

Demanding Negotiators: The Effects of Reference Price Emphasis, Regulatory Focus and Regulatory Fit

Kirstin C. Appelt & E. Tory Higgins
Columbia University

Abstract

Previous literature has shown that, in distributive negotiations, negotiators who have more demanding goals and reference prices achieve better objective outcomes. But what makes negotiators differ in their level of demandingness?

Using a modified version of the standard Synertech-Dosagen scenario, we investigated demandingness in terms of both the average fair price participants selected and the width of the range of fair prices they selected.

We found evidence for three separate factors affecting demandingness:

(1) reference price emphasis (higher for aspiration price emphasis than reservation price emphasis)

(2) regulatory focus (higher for promotion-focused negotiators than prevention-focused negotiators [using the Regulatory Focus Questionnaire, Higgins et al., 2001])

(3) regulatory fit (higher for promotion-focused sellers and prevention-focused buyers than promotion-focused buyers and prevention-focused sellers)

Theoretical Background

Research has confirmed the intuition that negotiators who are more demanding achieve better objective outcomes (Galinsky, Leonardelli, Okhuysen & Mussweiler, 2005; Huber & Neale, 1986; Van Poucke & Buelens, 2002; White & Neale, 1994). **We examined demandingness during negotiation preparation.**

•**Reference prices:** Negotiators use reference prices to guide them through the negotiation process (Van Poucke & Buelens, 2002).

•If negotiators insufficiently adjust from the anchors provided by their reference prices, then emphasized reference price should affect what price(s) are seen as fair.

•**Thus, we predicted that negotiators focusing on their aspiration or ideal, attainable price should be more demanding than negotiators focusing on their reservation or walkaway price.**

•**Regulatory focus:** People approach goals using their chronic strategic orientations. Promotion people approach matches to desired end-states while prevention people avoid mis-matches to desired end-states (Higgins et al., 2001).

•Galinsky et al. (2005) found that promotion negotiators outperform prevention negotiators, an effect which is mediated by demandingness of opening offer.

•We predicted that, in preparing for the negotiation, promotion negotiators would seek to approach an agreement at their preferred price while prevention negotiators would seek to avoid an impasse at any cost.

•**Thus, promotion negotiators should demonstrate more demandingness than prevention negotiators, even during the preparation phase.**

•**Regulatory fit** (Higgins, 2000) occurs when the manner of goal pursuit matches the orientation to the goal: an eager strategy (pursuing gains vs. non-gains) fits a promotion focus while a vigilant strategy (pursuing non-losses vs. losses) fits a prevention focus. Regulatory fit intensifies the magnitude of responses.

•In a negotiation solely about price, the seller trades an object for money while the buyer trades money for an object. The seller views the money received as a gain to be maximized while the buyer views the money paid as a loss to be minimized. **In a price-only negotiation, we expected the seller role to be a fit for promotion and the buyer role to be a fit for prevention.**

•In negotiation, buyers and sellers are demanding. Buyers and sellers in conditions of fit should thus be even more demanding. **We predicted that promotion sellers would be more demanding than promotion buyers while prevention buyers would be more demanding than prevention sellers.**

Study Methods

Overview: Participants ($N=93$) took part in an unrelated-studies paradigm.

•Upon arrival to the study, participants completed "study 1," a series of personality measures, including the Regulatory Focus Questionnaire.

•Participants then began "study 2" by being randomly assigned to dyads and to buyer or seller roles within these dyads. Participants were also randomly and blindly assigned to the aspiration price or reservation price emphasis condition.

•Participants were instructed in the details of the negotiation procedure and given revised Synertech-Dosagen case materials to read. Participants were given 15 minutes to complete a questionnaire assessing pre-negotiation strategic behavior. Our key dependent variables were the average price and the range of prices participants selected as "fair" or "right."

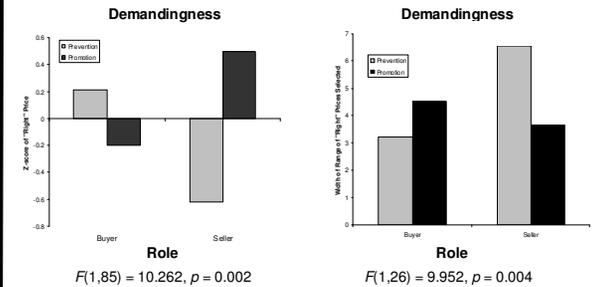
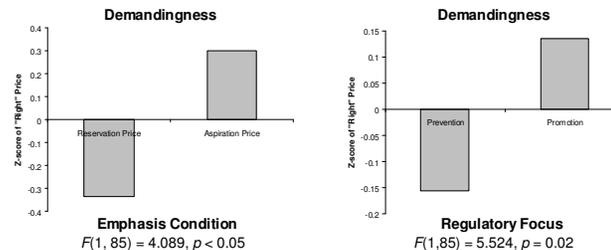
•This concluded the study. No negotiation took place.

Study Results

To look at demandingness of average price selected, we calculated the z-scores of buyers and sellers separately, reversing the sign for buyers, so that a higher score indicates higher demandingness.

As predicted, negotiators focusing on their aspiration price were more demanding than negotiators focusing on their reservation price. Promotion negotiators were more demanding than prevention negotiators. Promotion sellers were more demanding than promotion buyers and prevention buyers were more demanding than prevention sellers.

Due to misinterpretation of the question, we have a reduced sample size ($N=34$) for width of the range of prices selected. For width, a narrower range indicates higher demandingness. As predicted, promotion sellers were more demanding than promotion buyers and prevention buyers were more demanding than promotion buyers.



Conclusions

Preparatory demandingness in a price-only negotiation was measured using average fair price selected and the width of the range of fair prices selected.

•For average fair price selected, negotiators focusing on their aspiration prices were more demanding than negotiators focusing on their reservation prices.

•For average fair price selected, promotion negotiators were more demanding than prevention negotiators.

•For both average fair price selected and width of the range of fair prices selected, negotiators in regulatory fit were more demanding than negotiators in regulatory non-fit. Promotion sellers were more demanding than promotion buyers while prevention buyers were more demanding than prevention sellers.

Although negotiators were in the same objective positions, they expressed differences in strategic demandingness, which is known to improve outcomes. The implication is that changes to negotiators' subjective positions can increase demandingness and possibly improve outcomes.

We are currently testing our predictions in other negotiation contexts. For a real price-only negotiation, we expect the same results. For a negotiation where price is not the predominant issue, we expect different regulatory focus and regulatory fit results.

References

- Galinsky, A.D., Leonardelli, G.J., Okhuysen, G.A. & Mussweiler, T. (2005). Regulatory Focus at the Bargaining Table: Promoting Distributive and Integrative Success. *Personality and Social Psychology Bulletin*, 31, 1087-1098.
- Higgins, E.T. (2000). Making a Good Decision: Value From Fit. *American Psychologist*, 55, 1217-1230.
- Higgins, E. T., Friedman, R. S., Harlow, R. E., Idson, L. C., Ayduk, O. N., Taylor, A. (2001). Achievement orientations from subjective histories of success: Promotion pride versus prevention pride. *European Journal of Social Psychology*, 31, 3-23.
- Huber, V.L. & Neale, M.A. (1986). Effects of Cognitive Heuristics and Goals on Negotiator Performance and Subsequent Goal Setting. *Organizational Behavior and Human Decision Processes*, 38, 342-365.
- Van Poucke, D. & Buelens, M. (2002). Predicting the outcome of a two-party price negotiation: Contribution of reservation price, aspiration price and opening offer. *Journal of Economic Psychology*, 23, 67-76.
- White, S.B. & Neale, M.A. (1994). The Role of Negotiator Aspirations and Settlement Expectancies in Bargaining Outcomes. *Organizational Behavior and Human Decision Processes*, 57, 303-317.