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The Tactical Utilization of Cognitive Biases in Negotiations

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Abstract:

The present paper conceptualizes the domain of psychological influence in negotiations and thereby proposes seven negotiations tactics which utilize the findings of cognitive bias research. After reviewing existing literature on cognitive biases in negotiations, the paper argues that their persuasive utilization in negotiations has not been discussed extensively so far. Inspired by the research findings on anchoring in negotiations, the paper develops tactics which alter information sets of counterparties in such a way that their decision making becomes biased, but leave their incentive structures untouched. The theoretical foundations of these value-claiming tactics are accompanied by short examples, where bargainers play on the cognitive biases of their counterparties to sell proposals and persuade reluctant counterparties. The authors thus explain the effectiveness of widely used negotiation tactics and allow a greater understanding of negotiators' decision making processes and provide recommendations for practitioners.

Zusammenfassung:

Das Arbeitspapier behandelt psychologische Einflüsse in Verhandlungen und schlägt sieben Verhandlungstaktiken auf der Basis der Forschung über kognitive Verzerrungen vor. Der Literaturüberblick zeigt, dass die Übertragung kognitiver Verzerrungen auf Verhandlungssituationen noch Ausbaupotential besitzt. Inspiriert von der Literatur zum Thema Ankereffekt in Verhandlungen, werden Taktiken entwickelt, welche die Wahrnehmung der Gegenseite beeinflussen, ohne ihre Anreizstruktur zu verändern.Die theoretischen Grundlagen dieser auf den eigenen Vorteil ausgerichteten Taktiken werden durch kurze Beispiele illustriert, in denen Verhandler kognitive Verzerrungen ihrer Verhandlungspartner nutzen, um Vorschläge zu verkaufen, bzw. die Gegenseite zu überreden. Die Autoren erklären so die Effektivität häufig angewandter Verhandlungstaktiken, beleuchten den inneren Entscheidungsprozess bei Verhandlungen und generieren Empfehlungen für Praktiker.

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1. Exploiting cognitive biases for influence gains

Influence is commonplace in the business world. Particularly in the field of negotiation, the term negotiation itself is often seen as a synonym for influence (Malhotra & Bazerman, 2008). Although most prior research on negotiations has looked at the need to understand the other side's perspective in order to create and claim value (Fisher, Ury, & Patton, 1999), often negotiators' success heavily depend on their ability to sell proposals, persuade reluctant counterparties, and convince them of the merits of their case (Malhotra & Bazerman, 2007). Obviously, information is a major source of power in negotiation. Thus, manipulating information may give the negotiator a significant opportunistic advantage, and negotiators spend a great deal of time trying to persuade each other in order to reach their respective desired outcome. Still, the majority of contemporary negotiation research has largely ignored the findings of social scientists on how to influence the decisions and perception of others (Maaravi, Ganzach, & Pazy, 2011). However, negotiators are vulnerable to psychological influence, as their decision making is affected by cognitive heuristics. These mental shorts are typically quite useful, but they can also lead to predictable mistakes (Lim, 1997). Thus, it seems surprising that existing literature has rarely further developed the idea how particular cognitive biases can be used to influence the decisions of the other party, even though their predictability evokes thoughts about their strategic utilization. A notable exception has been the research of Cialdini (2009), which focused on the psychological elements of influence, and can be used as a foundation for conceptualizing psychological influence and its relevance to negotiations (Malhotra & Bazerman, 2007).

The research contribution of this paper is the explicit application of known cognitive biases into negotiation tactics, thereby offering practical advice to negotiators in various circumstances for influencing the other party and claiming value. To reach this objective, the present paper is structured as follows: Chapter 2 offers an overview of the research discussion on negotiation related cognitive biases and describes the authors' research method. Chapter 3 develops and discusses negotiation tactics exploiting the cognitive biases, while also presenting some first-aid countermeasures for negotiators exposed to such tactics. Chapter 4 offers a conclusion and outlook for further research.

2. Research on cognitive biases in negotiations

2.1. Definitions

In accordance with the focus of the present paper on the role of influence in negotiations, negotiation itself can be defined as "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" (Maaravi et al., 2011). This definition questions why the present research on biases in negotiations has neglected the role of cognitive biases for influencing the other party. Instead, research has largely been focused on how biases might impede the conflicts and processes of jointly decided actions. This circumstance seems even more surprising as in a negotiation, two or more parties with interdependent and potentially conflicting goals come together, each with the desire to "obtain a better set of outcomes than they could achieve if they simply accepted what the other side would voluntarily give them" (Lewicki & Stark, 1996).

This paper aims at explaining how bargainers use psychological influence tactics, based on cognitive biases of their counterparty, to achieve better negotiation outcomes. Psychological influence strategies comprise the forces that allow one individual to cause attitudinal and behavioral change in another person (Deutsch & Gerard, 1955). Accordingly, two basic types of influence can be distinguished. First, informational influence means that the influencer seeks to change what the target believes. Second, normative influence means that one seeks to leverage the target's desire for a particular type of relationship with him or her. While proposed influence tactics in negotiation often operate on the basis of either altering the target's incentives or altering the target's information set (Kipnis & Schmidt, 1988), this paper develops tactics of psychological influence which neither alter the other party's incentives nor its information set. Instead, the utilization of cognitive biases is a kind of informational influence which entails leveraging an understanding of psychological biases and heuristics to frame ideas and proposals in such a way that they increase their appeal to the target.

In this context, one can define cognitive biases as "systematic deviations from normative models that prescribe rational behavior, as articulated by game theory and other normative principles" (Thompson, Neale, & Sinaceur, 2004). They originate from defective information processing and result in decision making heuristics. Researchers identified the standard economic model of utility maximization and rationality as the normative model. They argued that individuals do not always behave in the way predicted by classic economic theory and systematically depart from its predictions. Accordingly, negotiators systematically deviate from optimality or rationality, too. They are presumed to attempt to act rationally but are bound in their ability to do so. This field has allowed researchers to predict how people will make decisions that are inconsistent, inefficient or based on normatively irrelevant information. Therefore, the fundamental argument of research on cognitive biases in negotiations is that bargainers suffer from fundamental misperceptions when judging the risk, the value of gambles, and other objects.

2.2. Literature review

The key assumption of the present paper is that psychological dispositions can be exploited by influencers, resulting in behavior of the target which would not have been displayed under normal circumstances. In order to analyze how such influence tactics might be effective in negotiations, the present paper now examines research findings of non-optimal and irrational behavior of negotiators. The foundation for negotiation research was laid out by Neumann and Morgenstern (1944). Their main assumption was that negotiators know their preferences and try to maximize their expected utility, which made influence an irrelevant topic to investigate. In response to this normative model, Raiffa (1982) introduced a different paradigm which changed how research on negotiation has been conducted since. He acknowledged the importance of developing accurate descriptions of opponents rather than assuming the opponent negotiator to be fully rational. Most importantly, he initiated the ground-work for dialog between prescriptive and descriptive researchers, creating a prescriptive need to descriptively understand how negotiators actually make decisions and thereby introduced research in psychology into negotiation.

Since negotiation, as a form of joint decision making, is considerably influenced by the negotiators' subjective interpretations of the dispute and its involving issues, the behaviors of both parties and their cognitive barriers to rationality should be anticipated by all negotiators (Bazerman, Curhan, & Moore, 2001). These barriers to rationality were investigated by behavioral decision researchers, who described the systematic ways in which decision makers deviated from rational behavior. Most famously, Tversky and Kahneman (1974) showed how heuristics and cognitive biases can produce erroneous judgments. Subsequent research has analyzed how participants are affected by cognitive biases in negotiations, and yielded a list of biases that impact negotiators' behavior and judgment (Tsay & Bazerman, 2009). Negotiators were now assumed to have limited attention and capacity to store and retrieve information from memory. As a result, they have to rely on heuristics and other simplifying strategies to manage information which yields predictable mistakes in their decision making. It is their systematic and predictable nature that makes these biases important to study. The level of popularity reach by literature on cognitive biases (Kahneman, 2011) allows the authors to provide just an overview on the main forms of cognitive biases usually identified in negotiation simulations. The biases of anchoring, availability, escalation of commitment, fixed pie, framing, loss aversion, and mental accounting are briefly displayed in table 1.

Bias	Explanation	Impact	Literature
Anchoring	▪ Belief relying on one first piece of information without adjustments afterwards	▪ Decision making based on partially/entirely irrelevant or wrong information ▪ Initial offers substantially affect counteroffers, aspiration levels and final settlement prices	▪ Northcraft & Neale (1987) ▪ Kristensen & Gärling (1997) ▪ Whyte & Sebenius (1997) ▪ Maaravi et al. (2011)
Availability	▪ Overweighing of easily/readily accessible information ▪ Overreliance on stereotypes and/or recent time-series or events	▪ Too much reliance on salient information produces biased judgments ▪ Decision making on the basis of seemingly relevant properties hides true bargaining situation	▪ Tversky & Kahneman (1974) ▪ Gilovich (1981) ▪ Neale (1984)
Escalation of commitment/ sunk cost fallacy	▪ Increasing commitment to already spent resources and prior courses of action ▪ Continuing with a losing course of action instead of cutting losses ▪ Situation did not appear to be a losing enterprise at first sight	▪ Ignorance of sunk costs ▪ Selective filtering of information to justify commitment ▪ Trying to appear consistent instead of admitting failures ▪ Affects expectations, reservation prices and negotiated outcomes	▪ Staw & Ross (1980) ▪ Caldwell & O'Reilly (1982) ▪ Diekmann et al. (1996)
Fixed-pie	▪ Tendency to view own preferences and those of the other side as diametrically opposed	▪ Overlooking of benefits associated with different priorities of bargainers ▪ Assuming that the negotiation pie is fixed and missing opportunities for mutually beneficial trade-offs	▪ Thompson & Hastie (1990) ▪ Boles et al. (2000) ▪ De Dreu et al. (2000)
Loss aversion/ Framing	▪ Individual preference for a sure gain over a probabilistic gain/for a probabilistic loss over a definite loss ▪ Different reaction to a particular choice when presented as a loss	▪ Negatively framed negotiators adopt more risky bargaining strategies and rather holding out for an uncertain deal than settling an agreement ▪ Still, negatively framed negotiators often outperform positively framed counterparties	▪ Tversky & Kahneman (1981) ▪ Neale & Bazerman (1985) ▪ Bottom & Studt (1993) ▪ De Dreu et al. (1994)
Mental accounting	▪ Categorization and valuing of financial outcomes (a Euro does not equal a Euro based on circumstances)	▪ Three mental incomes: current income, current wealth, future income ▪ Valuation of an object with regard to a (false) reference point	▪ Thaler (1999) ▪ Thaler & Sunstein (2009)

Table 1: Selected cognitive biases in negotiations

Source: Own illustration, following Schönbohm and Zahn (2012)

3. Framing of the argument

While a constant stream of research has investigated the impact of cognitive biases on negotiators' behavior, previous research largely remained silent on the persuasive utilization of cognitive biases in negotiations (Malhotra & Bazerman, 2008). This is even more surprising, as famous authors such as Cialdini (2009) extensively reported how professionals exploit fundamental human psychological traits in the everyday business world, including many bargaining situations. The goal of the present paper is to fill this gap, by developing negotiation tactics based on insights of cognitive bias research which can be used by bargainers to influence their counterparty.

The presented tactics are inspired by the findings of the relevant literature on anchoring in negotiations. These insights are used as a framework to derive strategies of how bargainers can utilize cognitive biases to influence the decision making of others. Anchoring is a cognitive bias which entails the basic human tendency to use an initial piece of information to make subsequent judgments - regardless of whether this information is relevant or not (Tversky & Kahneman, 1974). Literature has advised effective negotiators to make the first offer in most negotiations as it establishes an anchor for the other party's attention and expectations (Malhotra & Bazerman, 2007). Especially, if there is uncertainty about the value of the negotiated object or an appropriate outcome, the other party will take the first offer as a yardstick with which to resolve its uncertainty. Thus, anchors are most powerful under conditions of uncertainty or ambiguity (Fobian & Christensen-Szalanski, 1994). Since some degree of uncertainty affects all types of negotiations, making the first offer leads reliably to the accumulation of more resources and more power (Galinsky & Mussweiler, 2001).

While anchoring obviously presents a perfect example of the utilization of a cognitive bias in negotiations, it also is a form of psychological influence. First, it entails leveraging an understanding of psychological processes to frame proposals to increase their appeal to the other party. Second, anchoring does not alter the incentives or objective information set of the other party. Thus, research has in fact already shown that without changing the structural characteristics of a negotiation, an understanding of human cognitive processing can be used to improve one's own negotiation results. In line with this idea, the authors identified several influence tactics utilizing cognitive biases which do not aim to create compliance incentives or change what the other party knows, but rather try to increase the probability that the counterparty finds a proposal more appealing because of how the proposal is framed.

In the following, seven tactics will be illustrated by a short narration about a hypothetical negotiation situation, in which the respective tactic is applied. The illustration is followed by a brief explanation of the psychological forces acting in that particular situation, and concludes in a practical recommendation for negotiators.

4. Influence tactics utilizing cognitive biases

4.1. Loss-framing

The loss-framing tactic builds on people's tendency to pay particular attention to the announcement of negative news and their urge to avoid losses.

Frank works for a family-owned medium-sized company which manufactures high-end bearings for the automotive industry. His latest project is the opening of a new factory in South America. Due to his experience and language skills, Frank himself will likely be named the factory director if this new factory is to be built. To get the project approved, Frank has to present his investment proposal to the owner and CEO, Walther, who has a history of being frugal and prudent in investing more of his family money into new company projects. Frank is convinced that opening this new factory will help the company to gain market share, foster profits and maintain its sustainable competitive advantage. Nevertheless, he does not talk about the positive effects of the new plant during his presentation but instead emphasizes the negative effects for the company (losing market share, etc.) should Walther decline to undertake the investment. After the presentation, Walther seems to be convinced by Frank’s reasoning. He approves the building of the new plant and appoints Frank as the new factory director a week afterwards.

By focusing on the negative effects for the firms and its owners, Frank utilizes a main insight of prospect theory, that losses loom larger than gains (Malhotra & Bazerman, 2008). People rather strive for avoiding losses than for accumulating gains. Accordingly, individuals weigh information about potential losses more heavily than information about potential gains when both are of equal magnitude (Tversky & Kahneman, 1981). If someone frames the exact same set of information as a loss, it will be more influential than when it is framed as a gain. The effectiveness of loss frames compared to gain frames has especially been shown in medical environments, such as endorsing HIV testing (Kalichman & Coley, 1995), encouraging people to get skin cancer detection examinations (Schneider et al., 2001), and urging women to perform breast self-examinations (Meyerowitz & Chaiken, 1987).

The effectiveness of loss-framing in a business context was mentioned by Bazerman and Moore (2009), who reported that car dealers leverage this bias to influence car purchasers to buy unneeded car warranties. By framing information and highlighting a possibly expensive repair, car dealers increase the chance that consumers make a risk-averse choice that they would not make if they consider their options more carefully. The same line of argument applies to the reports by Cialdini (2009) of the effectiveness of a local power company’s sales strategy. The company offering products that help to insulate the home told one part of the homeowners that if they insulated their home, they would save a certain amount of dollar per day. Instead, another group was told the daily money amount they would lose if they failed to insulate their home. While the information content was kept stable in the second statement and no incentives were changed, receivers of the second message were significantly more likely to make a purchase. In upper negotiation, Frank employed such framing to induce Walther to attain a risk-averse mindset. Instead of directly stating proposals in terms of what

Walther will lose, it was sufficient to evoke risky circumstances, including possible losses when he presented his proposal.

Loss-framing: Frame proposals in terms of what the other side will lose if they decline a proposal, instead of stating the proposal in terms of what the other side will gain if they accept it.

4.2. The unsought add-on

The unsought add-on tactic draws upon the influence of reference points, loss-aversion, and mental accounting on bargainer's decision making.

Mary works in the buying department of a large e-commerce fashion store. She is about to meet a supplier for the annual end-of-the-year negotiation, in which they decide on the prices and terms for the following year. Originally, the supplier only manufactured shoes, but also began to sell other leather accessories. While Mary's company was already able to negotiate lucrative terms on the supply of shoes in the last years, they struggled to profitably sell the small, but heavily growing segment of leather accessories due to their low gross margins. Thus, Mary was urged by her boss not to leave the table without improved conditions on leather accessories. Nevertheless, Mary spends most of her time during the negotiation with the supplier on the shoes segment. She emphasizes the nice, yet stable turnover development, and importance of the overall business relationship for both companies. After both parties have agreed on slightly improved conditions for the supply of shoes, the negotiation seems to come to an end. At this point, Mary however begins to discuss terms for the supply of the leather accessories. She stresses the insignificance of its sales figures, but at the same time demands a much better deal. To her surprise, the supplier accepts her demands with only some alterations. Next day at her office, she walks into the room of her boss with a big smile on her face to present the negotiated results.

In the presented negotiation, Mary cleverly framed her most important bargaining point against the size of the overall business relationship. She thereby utilized the fact that individuals interpret outcomes in three different ways (Kahneman & Tversky, 1984): in terms of a minimal, topical, or comprehensive account. Research has illustrated that framing a decision will not impact choices if an individual is using a comprehensive account for decision making (Thaler, 1999). In real-world negotiation situations though, framing does alter choices: Negotiators use a topical mental account which relates the consequences of possible choices to a reference level determined by the context of the decision, and thus is influenced by the context of the choice.

Accordingly, Tversky and Kahneman (1981) asked individuals if they would drive additional 20 minutes to another store for a five dollar discount on a calculator or jacket, priced at either $125 or $15. They reported that most individuals would drive for 20 minutes to save $5 when the item is worth $15 but not when it is worth $125. If individuals were using a minimal or comprehensive account, there would be no difference in the answers. Instead, individuals did not objectively assess the costs but evaluated them in relation to a salient reference point.

When Mary asks for improved conditions on leather accessories, the supplier looks for help when he is assessing the importance and value of Mary's final request. Such a support is provided by a salient reference point (the whole size of the supplier relationship), on which negotiators so far had been focused. Research suggests that ceteris paribus if this reference point grows in magnitude, a certain sum will become less valuable to negotiators. By steering their communication style like Mary, effective bargainers often have the power to pick the reference point which is made salient to the other party. Thus, effective negotiators can leverage this power for psychological influence.

This influence cannot only be employed when asking for a concession but also for selling purposes. Car salespeople leverage this insight when they pitch add-ons during a sales process (Malhotra & Bazerman, 2007). When the buyer has already agreed to pay a huge sum for the car itself, he is likely to pay additional smaller sums for add-ons like sound or heating systems. The store set-up of IKEA follows the same idea. After the store visitors have been exposed to big, rather expensive pieces of furniture, the purchase of smaller household goods, displayed in the second part of the store, is more likely to be interpreted as a negligible expense.

The unsought add-on: When asking for a concession, frame the concession against the larger magnitude of the whole contract.

4.3. The cheap concession

The following tactic utilizes the fact that, due to loss aversion, people put a higher value on an object that they own than on an identical one which they do not.

Linda is offered a new job as a vice president by a rival of her current employer. Although she is flattered by the offer, she loves her current job and does not want to leave her company. Nevertheless, she takes the job offer as a chance to renegotiate her current employment contract. Thus, she meets with her boss for a wage negotiation and starts by demanding a 20% wage rise. Her current offer includes fixed and variable salary components, as well as a company car. However, Linda is a vintage car enthusiast, and prefers to drive her beloved 1968 BMW. Thus, when her boss declines her first demands as outrageous, she can easily signal to waive the company car in exchange for a wage rise. Her boss is happy that he might be able to save costs of leasing a luxury sedan, but as a tough negotiator he continues to bargain. After a long and exhausting negotiation, they both agree on a 15% wage increase and Linda renounces her company car. She leaves the meeting satisfied, while her boss on the other hand promises himself that he will never grant anyone such a high salary increase again.

Linda was able to foster her bargaining position by making an early concession, whereas her boss became more attached due to the effectiveness of the endowment effect. This bias contradicts the Coase theorem and the standard economic idea of indifference curves, and highlights that individuals often demand much more to give up an object than they would be willing to pay for it (Kahneman, Knetsch, & Thaler, 1991). Accordingly, their willingness to part with an item demands a higher price than their willingness to pay for it, once their property right to it has been established. Due to loss aversion, they will pay more to retain something they own than to obtain something they do not yet own. The endowment effect obviously has huge implications for the role of buyers and sellers in negotiation. One can assume that demands by owners tend to be significantly higher than expected by buyers (Galin, 2012). When negotiators sell an item, they may perceive their outcome as a loss (Bottom, 1998). As compensation, they raise the negotiation risk by quoting a price that they themselves would not be willing to pay if they would be buying it.

While researchers usually used tangible objects such as coffee mugs to examine the endowment effect (Kahneman, Knetsch, & Thaler, 1990), more recent studies have found that the same impact of ownership can be found in negotiations over intangible assets (Galin, Sapir, & Kela-Egozi, 2006). During a negotiation process, parties constantly gain virtual possession on single attributes and afterwards feel entitled to the specific value on this attribute (Gimpel, 2007). Heyman et al. (2004) called this phenomenon of attachment to a not yet owned item the quasi-endowment effect. It influences the reference point negotiators use to value proposals of the other party. Like in the case of Mary’s boss, preferences depend upon the specific negotiation process, and the offers made during a negotiation will impact the expectation of the negotiation’s outcome (Kőszegi & Rabin, 2006).

Obviously, Mary uses the impact of the endowment effect by framing her proposal in a way that her concession is seen by her boss as a part of his endowment. Since giving up such a concession would be viewed as a loss, her boss puts a higher value on this item. This circumstance alone does not foster Mary’s bargaining power. However, once parties start to make concession reciprocally, her boss becomes attached to the earlier proposed concession. Thus, he agrees upon the final deal which entails the same concession but with a huge improvement for Mary’s position, which is in fact an additional concession that really hurts her boss’ own negotiation outcome.

In general, negotiators should be careful to express proposals which promise the counterparty items which are essential for their own negotiation outcome. Since such a proposal increases the attachment of the counterparty to these items, negotiators will later have to pay a lot more in form of other concessions to win these attributes back.

The cheap concession: Make early concessions which only include items of low personal value.

4.4. The Janus-faced present

Similar to the cheap concession tactic, the next tactic also obtains its effectiveness because of the endowment effect.

Marcus has been an entrepreneur his whole life and has built up a small chain of pizza joints all-around his city. Last year, he decided to retire and to sell his fast-food chain to his former competitor “Pizza Palace”. If “Pizza Palace” buys Marcus’ pizza joints, they will control the local fast-food pizza market, and Marcus can fulfill his lifelong dream of buying an estate in the countryside. While both parties are aware of their mutual interests in a successful transaction, they have not agreed on the final buying price yet. Marcus starts the last price negotiation by offering a non-competition clause to his counterparty. Although “Pizza Palace” has not asked for such a clause and regards the risks of Marcus reentering the local fast-food market as low, they obviously do not reject this part of his proposal. In the final phase of the negotiation, both parties still differ in their valuation of Marcus’ pizza joints, but now Marcus offers “Pizza Palace” a final choice between buying his joints at a price of 1.5 million euros with him promising not to compete in the local fast-food market or buying his joints at a price of 1.4m without him making such a promise. “Pizza Palace” chooses the first option and Marcus walks away with enough money to not only purchase estate in the countryside, but also a matching cabriolet.

By granting “Pizza Palace” the virtual possession over his right to compete with them in market, Marcus smartly utilizes the power of the endowment effect. By granting “Pizza Palace” the virtual possession of his right to compete with them, Markus makes sure that “Pizza Palace” gets entitled to the specific value of this right, an element of low value for both parties. However, he is reluctant to make any concession regarding the more important selling price. In the later stage of the negotiation, he uses the other party’s endowment to the less important attribute to demand a higher price for his pizza joints. In other words, the endowment effect causes that “Pizza Palace” values the sum of all pieces of the pie higher. Thus, Markus’ own share of the pie ceteris paribus grows when the pie is split afterwards. Further, such an approach can be also used to increase the likelihood that the other party agrees to a deal which would not have been acceptable without the artificial value alteration due to the earlier established endowment.

The Janus-faced present: Make early proposals which include only concessions of low objective value.

4.5. Smart (de)aggregation

The smart bundling tactic uses another insight of prospect theory. Since bargainers make decisions based on the potential value of losses and gains rather than on the ultimate result, their decisions are vulnerable to psychological influence (Malhotra & Bazerman, 2008).

Josh's company manufactures mid-sized gas turbines, and has just launched a new and more efficient version of its previous bestselling model. Josh meets with one of the company's key clients to discuss the replacement of several old turbines with the new model. Josh is aware that it is vital for his success to explain the cost-saving effects of the new model, as it is priced at a relatively high level and its purchase will cost the client several million euros. During the meeting with his client, Josh decides not to talk about the overall economies in costs if the client decides to replace all his machines. Instead, he rather focusses on the cost-saving effects of a single turbine and compares them to its purchase price. By virtue of his remarks, his client clearly recognizes that the acquisition of a single machine will break even in less than two years, and finally agrees on replacing all the old turbines with the newer model.

How did Josh get his client to purchase the set of new turbines? Josh acknowledged that individuals prefer receiving money in several payments but losing money all at one. Due to diminishing marginal utility associated with gains and diminishing marginal disutility associated with losses, people view additional gains more pleasurable than the initial gain, and additional losses not as painful as the initial loss (Kahneman & Tversky, 1979). Thus, by focusing on the positive effects of each single turbine, Josh increased the associated value for his client. Due to people's different evaluation of losses and gains, such a tactic can work both ways. On the one hand, negotiators can disaggregate the other side's gains to maximize its pleasure like Josh did. On the other hand, they can also try to aggregate the other side's losses to minimize its pain. Thus, a wise negotiator would not ask for a series of smaller concessions, but would rather bundle these parts into a single concession of a certain amount of money. The same logic applies to the communication of good and bad news. One should let out positive information piece by piece whereas bad updates should be bundled and reported all at once in order to (min)maximize the other party's (dis)comfort.

Smart bundling: In a proposal, include two or more small gains instead of one gain of equal magnitude.

4.6. Stonewalling

The often displayed behavior of delaying and decelerating negotiations cannot only be attributed to a possibly insecure bargaining behavior. Instead, it is often used deliberately as a tactic which can increase the chance of the other party's escalation of commitment.

Sophia is with her present employer for just over 7 years, and feels like it is time for a change. Still, she is only willing to move to another city for her new employer if her salary increase is significant. Thus, when she is contacted by her new employer after she had her job interview, she is reluctant to accept the job offer or enter negotiating talks. Instead, she argues that she needs more time to think it through. During the next week, her new employer constantly tries to contact her and keeps asking for a final decision which Sophia is not willing to make, although she mentally wants to change her job. Several weeks she is holding out on her new employer and leaves him languishing in uncertainty.

After one month, she finally agrees to enter talks with him. During the meeting with her new boss, she tells him her salary demands. Although Sophia feels that it is hard for her new boss to swallow, he accepts her demands without renegotiating and decides to hire her.

While some people might think that Sophia's course of action was rather risky, her behavior showed that she was aware that individuals' desire to appear consistent exerts considerable influence over their behavior. Once people have taken a stand, they tend to behave in ways that are stubbornly consistent. The behavior of Sophia's new employer was an example of the many occasions where individuals can become locked into a costly course of action, and even escalate their commitment to it (Staw, 1981). After a negative feedback, individuals stick to their course of action because of the underlying mechanism of self-justification which describes the desire of individuals to justify their past behaviors and the choices to maintain positive, consistent self-perception (Burger & Guadagno, 2003). Sales professionals often exploit this principle by inducing people to make an initial commitment which is consistent with the later requests they will ask for. A common example is the foot-in-the-door technique (Cialdini & Goldstein, 2004). After bargainers ask for a small favor that is certainly granted, they continue with a request for a larger favor to which people might agree on in order to stay consistent with their prior course of action. Thus, negotiators not only obtain more easily approval for a large sale after the buyer has agreed to a smaller initial purchase, but also an ultimatum may appear more attractive if the target negotiator has to self-justify a large amount of time invested in the deal (Malhotra & Bazerman, 2007).

Stonewalling: Force the other party to invest more time and additional resources in the negotiation.

4.7. The decoy

The final tactic is based on another irregularity of human decision making. The inclusion of an additional, yet clearly unattractive option can cause a change in the choice behavior of individuals.

Victoria does not understand why this condominium is so hard to sell. Although, its three rooms are fully renovated and it is located in a nice neighborhood, she has been looking for a potential buyer for over a year. Nevertheless, the current owner is unwilling to lower his price expectations. Even as his broker, Victoria cannot convince him to lower the price. When Victoria figures out that nearly the same but not renovated flat just a floor below will be up for sale at a much lower price in few weeks' time, she nearly gives up on selling the apartment. Thus, she is incredibly pleased when she receives a call from Peter who is interested in a similar, nearby condominium in Victoria's portfolio. The next day, Victoria not only shows Peter the requested apartment but also offers to show him the renovated apartment, as well as the not renovated one, which is not officially up for sale yet. Peter accepts to take a look at the slightly more expensive options just around the corner. After showing him both flats, Victoria claims that the second, not renovated flat is for sale at exactly the same price as the renovated one and earns astounded glances by Peter. The next day, Peter calls Victoria and says that he feels that the second renovated apartment presents a good value for money and that he would love to take it if it is still available.

The upper story presents an example how framing information by including a decoy affects the behavior patterns of individuals. Victoria deliberately presents Peter another third, only hypothetical option to make the actually relatively expensive apartment look more reasonably priced. In general, the decoy effect is an example of the violation of the independence of irrelevant alternatives axiom of decision theory (Tversky & Simonson, 1993). It argues that individuals who heuristically examine the dominance relationships between alternatives also take irrelevant information into account when making a choice (Bettman, Luce, & Payne, 1998). This effect is also called the asymmetric dominance effect and describes the change in choice behavior when individuals are presented two options and another third which is completely dominated by one option and only partially dominated by the other (Huber, Payne, & Puto, 1982). This asymmetrically dominated alternative is called the decoy, since it is (almost) never chosen as the best option but still influences decision making (Ariely & Wallsten, 1995). The decoy also features the principle of loss aversion. Since Peter thought that the dominant options presented a bargain compared to the dominated option, he became afraid of missing out and loosing this seemingly unique opportunity. Thus, Victoria knew that Peter would be more likely to choose the renovated apartment (the dominating option) if she would also present him the not renovated one (the asymmetrically dominated option).

The application of this effect in the business world has been most famously described by Ariely (2010). Based on a real-world example, he gave participants of a study the choice between several subscription options (internet-only, print-only and print-and-internet) for the magazine "The Economist". The inclusion of a decoy, the print-only option which was priced the same as the print-and-internet option caused more people to choose the more expensive print-and-internet option which lead to a revenue increase of over 46%.

The decoy: Include another fake-option (the decoy) when presenting two options to choose from in order to increase the probability that the more profitable one will be chosen.

5. Final considerations

The objective of the present paper was to conceptualize the rather unexplored domain of psychological influence in negotiations. The scope was focused on influence tactics which leave the incentives of the other party untouched. Therefore, this paper leveraged insights about the cognitive biases of negotiators to develop seven possible tactics to influence others in negotiations. The proposed tactics are summarized in the upcoming table.

Name of the tactic	Underlying psychological principles	Proposed negotiation strategy
Loss-framing	▪ Loss aversion ▪ Framing	▪ Frame proposals in terms of what the other side will lose if they decline a proposal, instead of stating the proposal in terms of what the other side will gain if they accept it.
The unsought add-on	▪ Loss-aversion ▪ Reference points ▪ Mental accounting	▪ When asking for a concession, frame the concession against the larger magnitude of the whole contract.
The cheap concession	▪ Loss-aversion ▪ (Quasi-)endowment effect	▪ Make early concessions which only include items of low personal value.
The Janus-faced present	▪ Loss-aversion ▪ (Quasi-)endowment effect	▪ Make early proposals which include only concessions of low objective value.
Smart (de)aggrega-tion	▪ Reference points ▪ Mental accounting	▪ In a proposal, include two or more small gains instead of one gain of equal magnitude.
Stonewalling	▪ Escalation of commitment ▪ Sunk cost fallacy	▪ Force the other party to invest more time and additional resources in the negotiation.
The decoy	▪ Asymmetric dominance effect	▪ Include another fake-option (the decoy) when presenting two options to choose from in order to increase the probability that the more profitable one will be chosen

Table 2: Negotiation tactics overview

While some of these links between the findings on cognitive biases and negotiation research have already been demonstrated in literature, most of these connections have so far not been explored extensively. Due to the vast and still growing amount of literature on cognitive biases, as well as contiguous topics, the list presented above is not at all intended to be complete. It rather presents a first selection of prominent biases whose impact on negotiations has been either already demonstrated or seem to be naturally connected to the sphere of negotiation.

Therefore, most of the mentioned bargaining tactics are rather classical and regularly and widely employed in bargaining situations. Still, the provided theoretical foundation of these tactics helps to understand why these can actually be employed successfully.

Especially promising for future research are the tactics based on the endowment effect. Although, its impact on negotiators has been frequently reported in research, so far no author has been found who referred to its tactical utilization. Since granting virtual possession over a good is inherent in the reciprocal taking and giving process of haggling, it seems even more surprising that the endowment effect has not been used to explain implications of some of the most fundamental negotiation processes.

Before discussing limitations of the prior analyses, it is important to point out that the nature of the present paper is theoretical. Hence, the previously discussed tactics are open to empirical verification. While the long-standing and continuous empirical validation of prospect theory increases the probability of psychological influence tactics, working in the proposed way, claiming that negotiators can employ them effectively independent of situational factors would be hasty. Rather future research should investigate their effectiveness in real negotiation contexts. Thereby, special attention should be paid to situational variables involved, such as negotiators' expertise and experience, as well as the length of their relationships. This is even more important as all value-claiming strategies share the same risks. If both sides employ them, negotiators are faced with increased risk of destroying a possible agreement (Bottom & Studt, 1993). They might fall short of what could have been obtained if both parties had used more cooperative strategies. Thus, the utilization of psychological influence tactics increases the risk of negotiators leaving the table with no gains at all.

Further, the domain of ethics which was neglected in the present discussion is important for the effectiveness of these influence tactics and could yield fruitful insights in future research. In fact, the present paper assumes that value-claiming influence tactics can be used by negotiators to improve their negotiation outcomes. In order to test this hypothesis, one has also to analyze the role of trust in negotiations. If the utilization of such value-claiming tactics is perceived as a refutation of the negotiator's trustworthiness by the other party, it will lead to an erosion of the negotiators' trust relationship, and might impede the overall value-creation, as well as effectiveness of the whole negotiation process. Especially, future research should inspect the situational factors of a negotiation when discussing the ethical implications of psychological influence tactics. On the one hand, counterparties might scrutinize any previously built trust-relationship, once they discover that they have been subject to psychological influence. On the other hand, the competitive nature of negotiations could justify the employment of such influence in their eyes.

It might also be of interest for negotiators, who has been subject to psychological influence to discuss and develop countermeasures that negotiators should use against parties who employ such tactics, thereby taking advantage of the other party's cognitive biases. These debiasing methods might not fully overcome biases during negotiations, but might help bargainers to become less vulnerable to exploitation.

Moreover, this paper has only analyzed how psychological influence tactics can help to claim value. The potential of utilizing them to create mutual value exists as well. Sometimes, even mutually beneficial ideas can be declined by closed-minded, defensive, untrusting, or incompetent negotiators, who devalue any proposal from their counterparties (Ross & Stittinger, 1991). In such a case, cautiously framing a proposal might allow the reduction of barriers to conflict resolution and create mutual benefits for all involved parties. The previously provided review on the role of information processing on behavioral and attitudinal changes offers a starting point for such analyses as well. Similarly, psychological influence tactics can be used to create subjective value for negotiators. Negotiation research has shown that it is important for involved parties to leave the negotiation with a feeling of satisfaction (Oliver, Balakrishnan, & Barry, 1994). Consequently, negotiators interested in a long-term and fruitful relationship with the other side might utilize psychological influence to increase the contentment of their counterparty.

The paper has also touched upon the Janus-faced nature of negotiation, and the negotiators' dilemma which stems from this tension between value creation and claiming. Effective negotiators spend more time on creating value than on value claiming as most negotiations offer the possibility for mutually advantageous solutions. Still, one has to acknowledge that there are certain parts of a negotiation, or even entire negotiations, where the claiming of value is prevalent. If the nature of the negotiating requires it, effective negotiators need to be capable of more aggressive and confrontational tactics as well. Tactics based on the utilization of cognitive biases distinguish themselves from other aggressive bargaining tactics through their subtleness. Therefore, though they might not be effective against hostile counterparts in purely distributive negotiations, they could be successfully employed in integrative negotiations without impeding the negotiators' relationship.

However, negotiators in practice have to be aware of limits of employing negotiation tactics. Since they might lead to a variety of negative consequences for the value creation in negotiation, bargainers should carefully consider the possible consequence of psychological influence tactics. Only if the situation allows for utilizing such tactics without damaging the long-term relationship between the involved parties, should they think of the most effective psychological influence tactic to employ. This remark should be taken seriously as the impact magnitude of these influence tactics on negotiation results has not yet been examined.

In a nutshell, the present work has argued that negotiators can utilize bargaining to improve their negotiation results. Since information is a major source of bargaining power, thoughtfully altering information is likely to lead to improved negotiation outcomes. Thus, it seems puzzling why most research on negotiation has so far neglected how to influence the decisions and perceptions of others without changing their payoff structure. While the limitations of the present paper hamper the possibility to give solid and grounded recommendations for practitioners, the prior analyses have shown that contrary to the main line of negotiation research bargainers do not need to change the structural elements or incentives of a negotiation in order to influence their counterparties. By playing on cognitive biases which cause predictable mistakes in human decision making, real-world negotiators can ease their task of selling proposals, persuading reluctant counterparties, and convincing them of the merits of their offerings.

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