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PART TWO

INTRAPSYCHIC PROCESSES

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CHAPTER ELEVEN

Judgmental Biases in Conflict Resolution and How to Overcome Them

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A common misconception held by negotiators and dispute resolution professionals is that conflict escalation, stalemates, impasses, and lose-lose agreements are driven by intransigence and self-interested motivation. Whereas self-interest and opposing motivations do interfere with productively resolving conflict, there are many seemingly benign beliefs and cognitions that also interfere with effective conflict resolution but often go undetected. Unfortunately, these beliefs are not easily corrected during the process of conflict resolution itself because it is difficult for negotiators to monitor them. Furthermore, third-party intervention is no guarantee that erroneous beliefs and cognitions will be adequately identified and eliminated. In fact, the mere presence of a third party may exaggerate the tendency of these faulty and erroneous beliefs to disturb the otherwise effective resolution of conflict. Further, third parties, and other self-proclaimed neutrals, often fall prey to similar cognitive bias.

We argue in this chapter that identifying and challenging negotiator biases can do much to effectively resolve dispute and conflict of interest. Unfortunately, most negotiators are not aware of the existence of cognitive biases and their deleterious effects. In the first section, we introduce our basic framework and key assumptions. In the second section, we provide illustrative examples of the effects of cognitive bias on conflict management. Finally, we examine methods for eliminating or reducing cognitive bias at the bargaining table.

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COGNITIVE BIASES AND THEIR EFFECTS ON CONFLICT MANAGEMENT

In contrast to perception of external physical events (which usually can be directly observed), much of the information we need to know about people is not directly accessible; rather, we must infer it on the basis of their behavior and spoken words. As is easily imagined, this can lead to misperception and misunderstanding because of differences in background (gender, class, culture, ethnicity, social roles, and so on) between the target and the perceiver.

Given the complexity of the task, it is not surprising that misunderstanding, error, and bias in judgment occur naturally even under favorable circumstances. In conflict, bias is apt to occur because conflict often leads to inadequate communication between the negotiating parties; arousal of emotional tensions that constrict thinking to stereotypes and to black-and-white viewpoints; primary focus on opposed interests; and anxiety, which may propel one to deny the conflict or flee into agreement before thinking through its consequences.

This tendency to use shortcuts, or heuristics, when we process information is an extremely cost-effective strategy, and much of the time heuristic processing provides us with accurate information. It may seem peculiar that heuristics—cognitive shortcuts—are cost-effective, because they lead to biases and hinder effective conflict resolution; however, our point is that much of the time, these shortcuts may be effective when used in nonconflict situations because they can lead to an answer or solution that is acceptable and efficient. For example, in forming an impression of a new next-door neighbor, one could do an extensive search (interviewing friends and relatives, perhaps even hiring a private investigator); or one could simply rely on gut impression. The former strategy is obviously costly and time consuming; the second strategy is simple, but prone to bias.

In competitive encounters such as negotiation, though, the heuristic-based judgments we make are often wrong. Furthermore, the nature of our errors is not random but instead systematic. For the purposes of our discussion, we focus on systematic error and patterned fallacy; these are known as biases. Biases come in many forms and shapes. For instance, people can be biased about other people, as when they use stereotypes (someone might perceive all New Yorkers as pushy). People can also be biased about situations (the gambler's fallacy—having lost so many times in a row they are "due" to win) (Tversky and Kahneman, 1974). Paradoxically, people can also be biased about themselves (the vast majority of people judge themselves to be above average on many positive characteristics and abilities, even though it is logically impossible for most people to be above average).

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Table 11.1. Core Biases and Their Effects.

Core Bias	*Effects*
Need to simplify conflict situations	Stereotyping Ignoring inconsistent information Confusing cause and effect relations
Perception of opposing forces	Fixed-pie perception Lose-lose outcomes Exaggeration of conflict Reactive devaluation
False dichotomy between cooperation and competition	Overly tough (escalatory) strategies Overly concessionary strategies Suboptimal solutions
Egocentric judgment	Biased judgments of fairness Invalid perceptions of control Illusion of transparency Higher likelihood of impasse

Source: Author.

In this chapter, we focus on four key biases selected for special emphasis because of their fundamental pervasiveness in many kinds of conflict situations. We list these in Table 11.1. We regard these biases to be at the core of others that may crop up in conflict situations. In describing each bias, we offer relevant examples from empirical research and set forth some implications for conflict management. Because the first step in effectively managing conflict is to be aware of the existence of these particular biases, we discuss them in turn below.

Need to Simplify Conflict

It may often seem that parties interlocked in conflict at the bargaining table are purposefully attempting to complicate matters. In fact, people tend do the opposite: they dramatically oversimplify situations. At the negotiating table, as in many other situations, people form judgments and attitudes without much deliberation and without the benefit of complete evidence. There are a number of reasons, notably that the human mind—though highly evolved—is simply not a computer, capable of endless processing of full information. Rather, people focus on one or two salient points in a situation. In this sense, people do not pay attention to every detail; rather, they look for a few salient cues and then make an assumption about how to act.

In addition to the general problem of stereotyping (which we discuss further in this chapter), the need to simplify the conflict situation also can result in other

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biases or poor gathering of crucial information needed to optimally resolve conflict. The desire to simplify the situation leads us to ignore information that is inconsistent with our initial beliefs, and in some cases, to interpret ambiguous information as being consistent with them. For example, we often associate the color black with negative ideas: death, evil, or "bad guys" wearing black hats. As an illustration of how prior beliefs about the color black can influence perception, consider two groups of trained referees who were shown videotapes of the same aggressive play in a football game (Frank and Gilovich, 1988). One group of referees viewed a version of the tape in which the aggressive team wore white uniforms, whereas the other referees saw the aggressive team wearing black. The referees who watched the black-uniformed version rated the play as much more aggressive and deserving of a penalty than did referees who judged the white-uniformed team. Perhaps it is not surprising, then, that in professional football and hockey, teams that wear black uniforms are penalized significantly more than average (Frank and Gilovich, 1988). If our initial beliefs about the color black are negative, then we tend to interpret ambiguous information as being consistent with those beliefs.

Further, the need to simplify a conflict situation can lead to faulty perception about cause-and-effect relationships. People may falsely infer a causal relationship where none exists, or they may assume that a given action by one person results in an action by the other person. This effect, known as the "biased punctuation of conflict," occurs when people interpret interaction with their adversaries in other-derogating terms (Kahn and Kramer, 1990). Actor A perceives the history of conflict with another actor, B, as a sequence of B-A, B-A, B-A, in which the initial hostile or aggressive move was always made by B, obliging A to engage in defensive and legitimate retaliatory action. Actor B punctuates the same history of interaction as A-B, A-B, A-B, however, reversing the roles of aggressor and defender. Disagreement about how to punctuate a sequence of events in a conflict relationship is at the root of many disputes. When each side to the dispute is queried, they explain their frustrations and actions as defenses against the acts of the other party. As a result, conflict escalates unnecessarily.

Opposing Forces

In very general terms, people in negotiation and conflict situations tend to assume that the degree of opposition between themselves and other parties is greater than it actually is. A classic root cause of most ill-fated negotiations is the fixed-pie perception: the belief that the other party's gain comes at our expense, and our gain at theirs (Bazerman and Neale, 1992; Thompson and Hastie, 1990). The fixed-pie perception simply means that most negotiators work under the assumption that the other party's gain is one's own loss, and vice versa. In one investigation, for example, more than two-thirds of the

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negotiators assumed that the amount of available resources was fixed, even though this was not the case (Thompson and Hastie, 1990).

A close cousin of the fixed-pie perception is the lose-lose outcome (Thompson and Hrebec, 1996). The possibility of lose-lose negotiations often goes unchecked, because most people tend to view the opposite of win-win as win-lose; however, lose-lose negotiations do exist (Thompson, 1990). They occur if both parties settle for something that both prefer less than what they can readily have. Consider the following lose-lose situations:

- Two countries have been in conflict for decades. Each would benefit from peaceful coexistence, but their attempts at peace talks never achieve substantive progress, and the conflict rages on.
- The management and labor representatives for a local industry embroiled in contract-renewal talks both realize that, if the union goes on strike, company owners and union membership alike will suffer. But no agreement is reached by the time the contract expires.

False Dichotomy: Choosing Between Cooperation and Competition

If you view the world through the lens of a fixed-pie vision, the choices are pretty clear: either hold out to protect your own interests, which are by definition opposed to the other's, or cooperate with the other party so that some kind of compromise can be reached. Cooperation and competition are thought to be the yin and yang of conflict resolution, and it is true that most conflicts are mixed-motive in the sense that we are motivated to get as much of the pie as we can for ourselves, but at the same time motivated to work together with the other person to ensure we reach mutual agreement. We argue, though, that this is a false dichotomy in most instances, because we need not choose to behave purely cooperatively or purely competitively. There is a third, enlightened strategy, which we call *strategic creativity* (Neale and Bazerman, 1991; Thompson, 2005).

Strategic creativity involves using both cooperation and competition. Specifically, cooperation is needed to reach some kind of mutual agreement with the other party. Fundamentally, cooperation implies concern for your own interests as well as those of the other party. Furthermore, pure cooperation also implies that the other party feels the same way about you. This, of course, is the basis for trust. Yet, it is often unrealistic or inappropriate to assume that people are concerned with the other party's interests. This is true in conflict situations, as when two neighbors have a dispute about a fallen tree on the property line; it is also true in negotiation situations, as when an employer and an employee discuss the terms of employment. In most cases, the primary objective of the

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parties is to further their own interests. Thus, we do not encourage parties to expect that others have their best interests in mind. Rather, we suggest that parties in conflict and negotiation situations attempt to discover points of mutual interest and use them to leverage mutually acceptable resolutions.

In addition, strategic creativity assumes that parties' interests, though partially opposed, are not completely opposed. The strategically creative negotiators search for opportunities to satisfy the other party's interests as well as their own.

One way to accomplish a mutually beneficial situation is to identify the issues at hand, and then assess which are important to oneself, and which are important to the other party. For example, in the peace treaty talks between Syria and Israel, technical experts formed committees to identify several key issues, including the extent of an Israeli withdrawal from the Golan Heights, water rights, security measures, and the timetable for implementing an agreement. After these separate issues were identified, it became clear that Israel put a greater emphasis on security guarantees, and Syria placed greater weight on the withdrawal from the Golan Heights, thus allowing a more integrative agreement to emerge (*USA Today,* January 5, 2000).

Egocentric Judgment: "I Only Want What's Fair (for Me)"

Underlying all of the biases we have discussed thus far is a basic tendency for people to protect their own egos and interests. Our psychological immune system is so efficient that we do not even realize our judgments are tainted with self-interest. For example, consider a husband and wife reflecting on their perceptions of responsibility for cleaning dishes, shopping, child care, and other household and relationship activities. Imagine asking each spouse independently to score who does what percentage of the work. In such a case, both partners generally assume themselves to be more responsible than the other (Ross and Sicoly, 1979). When both spouses' contributions are totaled for a "couple" score, the perceived contributions frequently amount to more than 100 percent! The same pattern can occur in product development teams and numerous other settings. Such differences in perception undoubtedly exacerbate conflict, at home, in the workplace, and elsewhere. For example, the presence of egocentric biases played an important role in the American Airlines negotiations in April 2003, in which bankruptcy was narrowly avoided. American said it had to have $1.8 billion in annual cuts from all employee groups as a part of a $4 billion effort to restructure the company. The airline was losing $5 million a day. The three major groups involved—the pilots union, the professional flight attendants, and the transport workers union all believed that they deserved more than what they believed others were entitled to (*Dallas Morning News,* April 3, 2003).

Yet despite the egocentric bias, most negotiators describe themselves as wanting to be "fair" (Loewenstein, Thompson, and Bazerman, 1989). Most people

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also prefer to divide resources "fairly" (Messick, 1993). The problem is that self-interest tinges otherwise fair allocation of resources. This is because fairness is not an absolute construct, but highly subjective. What is fair to one person may not be fair in the eyes of another. Multiple interpretations of fairness are equally valid in various situations.

Summary

The findings we have described represent four important and pervasive biases that occur in negotiation and conflict resolution. These four findings are enemies that theorists and practitioners must fight to eliminate. In the next section, we elaborate further on the biases that threaten successful dispute resolution in negotiation, focusing specifically on their impact on conflict management.

IMPLICATIONS FOR CONFLICT MANAGEMENT

Practitioners and laypersons have neither the time nor the inclination to read the vast body of empirical research literature on negotiator bias and cognition. In this section, we distill decades of research into a few key principles that are best illustrated by real examples. We deliberately focus on the research literature that has proved to be reliable (replicable and generalizable across a variety of conflict situations, people, and domains) and valid (causal relationships, not just post hoc observation or intuition). We review the four key findings on bias already outlined in the context of conflict situations. At the end of each review, we describe what we think are the key implications for practitioners.

Exaggeration of Conflict

People involved in social or political conflict tend to overestimate the extremity of the other side's beliefs, a reflection of the first bias: opposing forces.

Consider the reactions to the real-life conflict commonly referred to as the Howard Beach incident, in which a young black man, Michael Griffith, was struck and killed by a passing car as he attempted to escape a group of white pursuers in the Howard Beach neighborhood of Queens in New York City. In one study, people who characterized themselves as liberals or conservatives were asked to rate the extent to which they believed in the truth of certain statements about the case ("The white pursuers deliberately chased Michael Griffith into the path of oncoming traffic"; "Michael Griffith had consumed cocaine on the night in question"; Robinson, Keltner, Ward, and Ross, 1995). The same people were then asked to predict how "the other side" would rate the truth of the same statements. That is, conservatives were asked to predict liberals' ratings for each question, as were liberals asked to predict conservatives' ratings. Both liberals and conservatives overestimated the

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difference between their side and the other. Liberals overestimated the extent to which conservatives believed in the truth of statements favoring the white perpetrators; conservatives overestimated the extent to which liberals believed in the truth of statements favoring the black victim. Thus, the partisans in this case believed that the distance between their positions was greater than it really was.

Perhaps most surprising, neutrals (people who described themselves as neither liberal nor conservative) also succumbed to this mistake; they too overestimated the gap between liberals' and conservatives' beliefs about the Howard Beach incident. All three groups (liberals, conservatives, and neutrals) exaggerated the extent of conflict: all three groups overestimated first the extent to which conservatives would interpret the events in ways that blamed the black victim, and second the extent to which liberals would interpret events in ways that favored the black victim.

The pattern of results is not unique to this incident. Exaggeration of perceived conflict exists in many other domains: abortion, the death penalty, the arms race, and even the "Western canon debate" (the dispute among educators about the choice of books in introductory college-level civilization and literature courses).

It is important to consider the implications of the tendency for people to exaggerate conflict. If the partisans in a conflict perceive their differences as greater than they really are, then they might be overly pessimistic about finding common ground. If people hold erroneous assumptions about the gap between their own position and that of the other side, then people might decide that it is not worth even sitting down at the bargaining table on the grounds that any discussion is fruitless (Robinson, Keltner, Ward, and Ross, 1995).

The fact that we exaggerate the extent of conflict means that information exchange among parties is crucial. Unless both sides to a conflict discuss the nature of their beliefs, assumptions, and concerns, each side continues to perceive the other as unreasonable and extreme. Because neutral third parties also tend to exaggerate conflict, these results have important implications for mediators as well. To be effective, mediators must understand the true nature of each side's position. If a mediator relies on her preconceived assumptions about each party's position, she is likely to overestimate the extremity of each party's position, and to overestimate the gap between the parties.

In addition to forming an accurate understanding of the conflict, mediators have an important role to play in helping parties overcome their own perception of exaggerated conflict. Exaggeration of conflict comes in two forms: each side tends to see the other side's position as more extreme than it really is, and one's own side is also seen as more extreme than it really is. Mediators can help parties see that their own position does not need to be as extreme as they think it needs to be.

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Lose-Lose Outcomes

Sometimes all of the people in an interdependent decision-making situation prefer one settlement to another but nevertheless fail to achieve it.

In February 2005, the National Hockey League (NHL) Commissioner Gary Bettman officially cancelled the hockey season after a five-month player lockout. Because a new labor agreement could not be reached between the players union and the league, several billion dollars of revenue were lost. Furthermore, almost four hundred of the league's seven hundred players decided to move to Europe to play hockey (often earning less than half of what they made annually playing in the NHL)(*New York Times,* February 17, 2005). This is called a lose-lose agreement, because both sides have settled for an outcome that is clearly worse for both sides as compared to coming to an agreement.

The frequency with which lose-lose agreements occur is both surprising and alarming. One statistical analysis involving more than five thousand participants revealed that lose-lose agreements occurred 20 percent of the time (Thompson and Hrebec, 1996). That is, in cases where the parties have compatible preferences with regard to a particular issue, fully one time in five they agree on an alternative that both prefer less than another outcome.

Moreover, it is unlikely that the lose-lose agreement is an artifact of the laboratory, with no real-world significance. Balke, Hammond, and Meyer's examination (1973) of labor-management negotiations at Dow Chemical is a case in point. Analysis of that dispute revealed that labor and management both preferred the same wage increase; yet neither party realized it until after a costly two-month strike.

Another example is illustrated in Walton and McKersie's analysis (1965) of the Cuban missile crisis, which stemmed from the Soviet Union's buildup of missile bases in Cuba during the Cold War. The crisis had reached dangerous proportions when the United States threatened to retaliate against the Soviet Union when Cuba fired on American airplanes. Meanwhile, the Soviet Union, unbeknown to the United States, also preferred that Cuba refrain from provoking the United States, because there was a danger that Cuba's behavior would incite a war over issues not important to Soviet interests. The parties that had come to the brink of nuclear war shared compatible interests without realizing it.

Why does this happen? As discussed earlier, people sometimes adopt a fixed-pie perception in which they believe that the other person's interests are completely opposed to their own. This belief is established at the outset, before people even have the opportunity to meet or talk with each other. In addition, the fixed-pie perception is remarkably durable; it remains even when people have high incentives and ample feedback is available to challenge the perception.

But sometimes people do realize their preferences are compatible with the other party's, and yet still fail to capitalize on shared interests. Political pressures,

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situational norms, and organizational constraints can prevent people from optimizing their compatible interests. A vacation rental company with a weeklong rental policy gets a call, late in the week, from a renter requesting a midweek stay. It would be better for both parties to rent the property. But this means that company policy would be broken, so the agency refuses. Parties may face similar kinds of social pressure in other situations, and the desire to save face may prevent a person from settling on what is obviously a better deal (Rubin, Pruitt, and Kim, 1994).

Invalid Perceptions of Control

We all like to think that we have control over our environment. To some degree, this is certainly true; when we pull on a door it usually opens, and when we say hello to a colleague we usually receive a hello in response. Theorists from several domains conclude that this sense of personal control is necessary to a healthy self-concept; without some sense of control over outcomes in our environment, we would feel helpless and worthless. But we easily become so accustomed to feeling in control that we automatically, egocentrically assume we have causal influence over certain events in our environment when, in fact, we have no such influence. As an intriguing example, craps players act as though they control the dice by throwing them softly to produce low numbers or throwing hard for high numbers (Henslin, 1967). As another, a baseball player on a hitting streak might wear the same pair of socks in every game for fear of jinxing the streak.

Inflated perceptions of control generally stem from the same sort of egocentric bias that we described earlier. In short, people are acutely aware of their own actions, thoughts, and feelings and less aware of those of others. Moreover, we have a poor memory for contingency information, and our judgments are biased by self-serving motivations. Although people who are given a lottery ticket with a pre-assigned number gladly accept the opportunity to trade the ticket for one from a different lottery with a better chance of winning (Langer, 1975), those who choose their own number prefer to hold on to the ticket and forgo the opportunity to enter a lottery with a better chance of winning. Why? Because picking their own lottery number gives people an illusion of control; they try to choose a "good" number thinking it is more likely to win, even though in reality all numbers have equal likelihood. Thus, when it comes to causal relationships between events, people often falsely believe they exert more control than is actually the case.

Conflict situations often present circumstances that encourage people to adopt invalid perceptions of control. In one study, negotiators faced an opponent who was (unbeknown to the negotiator participating in the study) actually a confederate of the experimenter. During the negotiation, the confederate strictly follows a preset schedule of concessions. When the preprogrammed schedule called for the confederate to make an extreme initial demand followed

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by retreats to a moderate demand, the participants felt they had control over the opponent and the final settlement. But when the schedule called for the confederate to make a moderate initial demand and then refuse to retreat, negotiators reacted unfavorably because they felt they had no causal influence on the outcome of the negotiation (Benton, Kelley, and Liebling, 1972).

In another study, participants played a game in which they had a choice of cooperating or competing with the other party. The other party faced a similar choice. The worst outcome for a player is to cooperate while the opponent competes. The best outcome for both players together is if both cooperate. As a player in this game, you are told either that your opponent has already made a choice, or that your opponent will make a choice at the same time you do. In either case, you do not know your opponent's choice before making your own, and your opponent does not know your choice before making his own. Faced with this situation, people are more likely to cooperate if the opponent's decision is made at the same time as their own (Morris, Sim, and Girrotto, 1998). In this situation, players have the causal illusion that they can influence opponents who have not yet decided by "showing" their opponent that they are cooperating. On the other hand, if the opponent has already made a decision, the player knows there is no way of influencing it, because causation cannot work backward in time. Of course, in either case, the opponent has no way of knowing the player's choice until after making his, so the player is unable to show the opponent anything about his choice.

These results suggest a tactic for concession-making during conflict resolution: inform the opponent of an imminent concession simultaneously with, or just after, the opponent makes a concession. This fosters the illusion of control in your opponent; he reasons that by showing you he is making a generous concession, you will reciprocate and do the same. In the meantime, regardless of what you decide to do, you can benefit from the opponent's generous concession. Similarly, mediators can suggest to each party that the other party is ripe for influence—and suggest that a concession will greatly influence the other party.

Biased Judgments of Fairness

We have made the point that fairness is not an absolute construct; instead, it is socially defined. What is fair to one person may not be fair in the eyes of another. Consider what happened when two vice presidents of a major *Fortune 100* company were promoted to senior vice president at about the same time in the late 1990s (*Washington Post,* June 15, 2003). Both of them moved into new offices, but one of them suspected an inequity. He pulled out blueprints and measured the square footage of each office. His suspicions were confirmed when it turned out the other's office was bigger than his by a few feet. A former employee said, "He blew a gasket." Walls were removed, and his office was reconfigured to make it as large as his counterpart's. This example illustrates

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that in any situation, there are as many interpretations of fairness as there are parties involved. Here, equality, equity, and need are all plausible principles on which a decision can be made. Hence, in conflict resolution, two people may both truly want a fair settlement, but they may have very different and equally justifiable ideas about what is fair.

Although people generally want what is fair, their assessments of fairness are often self-serving (Messick and Sentis, 1979). Moreover, the fact that we have little or no self-awareness of this influence on our otherwise sound judgment heightens the intransigence of our views. Suppose you have worked for seven hours and have been paid $25. Another person has worked for ten hours doing the same work. How much do you think the other person should get paid? If you're like most people, you believe the other person should get paid more for doing more work—about $30, on average (Messick and Sentis, 1979). This is hardly a self-serving response. Now, consider the reverse situation: the other person has worked for seven hours and been paid $25. You have worked for ten hours. What is a fair wage for you to be paid? Messick and Sentis found the average response to be about $35. The difference is about $10, and it illustrates the phenomenon of egocentric bias: people pay themselves substantially more than they are willing to pay others for doing the same task.

Consider another example. You are told about an accident in which a motorcyclist was injured after being hit by a car. After learning all the facts, you are asked to make a judgment of how much money you think is a fair settlement to compensate the motorcyclist for his injuries. Then, you are asked to play the role of either the injured motorcyclist or the driver of the car and to negotiate a settlement. Most of the time, people in this situation have no trouble coming to an agreement (Babcock, Loewenstein, Issacharoff, and Camerer, 1995).

Now imagine doing the same thing, except that your role assignment comes first. That is, first you are asked to play the role of the motorcyclist or the driver, and then you learn all the facts, decide on a fair settlement, and finally negotiate. In this situation, the only thing that changes is that you learn the facts and make a fair settlement judgment through the eyes of one of the parties, instead of from the standpoint of a neutral observer. As it turns out, this difference is crucial. Instead of having no trouble coming to an agreement (as do the people who do not know their roles until just prior to the negotiation), people who know their roles from the beginning have a very difficult time coming to an agreement (Babcock, Loewenstein, Issacharoff, and Camerer, 1995). The high impasse rate among people who know their roles from the beginning is linked to self-serving judgments of fairness. The more biased the prenegotiation fair-settlement judgment, the more likely the later negotiation will result in impasse. Thus, a person who knows she is playing the role of motorcyclist before making a fair-settlement judgment is likely to assess a large damage award (in her own favor). A person who knows he is playing the role of the car driver before

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making a fair-settlement judgment is more likely to assess a small damage award (in his own favor). The result is that these two people have quite a hard time negotiating an agreement, because their assessments of what is fair are so far apart.

Although biased perceptions of fairness are quite common (Babcock, Loewenstein, Issacharoff, and Camerer, 1995), cultural factors can worsen or lessen these biases. In comparison to negotiators from individualistic cultures (for example, the United States), negotiators from collectivist cultures (for example, Japan) are less likely to hold such extreme biased perceptions of fairness (Gefland and others, 2002). In one investigation, Gefland and associates (2002) found that, because of their higher levels of biased perceptions of fairness, U.S. negotiators experienced impasse more often compared to Japanese negotiators.

In general, there are often as many proposed solutions as there are parties to the conflict. Each party sincerely believes its own proposed outcome is fair for everyone. At the same time, each party's conception of fairness is tainted by self-interest, so that each solution is most favorable to the party proposing it.

The Illusion of Transparency

In our daily interactions with others, we tend to assume that when we express particular emotions or preferences, the people with whom we are interacting will accurately pick up on these cues. Yet, this is not necessarily the case. We often overestimate the degree to which others have access to our internal states. The tendency to overestimate the degree to which others understand what is on our minds is referred to as the *illusion of transparency* (Gilovich, Savitsky, and Medvec, 1998). In other words, the illusion of transparency means that negotiators believe that they are revealing more than they actually are. (In other words, they believe that others have access to information about them when in fact they do not.) For example, in one investigation, negotiators judged whether an observer to the negotiation would be able to accurately discern their negotiation goals from their behavior (Vorauer and Claude, 1998). Negotiators consistently overestimated the transparency of their objectives. Thus, people feel more like an "open book" with respect to their goals and interests in negotiations than they actually are.

In certain negotiations, one may stand to receive a better outcome if one does not show too much excitement over closing a deal. For instance, if a prospective home buyer is so enamored with the house that he would be willing to pay the asking price, then communicating this level of enthusiasm to the seller would put the buyer at a disadvantage. If the seller were aware of the buyer's exuberance, she may simply refuse to lower the price at all, knowing that the buyer would likely be willing to settle for the asking price. In this case, it is in the buyer's best interest to not let his enthusiasm for the home "leak out." Yet, even when we are consciously trying to hide our true preferences, we still experience

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the illusion of transparency. In one investigation, Van Boven, Gilovich, and Medvec (2003) found that negotiators who were consciously trying to conceal their preferences imagined that they had "tipped their hand" to the other party more than they actually had. "The illusion of transparency is thus due to the sense that one's *specific* actions and reactions that arise in the give-and-take of negotiation—a blush here, an averted gaze there—are more telling than they actually are." (Van Boven, Gilovich, and Medvec (2003), p. 128).

Sometimes, there are advantages to revealing information. For example, when negotiators have different priorities, negotiators who share information are more likely to reach integrative agreements than those who do not (Thompson, 1991). This is partly because of our inclination to reciprocate: if you share information, chances are that the other party will share information as well (Thompson, 1991). But the illusion of transparency can discourage beneficial information sharing, because it can mislead negotiators into falsely believing that the other party has enough (or too much) information already (Van Boven, Gilovich, and Medvec, 2003). Alternatively, a negotiator who is aware that he might fall prey to the illusion of transparency can make a conscious effort to share information with the other party, thereby increasing the likelihood of resolving a conflict in a mutually beneficial way.

Liking, Respect, and Collective Interests

Choices made by organizational decision-makers often have implications for the choices made by other organizations within the same industry (for example, product pricing, employee salaries, and marketing strategy). These decision makers often must decide between pursuing a course of action that benefits their own organizations only, and choices that also provide benefit to other organizations. Rather than engaging in mutually competitive actions that ultimately hurt each other (for example, engaging in a negative advertising campaign), some organizations have attempted to find points of cooperation that can align their competitive goals. For example, in 1998, two national dairy companies using separate advertising campaigns agreed to create a single marketing plan to increase milk sales in the United States. Dairy Management, Inc., which used the "Got Milk?" campaign and the National Fluid Milk Processor Promotion Board, which used a popular collection of advertisements in which celebrities wear milk mustaches, coordinated campaigns to increase total fluid milk sales by 4 percent by the year 2000 (*New York Times,* Feb. 6, 1998).

This classic problem of choosing between furthering one's own interests and those of the larger group or collective is at the heart of many conflicts. Our earlier discussion of egocentric judgment processes revealed that people tend to serve their own interests not necessarily because they are selfish and greedy, but because their own interests are immediately accessible to them. Thus, even people who truly desire to be evenhanded often behave in what may seem, to

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a neutral observer, as self-interest. The question, of course, is how to mitigate this undesirable impulse. Merely telling people to monitor their own behavior is surely insufficient—and it may even increase self-interested behavior. Rather, to the extent that people can develop and enhance a sense of social identity—that is, derive meaning and identity from relationships with others—the egocentric effect may be mitigated.

The importance of social relationships in curbing self-interested behavior was illustrated in a study in which people were asked to decide between keeping resources for themselves and contributing to the organization as a whole (Thompson, Kray, and Lind, 1998). Not surprisingly, the better the relationship among the decision makers (the more they knew and liked each other), the more likely they were to agree to contribute resources to the organization as a whole. Remarkably, there was another important factor that affected people's decisions to contribute to the organization: how much respect was bestowed by organizational authorities. People who were granted high respect from relevant organizational authorities (and who also knew and liked their fellow decision makers) contributed the most resources to the organization as a whole. Thus, in the team management example considered earlier, a group of managers who know and like each other, and who also feel that upper management respects and carefully considers their decisions, contributes the most team resources for the good of the organization as a whole. On the other hand, if managers do not know and like each other, or if they are not accorded respect from upper management, they are likely to contribute the least to organization-wide concerns.

I'm Happy Only If You're Sad

When a conflict is resolved, the parties often assess how satisfied they are with the outcome of the resolution. But parties to a conflict do not measure their outcomes on an absolute scale. Instead, success is a socially determined construct, measured by many factors, including comparison with similar others, views of significant others, and the outcomes of one's opponent. In fact, there is little or no relationship between how good people feel and their actual outcomes. In conflict situations in which parties' interests are not completely aligned, how good people feel is a converse function of the emotions displayed by the other person: when the other is sad, we feel good; when they are happy, we feel bad (Thompson, Valley, and Kramer, 1995).

Consider what happened to Joseph Bachelder, who was representing a grocery executive in critical negotiations. Bachelder demanded that his client—the grocer—get a 4.9 percent stake in the business. The words barely left his mouth when the company's controlling shareholder jubilantly agreed. Says Bachelder, "I just died. I knew right away that I had underbid. We could have had more if I had just asked for it" (*The Wall Street Journal,* June 25, 2003).

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Our feelings of satisfaction after the fact are not the only way we are affected by our opponent. Our preferences during an ongoing dispute can also be affected by the opponent's expressed preferences. For example, in a survey of opinions regarding possible arms reductions by the United States and the Soviet Union, respondents were asked to evaluate the terms of a nuclear disarmament proposal, a proposal that was either allegedly initiated by the United States, Soviet Union, or a neutral third party (Ross and Stillinger, 1991). In all cases, the proposal was identical; however, reactions to it depended upon who allegedly initiated it. The terms were seen as unfavorable to the United States when the Soviets were the initiators, even though the same terms appeared moderately favorable when attributed to a neutral third party and quite favorable when attributed to the United States. (See also Oskamp, 1965.)

This case is an example of *reactive devaluation,* which is the tendency for a party to undervalue an offer just because it was the other party who offered it (Oskamp, 1965; Ross and Stillinger, 1991). The reasoning behind reactive devaluation might sound like: "My opponent wouldn't make this offer unless it's good for him. But if it's good for him, then it's probably bad for me, so I'll refuse to accept it." The examples of respondents to the arms reduction proposals and Bachelder's displeasure in the other party's immediate acceptance of his offer illustrate that our preferences and our evaluation of a dispute can be determined by the other party's preferences and reactions. When the other party is happy, we are sad; when the other party seems to favor a particular outcome, we devalue it.

Curhan, Neale, and Ross (2004) have demonstrated that in typical negotiation formats, in which negotiators begin by simply exchanging initial proposals with one another, reactive devaluation of initial offers is a common response. By engaging in reactive devaluation—assuming the other party's offer was primarily beneficial for the other party—many of these negotiators failed to reach agreement with one another. Two techniques helped to prevent reactive devaluation. First, asking negotiators to assign a rating to a variety of proposals reduced reactive devaluation by motivating negotiators to remain consistent with their original assessment even after one of the previously rated proposals is endorsed by the opponent. Second, asking negotiators to have a general discussion about the issues on the table, without making any proposals or offers, also reduced reactive devaluation. During these discussions, negotiators were able to express their needs and priorities, leading their counterparts subsequently to make more charitable attributions about the offers they received. Both pre-rating proposals and prior discussion are techniques that can be easily implemented by a mediator; if no mediator is present, the parties can try to structure the negotiation so that pre-discussion of needs and priorities takes place before any specific offers are exchanged.

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The Schmooze Effect

When people negotiate face-to-face, they rely on subtle behavior cues—posture, intonation, facial expression—to understand what the opponent is thinking and feeling. In fact, the credibility of a message is much affected by whether the nonverbal cues are consistent or inconsistent with the verbal message. We understand our opponent's behavioral synchrony cues automatically; this is not something we are necessarily aware of. Yet this subtle process helps negotiators build rapport and trust, which can lead to favorable agreements for all parties.

When behavioral synchrony cues are absent—as when negotiators communicate via some method other than face-to-face contact—then rapport and trust must be built in some other way. In the absence of any rapport-building mechanism, negotiators endure strained and tense interactions, and they attribute their own feeling of ill ease to the malevolent intentions of the other party.

In recent years, changing organizational structures have created social networks composed of organization members who are physically separated, as in multinational corporations. Members of these organizations come to rely increasingly on electronically mediated communication methods (e-mail, fax, and phone) to conduct negotiations. But unless negotiators make a conscious effort to develop mutual cooperation and rapport, the absence of social cues in electronically mediated negotiations can lead to uncertainty about social norms and increased risk taking.

Developing rapport before plunging into an electronic negotiation ("e-negotiation") can help avoid misunderstandings and misattributions. Strangers conducting e-negotiations are more likely to avoid impasse, to feel good about their negotiation counterpart, and to want to negotiate with the same counterpart again in the future if they make efforts to develop rapport prior to negotiating (Moore, Kurtzberg, Thompson, and Morris, 1999; Morris, Nadler, Kurtzberg, and Thompson, 2002; Nadler, 2004). Developing rapport can be accomplished by using surprisingly simple techniques. In one study, e-negotiators exchanged photographs and biographical information, and had an initial "getting to know you" chat with their counterpart via email prior to beginning the negotiation (Moore Kurtzberg, Thompson, and Morris, 1999). In other studies, e-negotiators simply picked up the telephone and had a five minute "getting to know you chat" with their counterpart prior to negotiating (Morris, Nadler, Kurtzberg, and Thompson, 2002; Nadler, 2004). In all three studies, these simple "schmoozing" techniques had dramatic effects: negotiators who did not "schmooze" were much less successful than those who did. Non-schmoozers were angry and frustrated with their counterpart, trusted their counterpart less, and were less likely to reach an agreement than schmoozers were.

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IMPLICATIONS FOR TRAINING PEOPLE

As contributors to the body of scientific empirical research on negotiation and conflict resolution, we admit with some embarrassment that much more thought goes into examining the nature of bias and error at the bargaining table than to solutions as to how to eliminate or reduce it. Perhaps this reflects the fundamental tension between basic and applied research. However, we are not content to naïvely suggest that mere awareness of bias is sufficient to deal with it. Thus, we have undertaken a line of empirical investigation that asks how negotiators learn and apply principles at the bargaining table; we review the highlights here. Our conclusion about learning to reduce cognitive bias and error at the bargaining table is based on three principles: feedback, analogical reasoning, and behavioral skills.

The Importance of Feedback

Most people do not get timely or accurate feedback about their performance. Thus, they continue to make the same mistakes time and again. To return to the fixed-pie perception, we enter the negotiation assuming that the other party's gain comes at our expense, and vice versa. Even if this assumption is false (as it often is), chances are good that we do not realize it and enter our next negotiation with the same fixed-pie assumption. Even if people receive feedback, it is often incomplete or misconstrued, whether by the sender or the recipient. This, of course, is completely consistent with the egocentric biases we discussed earlier.

As a way of combating bias, Thompson and De Harpport (1994) examined the effects of three feedback situations: process feedback, outcome feedback, and no feedback. Negotiators who received no feedback knew nothing about the other party or the underlying structure of the negotiation. They were given a blank sheet of paper and asked to write some comments about the nature of their experience in the negotiation they had just completed. Negotiators who received outcome feedback were told the value of the overall package to the other party in the completed negotiation. This feedback provided important information about the underlying structure of the negotiation. Finally, negotiators who received process feedback were given complete information about their opponent's preferences for each issue negotiated. As an example, for a company representative who negotiated an employment contract, process feedback imparted information about how the employee subjectively valued the various issues discussed (salary, vacation, annual raise, and so on).

Negotiators who received process feedback were most likely to abandon the pervasive fixed-pie assumption in subsequent negotiations, and to recognize trade-offs that were mutually beneficial for both parties. Suppose two negotiators

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have just received process feedback after negotiating a job contract. Assume these same parties are to negotiate again about a completely different set of issues, say, regarding a house rental. Having received process feedback, they are likely to assume correctly that not every gain for the other party constitutes an equal loss for themselves. Furthermore, they recognize that mutually beneficial exchanges can be made: if the landlord is to concede on an issue important to the tenant (say, monthly rent), then in exchange the tenant can concede on an issue important to the landlord (lease length). In this way, negotiators who receive process feedback reach agreements that are satisfactory to both parties. By contrast, negotiators who receive only outcome feedback are not as successful in recognizing this integrative potential, and those who receive no feedback are the least successful of all.

Analogical Reasoning

One of the most effective means by which people solve problems is analogical reasoning (Gick and Holyoak, 1983). Analogy is the process of mapping the solution for one problem into a solution for another problem. This involves noticing that a solution to a problem from the past is relevant, and then mapping the elements from that solution to the target problem. For example, a student learning about the structure of the atom enhances her understanding by drawing on her prior knowledge of the structure of the solar system.

In many instances, experienced negotiators have occasion to reason by analogy from a previous negotiation experience but often fail to do so. This problem of failing to capitalize on opportunities to learn by analogy is not limited to negotiators; in general, people's ability to take full advantage of prior experience is highly limited (Loewenstein, Thompson, and Gentner, 1999). Having solved one problem does not always help in solving an analogous problem if the two come from different contexts. We do not always access prior knowledge, given an analogous situation.

In a study of learning by analogy (Gick and Holyoak, 1983), students were given a problem about how to use radiation to destroy a patient's tumor, given that the stream of rays at full strength will destroy the healthy tissue en route to the tumor. The solution is to converge on the tumor with low-strength radiation from multiple directions. Having been given this problem and learned the solution, people are then given an analogous one: a general needs to capture a fortress but finds he cannot use his entire army to make a frontal attack. One solution is to divide the army and converge on the fortress from many directions. Even when the tumor problem and the fortress problem are presented in the same session, only about 41 percent of students spontaneously applied the convergence solution to the radiation problem. Though they retained the knowledge about the first solution, they failed to access it. Yet, when simply told to "think about the earlier [tumor] problem," a full 85 percent of students applied the

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convergence solution to the new problem. Simply reminding people of an analogous problem helps them map the solution onto the new problem.

The good news for negotiators is that analogy training can substantially improve negotiation performance. In one study, managers who received analogy training were nearly three times as likely to recognize and apply the appropriate principle in future negotiations (Loewenstein, Thompson, and Gentner, 1999). As a result, negotiators who had analogy training outperformed those who did not. For example, in negotiating a deal for a Broadway production, negotiation dyads with analogy training gained an average of $21,000 over their untrained counterparts, who made suboptimal agreements and left large amounts of money on the bargaining table—wasted, as far as both parties were concerned.

In another study of negotiator training, four other learning principles were compared to learning by analogy (Nadler, Thompson, and Van Boven, 2003): (1) learning by observation (watching other negotiators), (2) textbook learning (reading about negotiation principles), (3) learning by feedback (process feedback, as described in the previous section), and (4) learning by experience only (no explicit training). The greatest improvement in negotiator performance was seen with negotiators who had analogy training or observation training. Performance also improved, albeit to a lesser extent, when negotiators learned through feedback. Those exposed to textbook learning or to learning by experience alone showed no measurable improvement in performance. Thus, the picture emerging from this research is that training programs teaching negotiators how to make relevant comparisons between prior and current negotiation experiences is an extremely effective method for improving outcomes.

Behavioral Skills

To be effective at conflict resolution, people need to have strategies that work. Further, the strategies need to be general enough to apply to varying situations. Yet they cannot be so general as to be useless. In this subsection, we identify and discuss five key strategies in the bargaining literature that withstand the difficult test of empirical investigation. (See also Bazerman and Neale, 1992.)

Build Trust and Share Information. In long-term relationships, people learn to build trust as a way of responding to uncertainty. Even though we lack a close relationship with someone, we might expect to have future interactions: a car dealer who makes a sale might expect the customer to refer friends or engage in repeat business; a job candidate negotiating terms with an interviewer expects to interact with the same person after beginning the job; two managers from different divisions working together toward an organizational goal know they will inevitably have future contact. In all of these situations, opportunity for deceit exists because of informational uncertainty or asymmetry. One way

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of dealing with this uncertainty is to build trust through sharing information of the sort that clearly indicates an interest in mutual well-being. Sharing such information helps ensure that the parties can continue to develop good working relations for the future.

Ask Questions. Building trust is not always possible. Sometimes negotiations are a one-shot deal, where the parties are aware they will never see one another again. Even where future interaction is possible, building trust is still difficult. If trust is absent or unclear, one of the most important strategies to pursue is to ask questions—specifically, to gather information about the opponent's preferences to ascertain which issues the opponent values most, which option is most preferred on each specific issue, and whether the opponent's expectations regarding the future differ from your own. Ideally, the issue most valued by your opponent is different from yours, in which case both parties can get what is most wanted by giving up something considered less valuable. But it is difficult to achieve trade-offs without asking about the opponent's priorities.

Provide Information. If the opponent is reluctant to answer any questions, there is an alternative strategy available: share some information first. Offering information is usually an effective strategy because it invariably triggers the reciprocity principle. We often feel obligated to return in kind what others have offered or given to us. Reciprocity is a powerful behavioral tendency observable in all human societies. People feel upset and distressed if they receive a favor—or a slight—from another person but are prevented from returning it.

Negotiators who extend information about their own interests or priorities are likely to receive some information in return. Although they may not want to reveal their reservation price (the minimum for which they will settle) or their best alternative option, they can still offer information about the relative importance of the issues as they see them. The goal is to exchange just enough information so that the final agreement is maximally beneficial for both parties and divides all resources available without leaving anything left over on the bargaining table.

Make Multiple Offers Simultaneously. Sometimes, negotiators are disappointed to find that their attempts to obtain and seek information are not effective. There is an alternative strategy: make one offer, and wait to hear the opponent's response. Little can be learned, though, about the opponent's interests and preferences simply from a single offer that is rejected. A more productive strategy is to make multiple offers. This involves presenting the other party with two (or more) proposals of equal value to oneself. The other party is asked to indicate which of the proposals he prefers. This can reveal valuable information about which issues are important to him. Thus, the negotiator plays

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detective by drawing conclusions based on the opponent's response to the multiple offers (Medvec and Galinsky, 2004).

Search for Postsettlement Settlements. Sometimes, parties may decide to renegotiate after a mutually agreeable settlement has been reached. It may seem counterintuitive or counterproductive to resume negotiations after a deal has been struck. But the strategy of postsettlement settlements is remarkably effective in improving the quality of negotiated agreements. Negotiators using this strategy agree to explore other options, mindful that the goal is to find another agreement that both prefer to the current one—with the understanding that they are bound by the initial agreement if another is not found. The postsettlement settlement strategy allows both parties to reveal their preferences without fear of exploitation, because they can safely revert to their previous agreement (Bazerman, Russ, and Yakura, 1987).

CONCLUSION

We believe that the marriage between practitioners and theorists should be much more solid than it is. Theorists have identified a host of rather benign-looking beliefs and cognitions that hinder effective negotiations, but they have failed to produce a systematic body of research aimed at reducing cognitive biases that hinder effective dispute resolution. Unfortunately, most negotiators are not aware of the existence of cognitive bias and its deleterious effects. In this chapter, we have identified four key biases that conflict theorists, and practitioners in particular, must fight to eliminate. We have also examined the use of performance feedback and analogy training, and named five specific behavioral skills that meet the test of empirical investigation. We hope that theorists and practitioners continue to identify and examine new methods by which to eliminate or reduce cognitive bias at the bargaining table.

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