counteroffers by who made the first offer (seller/buyer) and argument in first offer

(yes/no) Study 3



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Appendix

Our model assumes that the counteroffer is determined by two elements: the first offer (the anchor) on the one hand and the information that is available to the negotiator who makes the counteroffer (e.g., the evidence regarding the negotiated object) on the other hand. Thus, when there are no arguments the counteroffer can be expressed as:

$$\text{Counteroffer} = w*A + (1-w)*V \quad (1)$$

if A is the amount of the first offer (Anchor) and V is the 'neutral' perceived Value of the negotiated asset (e.g., the offer that would be given without an anchor) and w and 1-w are the weights of A and V, respectively.

In this case (when there are no arguments), the Difference in Counteroffers (denoted as DC) between high level of anchor (denoted as A_H) and low level (denoted as A_L) is given by:

$$DC = w*A_H + (1-w)*V - [w*A_L + (1-w)*V] = w*(A_H - A_L) \quad (2)$$

The wearing of the anchoring approach

In this approach, the weight decrease of A caused by adding arguments to the first offer is modeled by a weight shift of s from A to V. Thus, in the presence of arguments the weight of A is w-s, the weight of V is 1-(w-s) = 1+s-w and the counteroffer can be expressed as:

$$\text{Counteroffer} = (w-s)*A + (1+s-w)*V \quad (3)$$

And the difference between high and low level of anchor in the presence of arguments is:

$$DC = (w-s)*A_H + (1+s-w)*V - [(w-s)*A_L + (1+s-w)*V] = (w-s)*(A_H - A_L) \quad (4)$$

which is smaller than the difference between high and low level of anchor when there are no arguments (equation 2). This gap in differences is associated with an interaction between anchor level and presence of arguments.

The devaluation approach

In this approach, the effect of arguments on the counteroffer is modeled by a simple reduction in the counteroffer associated with a devaluation equals to D in the value of the negotiated object. That is, in the presence of arguments the counteroffer is given now by:

$$\text{Counteroffer} = w*A + (1-w)*(V - D) \quad (4)$$

and the difference between high and low level of anchoring the presence of arguments is:

$$DC = w*A_H + (1-w)*(V-D) - [w*A_L + (1-w)*(V-D)] = w*(A_H - A_L) \quad (5)$$

Which is equal to the difference between high and low level of anchor when there are no arguments (equation 2), implying no interaction between anchor level and presence of arguments.