

Under Representation:

Concession-Making in Negotiation When Not Negotiating for Oneself

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ABSTRACT

While many scholars have discussed the role of agents in negotiation, the matter of principal (constituent) behavior in negotiations where agents are used versus principal behavior in direct negotiations has gone unstudied. We suggest that agents create a social distance between principals that inhibits cooperative behavior between principals. We predict that principals that negotiate through agents will make fewer concessions than will principals that negotiate directly, and that this effect is amplified when the relationship between principals is negative. We find that the presence of agents alone is not enough to observe the hypothesized effect, but that when the relationship between principals is characterized as competitive, or when one party to the negotiation is thought to have an unethical reputation, that principals negotiating through agents make fewer concessions.

Keywords:

brokered negotiation; social accountability; social distance

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Parties involved in a dispute or bargaining situation often employ agents to negotiate on their behalf. In some negotiation contexts agents are employed because it is not feasible or practical for constituents to negotiate face-to-face. For example, agents may represent a contingency of several hundred to several million; such is the case with organized labor or democratic nations. However, there are other negotiation contexts in which agents are commonly involved where it might be perfectly reasonable for principals to choose to negotiate on their own behalf. Imagine a first-time car buyer bringing along a friend or family member to bargain with the dealer, a businessperson who sends their attorney to negotiate the terms of a deal with a supplier, a homebuyer. These are all situations where, depending on circumstance and individual preference, principals might negotiate on their own behalf or secure someone else to do their negotiating for them. Over the course of a negotiation, how the demands and concessions that principals make in a negotiation mediated by an agent or broker differ from the demands and concessions that principals make when negotiating on their own behalf is the research question that drives the present investigation.

Scholars that have worked on the problem of agents (or brokers) in negotiation have focused primarily on the behavior of agents in negotiation and the (mis)alignment of agents' interests with that of their constituents (e.g. Benton & Druckman, 1974; Croson & Mnookin, 1997; Enzle, Harvey & Wright, 1992; Pruitt & Carnevale, 1993). These issues have been explored in myriad contexts, from international diplomacy (Babbitt, 1999) and labor negotiations (Mckersie, 1999), to litigation law (Croson & Mnookin, 1997) and real estate transactions (Bazerman, Neale, Valley & Zajac, 1992). While these studies often discuss constituents in

terms of their interests being adequately represented by their agents, or by contrasting the negotiating behavior of agents versus non-agents, these articles fail to discuss how the mere presence of agents affects the demands principals make of their counterparts. In this case, we are talking about situations where principals have not given complete decision-making authority to their broker, but rather more tactical decision-making. Imagine again the first-time car buyer who asks a friend to negotiate with the dealer on his behalf. Prior to the negotiation, the car buyer give his friend explicit instructions as to how much he is willing to pay, what he would ideally like to pay, and perhaps a specific first offer he would like his friend to make on his behalf. The negotiation scenarios used in the three experiments reported here are modeled after this prototype (though in a home-buying context rather than a automobile purchase) where the principal has complete decision-making power over the actual offers made, can provide his or her agent with suggestions on how to present an offer or counteroffer, but who leaves any and all direct communication between him or herself and his or her counterpart to the agent.

This area of research is important to the negotiation and conflict management literatures because results may inform (1) whether or not, or in what situations it is wise for principals to chose to negotiate for themselves or through an agent and (3) the norms and procedures that govern how institutional bargaining or dispute resolution systems are formalized.

In this study, we explore the how negotiating through an agent affects the competitive orientation of principals. There are several reasons to suspect that principals in broker-mediated negotiations will behave more competitively and make more aggressive demands than would principals who negotiate for themselves. We begin to make a case for this general proposition by first reviewing three related, but distinct theories which inform our thesis: (1) theories of social distance and liking, (2) social accountability and the audience effect, and (3) a theory of

role expectations. We next draw on these theories to make specific predictions regarding principal behavior in negotiations using brokers, and how these behaviors may vary by both the quality of the relationship principals have with one another and principals' reputations. We then report the findings of three experiments which test these hypotheses. Finally, we conclude with a discussion of how this work informs relevant theory.

Theoretical Background and Hypotheses

Social Distance and Liking. When agents are employed to represent the interests of principals, the effect, whether intended or not, is to create an increased social distance between principals. We expect that because of this social distance, a brokered negotiation will inhibit the kind of social dynamic that leads to more cooperative, creative deals. Social psychologists have long known that self-disclosure leads to attraction and liking in interpersonal relationships (Jourard, 1959), even when the degree of self-disclosure is trivial or superficial (Worthy, Gary & Kahn, 1969). Furthermore, when a party makes a personal disclosure, not only does this lead to more liking by the other party, but the disclosing party also tends to like the other party more as well (Collins & Miller, 1994). Moore, Kurtzberg, and Thompson (1999) suggest that disclosure amounts to the basis for a positive relationship. They hypothesized and found evidence to support the claim that a degree of pre-negotiation self-disclosure among strangers would lead to greater rapport, and that rapport among negotiators would in turn lead to lower levels of impasse in negotiation. Thus, unrestrained by the social norms that contribute to liking, and thus cooperation in direct interaction, parties whose interests naturally diverge may be more prone to taking hard, defensive stands and less inclined to conceding value for the sake of coming to a negotiated settlement.

The Audience Effect and Social Accountability. Prior work has demonstrated the effect of audiences on negotiator behavior (Rubin & Brown, 1975). When negotiators are being observed, cultural norms are, in effect, enforced. Western negotiators, for instance, are expected to negotiate more competitively (Gelfand & Realo, 1999), consistent with their cultural identity prototype, and attempt to claim more value for themselves than when not under observation.

In a negotiation where agents are used, the agent is in effect an audience to the demands and concessions that principals' make. Principals are submitting their demands to the scrutiny and critique of agents as they express their interests and expectations. For this reason, we expect principals' self-consciousness in the presence of agents, who may be considered experts in negotiation, will lead to principals overstating their expectations and therefore making higher demands than will principals in negotiations where agents are not used.

Role Expectations. Rubin and Sander (1988) suggested that two reasons agents are employed in negotiations are that the agent may have substantive knowledge about the issue that the principal does not or that the agent has more expertise regarding the specific process of the negotiation in a given bargaining context. In situations where agents are employed for at least one of these reasons, the principal may believe that the agent will be better able to secure an attractive deal than the principal would be capable of doing on her own. Croson and Mnookin (1997) showed that constituencies can signal their competitive or cooperative intentions by the reputation of the lawyers they choose to represent them. We therefore expect that because principals expect their agents to negotiate better deals than they would be able to secure if negotiating on their own, that principals in distribute bargaining contexts will have higher outcome expectations and subsequently be oriented less towards cooperative or conciliatory behavior when using a broker than when not.

These three theoretical paradigms support the integrated theoretical position that agents create a social dynamic in negotiations between principals characterized by a social distance which restricts self-disclosure, inhibits liking and rapport-building, all of which might lead to more cooperative intentions and behaviors in a negotiation. Therefore we expect that in negotiations where agents are used, principals will take harder, more defensive stances and make fewer and smaller concessions.

Hypothesis 1: Individuals negotiating through agents will make fewer concessions than will individuals negotiating on their own behalf.

Relationship Framing

We have hypothesized that negotiating through agents will inhibit cooperation because agents create a social distance which inhibits the development of rapport and liking. In other words, we believe that the use of agents in negotiation degrades, or at least inhibits the development of more meaningful relations between principals. If the quality of a relationship is important in predicting the competitive or cooperative behaviors of negotiators within that relationship, it becomes important to evaluate how existing characteristics of a relationship between principals might also effect the demands and concessions principals make of one another in a negotiation, and how these effects might interact with the effect of using agents to negotiate on one's behalf. In this paper we discuss two types of relationship frames. The first is the general cooperative or competitiveness of the relationship; the second, how reputations of ethicality effect relationships.

Quality of Relationship. Prior researchers have found that when players in sequential games display cooperative tendencies, cooperation is reciprocated (Berg, Dickhaut, & McCabe, 1995; Pillutla, Malhotra, & Murnighan, 2003). In fact, the level of cooperation an individual displays has been shown to be proportional to earlier displays of cooperation by one's opponent

(Pillutla et al., 2003). Where the prior experience of principals has been less-than-cooperative, we expect that future interactions will remain less-than-cooperative and be manifest by higher demands. Likewise, the reverse we also believe to be true, that when participants have observed cooperative or conciliatory behavior in the past, they will be more likely to reciprocate with cooperative behavior in the future. We expect these results to have an additive moderating effect on behavioral outcomes such that the effect predicted in Hypothesis 1 will be amplified in competitive relationships.

Hypothesis 2: When the quality of the relationship between principals has been competitive (self- rather than other-interested), principals will make less concessions than when the quality of the relationship between principals has been cooperative.

Hypothesis 3: The effect of negotiating through a broker (i.e., making fewer concessions if negotiations occur via a broker) will be stronger when the principals' relationship is competitive.

Reputation. Relationships are also affected by what individuals know of each other from sources outside personal experience. Reputation has been linked to interpersonal trust (Lewicki & Bunker, 1995), and trust is clearly helpful in establishing the kind of relationship that fosters cooperative interaction. Or, perhaps state in the inverse the claim is more convincing: distrust inhibits cooperative relationships from forming because trust is formed as the expectations of a kind of future behavior based on the observation of past behavior (Rosseau, Sitkin, Burt, & Camerer, 1998).

Prior negotiation research has shown that the information individual's have about the tendencies or tactical intentions affects negotiator behavior and performance (Diekmann, Tenbrunsel, & Galinsky, 2003; Tinsley, O'Connor, & Sullivan, 2002). We suggest here that information regarding the ethicality of a negotiation opponent—meaning that an opponent has a reputation for either ethical or unethical behaviors—will affect concession-making in a similar

was as to what was hypothesized above. Specifically, that negotiators faced with an unethical opponent will demonstrate more defensiveness, take a harder stance, and concede less value. We also expect these results to have an additive moderating effect on the behavioral outcome predicted in Hypothesis 1.

Hypothesis 4: Principals faced with a counterpart who has an unethical reputation will make less concessions than when faced with a counterpart who has an ethical reputation.

Hypothesis 5: Ethical reputation will moderate the effect of broker-mediation on demand-making such that principals will make more competitive, aggressive demands (thus fewer concessions) than will principals in non-broker-mediated negotiations only when a principal is faced with a counterpart who has an unethical reputation.

EXPERIMENT 1

Our first experiment was designed to test Hypothesis 1—that individuals negotiating through agents will make fewer concessions than individuals negotiating directly one with the other. For Experiment 1, we designed and wrote a home-buying scenario to test this hypothesis. In the United States, individuals selling and buying homes often do so with the help of a real estate agent. Real estate agents, when procured, often negotiate the terms of a deal on behalf of their clients, either with the agent representing the other party, or directly with the other party if he or she has not retained the services of a real estate agent.

In this experiment, all participants are home sellers and the role of buyer is simulated by a computer program. Participants are led to believe that they will be negotiating the sale of a hypothetical house with another person online in a procedure similar to that used by Van Kleef, De Dreu, and Manstead (2004). Participants are told either that their offer will be relayed by broker (in the agent condition) or that they are negotiating directly with the buyer.

Method

Procedure and negotiation task. We adapted the computer-mediated negotiation method used by Van Kleef, et al. (2004) for our unique online participant population. Those who chose to participate were directed to a website where the exercise was explained. Participants were told that they would negotiate online over the sale of a house, and were led to believe that the study was about one-way communication flow in negotiation. They were then introduced to the negotiation scenario, completed no more than six rounds of the exercise, and then were asked to complete a questionnaire. In order to make the simulation more believable, participants were told that they can only participate at certain times of the day and only then if another participant is available. In reality, if a potential participant logs on during “open” hours, he or she will be able to complete the exercise.

Participants were told they are selling a house, have tentatively agreed to a selling price with the buyer, and are now engaged in negotiations over additional demands presented by the buyer after the house was inspected. The issues at stake are (1) the cost of repair or replacement of the house’s second-story deck posts, (2) furnace (and (3) who assumes responsibility for installing a new furnace), and (4) gutters, as well as (5) the date of closure (when ownership of the property will be legally transferred). After the issues are explained, participants are presented with a payoff chart (see Table 1) which details the payoff values for the various options under each issue. Participants were instructed to negotiate the best deal possible, but that there were no other prospective buyers so that if no agreement was reached, an additional financial penalties (continuing to pay the mortgage on an empty house) were likely.

Experiment 1 was designed with two experimental conditions: a broker (agent)-mediated and non-mediated negotiation. Participants in the agent condition were told that their offers would be relayed by another participant playing the role of their real estate agent. They were

told they should give any textual instruction to the agent they desired, and were told the agent would negotiate on their behalf (in terms of making written arguments), but could not respond to their comments other than by relaying the buyer's counteroffer. Participants in the control condition were told they could write freely to the buyer, but that the buyer could not respond other than with his or her counteroffer.

To encourage participants to fully engage in the experiment, they were told that the best performers would increase their odds of winning a \$100 price from 1:100 to 1:50 (in reality, all participants had better than a 1:50 chance of winning the lottery).

After these instructions, a screen appeared giving participants the impression that they were being remotely connected to another participant (control condition) or participants (agent condition) in the simulation. Once connected, participants were instructed to make an offer. Participants were required to accompany their offer with a text message that they were told would be passed on directly to the buyer (non-mediated condition) or their agent (broker-mediated condition). After submitting an offer, participants were surveyed on five items—(1) satisfaction with negotiation process, (2) confidence in securing a good financial outcome, (3) trustworthiness of the buyer, (4) sufficiency of communication between buyer and seller, and (5) how ethically the buyer is behaving—then asked to wait while the buyer considered the offer and made her next offer (control condition) or while the agent passed on the offer to the buyer, the buyer considered the offer and made her next offer (agent condition). This process continued until an agreement was reached or six rounds had passed, following the reasoning of Tripp and Sondak (1992). The buyer (simulated by computer program) followed a pre-programmed rate of concession which did not vary across participants and which, through six rounds, conceded approximately one third of the bargaining zone in an approximately linear pattern.

Participants. Participants were drawn from the Vanderbilt eLab research panel. eLab is part of the Vanderbilt University Sloan Center for Internet Retailing and is funded by a grant from the Alfred P. Sloan Foundation. eLab maintains a panel of over 50,000 internet users who have volunteered to participate in behavioral research projects. All panelists are at least 18 years of age. To invite participation, emails were sent to several hundred randomly selected registered volunteers residing in the United States. Only potential participants age 30 or more were sampled to increase the probability that participants had direct or tangential experience with the buying or selling of a house. Each received an initial email announcing the study and two follow-up emails. Potential participants were told that if they completed the study would have at least a 1 in 100 chance of winning \$100, but that the best performers could increase their odds of winning \$100 to 1 in 50. In reality, all participants who completed the exercise had a better than 1 in 50 chance at winning the \$100 lottery. One hundred twenty participants completed six rounds of the negotiation. Of them, 33 were men, 87 women; 43 percent reported having graduated from college; the average participant age was 47. Participants were randomly assigned to either the agent (broker-mediated) or control conditions and the cooperative or competitive conditions.

Dependent Measures. The dependent variable in Hypothesis 1—concession-making—is measured at each round as the cumulative value the seller (the participant) has conceded to the buyer (simulated by computer program). Because each participant included in the sample completed six rounds of negotiation, the dependent variable was collected six times. Thus, the dependent variable is a six-factor repeated measure of the total value conceded by the seller.

Other Measures. The agent variable was manipulated by modifying the text in several places to make it clear to those in the agent condition that they were communicating directly with

another participant playing the role of their real estate agent, and that this person could repackage their communication, but not the specifics of their offer, to a third person paying the role of the buyer. In reality, no other participants were involved and these roles were simulated by a computer program. The following is an example of some of the scenario text used in the agent condition:

Throughout the negotiation, you have been communicating with the buyer through your real estate agent and will continue to do so. This is generally the practice in making these sorts of deals.

...

Through your agent, you have learned that there are several issues the buyer has brought up after having the house inspected. These items are explained in the table below.

And in the corresponding text in the no agent condition:

While up to this point you have used a real estate agent to broker the deal, you have decided to negotiate the issues brought up by the inspection directly with the buyer. By eliminating the hassle of communicating through a middleman, you may be able to secure a better deal.

...

There are several issues the buyer has brought up after having the house inspected. These items are explained in the table below.

Gender was also measured (operationalized as biological sex) and included in all analyses as a control variable.

Analysis. The dependent variable in Hypothesis 1 is concession-making. In this experiment, the cumulative value is a repeated measure of the cumulative value conceded by the seller in rounds 1 through 6. To test hypothesis one, we used a repeated measure ANOVA with six within-subject variables (cumulative seller concession in rounds 1-6) and the agent manipulation variable as the between-subjects factor.

Results

Figure 1 shows the cumulative value concession of sellers by round. The figure visually illustrates what Table 2, column 1 statistically verifies. that over six rounds, there is no significant difference between participants in the agent versus no agent conditions in the magnitude of concessions made (within-subjects effect of round X agent, $F = 0.18$; ns) or the rate of concession-making (between-subjects effects of agent on concession-making, $F = 0.03$; ns). In repeated-measures ANOVA, a significant F value for a particular variable in the test of within-subject effects shows that the effect of that variable significantly impacts the slope of the line created by a plotting of the dependent variable from measure to measure (see Figure 1 for said plot). The between-subjects effect of a variable, if significant, indicates that the variable makes a significant difference in the magnitude of the concessions made over all measures. In this case, there is no evidence to show that negotiations using brokers impact either the magnitude or rate of concession-making of sellers.

Discussion

This experiment did not support Hypothesis 1 and the general theoretical position that negotiating through agents creates a social dynamic between principals which leads to less concession-making (and higher demands). This result is telling as it suggests that if there is merit to the theoretical underpinnings of Hypothesis 1, that the relationship between the social dynamic created by a negotiation using brokers and concession-making is more nuanced than what might be discovered through a test of a simple direct effect. Hypotheses 2-5 speak to that possible nuance, and Experiments 2 and 3 were designed with that in mind.

EXPERIMENT 2

We predicted that the type of relationship that principals have one with another will influence the effect the presence of an agent will have on concession-making. This may occur in one or both of the following ways: there may be an interaction such that certain kinds of relationships accentuate (or attenuate) the effect of an agent on behaviors and attitudes; or, it may be that by focusing a participant's attention on particular characteristics of the relationship that the effect of a brokered-negotiation is noticed. In this second experiment we repeat the procedure outlined above except that we frame the negotiation within a relationship that has been characterized as either competitive or cooperative. In other words, the participant's hypothetical negotiation partner has been described as being either a self-interested or other-interested negotiator. This manipulation captures real-world tendencies in negotiation. Whether because of environmental factors or individual differences in negotiation strategy, people present themselves and likewise interpret the actions of others as being more or less competitive or cooperative. Experiment 2 was designed to test hypotheses 1, 2, and 3.

Method

Design and procedure. Experiment 2 employs a two (broker-mediated vs. non-mediated) by two (counterpart having demonstrated competitive vs. cooperative intentions) between-subjects design.

An identical procedure to that described in Experiment 1 was followed. The negotiation task differed only in that additional text was added to the scenario in order to manipulate the kind of relationship principals had with their counterparts.

Participants. Participants for Experiment 2 were drawn from the same database of eLab volunteers as with Experiment 1. Emails were sent to several hundred registered volunteers residing in the United States. Only potential participants age 30 or more were sampled. Each

received an initial email announcing the study and two follow-up emails. Potential participants were told that if they completed the study would have at least a 1 in 100 chance of winning \$100, but that the best performers could increase their odds of winning \$100 to 1 in 50. In reality, all participants who completed the exercise had a better than 1 in 50 chance at winning the \$100 lottery. One hundred twenty participants completed six rounds of the negotiation. Of them, 33 were men, 87 women; 43 percent reported having graduated from college; the average participant age was 47. Participants were randomly assigned to either the broker-mediated or non-mediated conditions and the cooperative or competitive conditions.

Dependent Measures. As with Experiment 1, the dependent variable in Hypothesis 1—concession-making—is measured at each round as the cumulative value the seller (the participant) has conceded to the buyer (simulated by computer program). Because each participant included in the sample completed six rounds of negotiation, the dependent variable was collected six times. Thus, the dependent variable is a six-factor repeated measure of the total value conceded by the seller.

Other Measures. The agent variable was manipulated as explained in Experiment 1. The relationship quality variable, operationalized as the seller's relationship with the buyer being either cooperative or competitive, was also manipulated with scenario text. For those participants in the competitive condition, the following text was included in their scenario:

You have generally been satisfied with your interaction with the buyer thus far, but the buyer has been very aggressive battling you on price. Rather than taking a cooperative stance, it does not seem that the buyer is at all concerned with your needs and is willing to fight with you over every penny.

Those in the cooperative condition read instead the following text:

You have generally been satisfied with your interaction with the buyer thus far. The buyer has been cordial and cooperative and you have a good feeling about getting this deal done. Surely the buyer wants to pay as little as possible, but you get the feeling that

they are concerned about your needs as well as their and that they would rather everyone leave happy than fight for a few extra dollars.

Gender was also measured (operationalized as biological sex) and included in all analyses as a control variable.

Analysis. To test Hypothesis 1, 2, and 3, we used a repeated measure ANOVA with six within-subject variables (cumulative seller concession in rounds 1-6) and the agent and relationship manipulation variables as the between-subjects factors. All analyses controlled for gender. In the instance that the interaction effect of this analysis proves significant, support for Hypothesis 3 will be shown, and additional analysis will be required to test the direct effects predicted in Hypothesis 1 and 2. If the interaction effect is not significant, direct effects for the agent and/or reputation variables can be interpreted as support for Hypotheses 1 and/ or 2.

Results

Table 2, column 2 summarizes the statistical test of the effect of an agent and quality of relationship on concession-making over six rounds of bargaining. Specifically, a repeated-measure ANOVA indicates no within-subjects direct effect for agent ($F = 1.38$, ns), relationship quality ($F = 0.00$, ns), or the interaction of the two conditions ($F = 1.12$, ns). As a test of within-subjects effects in a repeated measure ANOVA, no significant main or interaction effects among independent variables means that no independent variable, or interaction of independent variables, has a significant effect on the *rate* of concession-making made over the course of the negotiation. Thus, the test of within-subjects effects offers no support for Hypotheses 1-3. The test of between-subjects effects reveals direct effects for both agent ($F = 9.36$, $p < 0.01$) and relationship quality ($F = 3.71$, $p < 0.06$). The test for an interaction effect yielded a non-significant result ($F = 1.41$, ns). Significance in the direct effects in a test of between-subjects effects, provided the interaction effect is not significant, indicates that corresponding

independent variable have a significant effect on the *magnitude* of concession-making over the course of the negotiation. In this case, because the direct effects for both the agent and relationship quality variables were significant, support is provided for Hypotheses 1 and 2.

Post Hoc Analysis and Results

Figure 2 graphs the progression of concession-making for the subjects within each of the four cells of the two by two design described above. While the repeated-measure ANOVA indicates significant main effects for agent and relationship quality (Table 2, column 2), an analysis of this figure hints at a more complex phenomenon. The pattern revealed in Figure 2 indicates, first, that the effects of a negotiation where brokers are used and the relationship quality between principals amplifies over time, increasing in magnitude from round four on. Second, the figure suggests that when the relationship between principals is characterized by competitive interaction that the presence of an agent may have a greater effect on concession-making than when the relationship is characterized by cooperative interaction. This observation prompted a post hoc analysis of rounds four, five, and six separately.

The effect of the agent condition on concession-making was tested in rounds four, five, and six, separately for both conditions of the relationship quality variable, which is to say for both the competitive and cooperative relationship conditions. Because we wanted to continue to control for gender, OLS regression was used to test the models. Table 3 contains the results of this analysis.

Results from our post hoc analysis provide support for what was predicted in Hypothesis 3, that within those subjects assigned to the competitive relationship condition, in the later rounds of a negotiation, the agent manipulation had a significant effect on the total value conceded by sellers in the fourth ($F = 6.224, p < 0.01; \beta = 0.399, p < 0.01$), fifth ($F = 4.893, p$

< 0.05; beta = 0.378, $p < 0.01$), and sixth rounds ($F = 3.347$, $p < 0.05$; beta = 0.313, $p < 0.05$; see Table 3), but that the agent manipulation had no significant effect on those subjects assigned to the cooperative relationship condition in the fourth ($F = 1.920$, ns; beta = 0.129, ns), fifth ($F = 1.155$, ns; beta = 0.149, ns), and sixth rounds ($F = 1.006$, ns; 0.174, ns).

Discussion

Unlike Experiment 1, these data support Hypothesis 1 and the general theoretical position that brokers enable a kind of social dynamic which leads to principals making fewer concessions than they would otherwise. These data also, however, may indicate why no significant relationship was found in support of Hypothesis one in Experiment 1. It appears from both the results of the test of between-measures effects and the post hoc analysis performed above that the quality or type of relationship between principals matters as to whether principals may “take advantage” of the social dynamic created when negotiating through agents to take a harder stance and concede less value to one’s counterpart. It may be that in relationships characterized by mutual trust and cooperation that principals would be equally capable of negotiating their own deal—that the social space created when negotiating with brokers affords no meaningful advantage or disadvantage. However, this may not be the case in relationships characterized by competitiveness or (perhaps) mistrust. When individuals are feeling defensive or react in kind to competitive bargaining tactics, the social space created by the presence of brokers may lead to less concession-making (and perhaps higher demands); a defensiveness which can be interpreted as a strategic hedge against a distrusted opponent, but which also may decrease the probability of reaching what might have been a profitable agreement.

EXPERIMENT 3

In Experiment 2 we tested the prediction that principals would make tougher, more aggressive demands in broker-mediated negotiations when principals focused on the quality of the relationship they have with their counterpart. Quality of relationship was operationalized by the hypothetical competitive or cooperative orientation of the observed principal's counterpart. Relationships, and thus the behavior within relationships, can also be affected by the reputations of one or both of parties to the relationship. For example, persons who were known to use competitive negotiating tactics were judged more harshly, prior to any direct interaction, by their negotiation counterparts, counterparts who subsequently used more distributive tactics during negotiation (Tinsley, 2002). Other negotiation-oriented (e.g. Diekmann et al., 2003) and game theoretic research (e.g. Kelly & Stahelski, 1970, or Dawes, McTavish, & Shaklee, 1977 for seminal examples using prisoner dilemma games) has likewise demonstrated that individuals develop expectations of their counterparts' behavior based on reputation and respond predictably.

Experiment 3 builds on the findings of Experiment 2 by again examining the effect a negotiating agent has on principals' demands in a multi-round negotiation, but this time in a situation where one party to the negotiation is privy to the ethical reputation of his or her counterpart. Experiment 3 was designed to test Hypotheses 1, 4, & 5.

Method

Design and procedure. Experiment 3 employs a two (broker-mediated vs. non-mediated) by two (counterpart has an ethical vs. unethical reputation) between-subjects design. An identical procedure to that described in Experiment 1 and used in Experiments 1 and 2 was followed. The negotiation task differed from that described in Experiment 1 only in that

additional text was added to the scenario in order to manipulate the buyer's (simulated by computer program) reputation for ethical behavior.

Participants. Participants for Experiment 3 were drawn from the same database of eLab volunteers as with Experiments 1 and 2. Emails were sent to several hundred randomly selected registered volunteers residing in the United States. Only potential participants age 30 or more were sampled. Each received an initial email announcing the study and two follow-up emails. Potential participants were told that if they completed the study would have at least a 1 in 100 chance of winning \$100, but that the best performers could increase their odds of winning \$100 to 1 in 50. In reality, all participants who completed the exercise had a better than 1 in 50 chance at winning the \$100 lottery. One hundred twenty six participants completed six rounds of the negotiation. Of them, 33 were men, 93 women; 40 percent reported having graduated from college; the average participant age was 47. Participants were randomly assigned to either the broker-mediated or non-mediated conditions and to the ethical or unethical reputation conditions.

Dependent Measures. As with Experiment 1, the dependent variable for Hypotheses 1, 4, & 5—concession-making—is measured at each round as the cumulative value the seller (the participant) has conceded to the buyer (simulated by computer program). Because each participant included in the sample completed six rounds of negotiation, the dependent variable was collected six times. Thus, the dependent variable is a six-factor repeated measure of the total value conceded by the seller.

Other Measures. The agent variable was manipulated as explained in Experiment 1. The ethical reputation of the seller, operationalized as either ethical or unethical, was also manipulated within the scenario text. For those participants in the unethical condition, the following text was included in their scenario:

Although you have generally been satisfied with your interaction with the buyer thus far, since the buyer began looking at your house you have heard several negative comments regarding their integrity. Apparently the buyer owns and operates a small business in town and several people you know have privately confided in you that they suspect the buyer of unethical business practices, though they haven't cited any particular incident or personal experience as evidence of this heavy charge.

You concede that the things said about the buyer may in fact be true, but your own experience with the buyer has revealed nothing to either confirm or disconfirm the accusation, and, perhaps more importantly, right now there is no one else that has expressed any interest in the house.

Those in the ethical condition read instead the following text:

You have generally been satisfied with your interaction with the buyer thus far. In fact, since the buyer began looking at your house you have heard several positive comments regarding their integrity. Apparently the buyer owns and operates a small business in town and several people you know sing the buyer's praises as an exemplar of ethical business practice, though they haven't cited any particular incident or personal experience as evidence of this high praise.

You have no idea if the buyer is worthy of such high praise, but certainly your own experience with the buyer has revealed nothing to disconfirm the reputation. In any case, right now there is no one else that has expressed any interest in the house.

Gender was also measured (operationalized as biological sex) and included in all analyses as a control variable.

Analysis. To test Hypotheses 1, 4, and 5, we used an ANOVA for repeated measures with six within-subject variables (cumulative seller concession in rounds 1-6) and the agent and reputation manipulation variables as between-subjects factors. All analyses controlled for gender. In the instance that the interaction effect of this analysis proves significant, support for Hypothesis 5 will be shown, and additional analysis will be required to test the direct effects predicted in Hypothesis 1 and 4. If the interaction effect is not significant, direct effects for the agent and/or reputation variables can be interpreted as support for Hypotheses 1 and/ or 4.

Results

Table 2, column 3 summarizes the statistical test of the effect of an agent and a counterpart principal's ethical reputation on concession-making over six rounds of bargaining. A repeated-measure ANOVA produced a significant effect for the interaction (within-subjects direct effects are meaningless given the significant interaction) of agent and reputation on the cumulative value of concession-making by round ($F = 2.43, p < 0.05$). This result can be interpreted as the three-way interaction between round, the agent manipulation, and the ethical reputation manipulation has a significant effect on the *rate* at which the subjects in the four conditions conceded value (see Figure 3). This result provides support for Hypothesis 5. The test of between-subjects effects reveals a direct effect for the agent manipulation ($F = 4.33, p < 0.05$), but not for the ethical reputation manipulation ($F = 1.56, ns$) or the interaction effect ($F = 0.28, ns$). Because the interaction effect was not significant, and based on the graph in Figure 3, we can interpret this result as those in the broker-mediated condition conceding significantly *less* value than those in the non-mediated condition over the six rounds. These results provide support for Hypothesis 1, but do not support Hypotheses 4 or 5.

Post Hoc Analysis and Results

As with the results of Experiment 2, a graphical display of these data (see Figure 3) suggest additional nuance left uncovered by the above analysis. We proceeded with a post hoc analysis similar to that reported after Experiment 2 for two reasons: (1) the data represented in Figure 3 suggests an uncovered interaction and (2) to verify and build on the conclusion drawn from the analysis in Experiment 2, that in certain kinds of relationships, characterized by behaviors commonly considered aggressive, anti-social, or disreputable that the social distance afforded by an agent in a broker-mediated negotiation allows principals to more aggressively assert their position than they otherwise might.

Figure 3 suggests, as did Figure 2 from Experiment 2, that a between-subjects interaction effect between agent and ethical reputation may develop in the later rounds of the exercise, as predicted with Hypothesis 5. We repeated the procedure used in the post hoc analysis after Experiment 2 and split the sample by reputation condition, analyzing those in the unethical seller condition separately from those in the ethical seller condition. Then we modeled rounds four, five, and six of the negotiation as three separate OLS regression analyses with the cumulative value conceded in each round modeled as the dependent variable and the agent condition as a predictor, while controlling for gender.

Results supports the prediction stated in Hypothesis 5 (see Table 4), that among those subjects assigned to the unethical seller condition, the agent manipulation had a significant effect on the total value conceded by sellers in the fifth ($F = 2.577, p < 0.1; \beta = 0.279, p < 0.05$) and sixth ($F = 2.392, ns; \beta = 0.270, p < 0.05$) rounds (though not in the 4th round; $F = 1.557, ns; \beta = .191, ns$)—but that the agent manipulation had no significant effect on those subjects assigned to the ethical seller condition in the fourth ($F = 1.081, ns; \beta = 0.129$), fifth ($F = 0.791, ns; \beta = 0.156, ns$), or sixth ($F = 0.361, ns; \beta = 0.174, ns$) rounds.

Discussion

Again we conclude that when framed within certain types of relationships, agent representation decrease the amount principals are willing to concede in the later rounds of a negotiation. A significant interaction effect in the test of within-subjects effects and significant direct effect of the agent manipulation in the test of between-subjects effects provide clear, if not overwhelming, evidence that principals negotiate differently when represented by agents. The post hoc analysis suggests that when relationships are characterized by a negative marker, in the

case the buyer having a negative opinion of the seller's ethics by way of reputation, that being represented by an agent leads principals to take a harder stance than they might otherwise.

GENERAL DISCUSSION

Research by Diekmann et al. (2003), combined with the earlier reviewed literatures on social distance and social accountability, offer an intriguing explanation for the results observed in the three experiments reported here. Diekmann and colleagues observed a contradiction in how negotiators expected they would behave and actually did behave when told they would be negotiating with a competitive opponent. Participants expected they would respond in kind—that they would meet aggressive demands with aggressive demands. In actuality, however, participants conceded more to opponents who made aggressive, competitive demands than a control group who were told nothing about their opponents prior to negotiation. It may be, therefore, that when participants are faced with the prospect of negotiating with an opponent they know to have a tendency towards competitive or anti-social behavior, that negotiators naturally tend towards the defensive, but in the absence of an outside figure to enforce a social norm of retaliation, or a tit-for-tat tactic, negotiators cave to the pressure of an aggressive opponent, as Diekmann et al. (2003) observed. However, when the social distance between principals is buffered by agents, who make demands in proxy for principals, the audience effect described by others (Rubin & Brown, 1975; Gelfand & Realo, 1999) may be activated, influencing negotiators to stick to their predisposition towards tactic of meeting aggression with aggression.

These findings are important and relevant to real-world negotiation applications. There are many negotiation contexts where individuals may choose to negotiate for themselves or procure an agent. Likewise, there are similar situations where an individual may have to negotiate with someone else's agent. These findings are important for evaluating when it may be

advantageous to procure representation or to go it alone. Similarly, these findings are relevant to the design of certain alternative dispute resolution systems where, depending on the goals of the system, it may be worthwhile to provide disputants with representation or not.

As this study is the first we know of to examine the effects of the use of agents in negotiation on the bargaining positions of the principals themselves, we encourage additional investigations in this area. One fruitful research path is likely to be an examination of broker-mediated versus non-mediated negotiations in emotionally charged dispute situations.

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FIGURE 1

Cumulative Value Concession of Seller by Round in Experiment 1

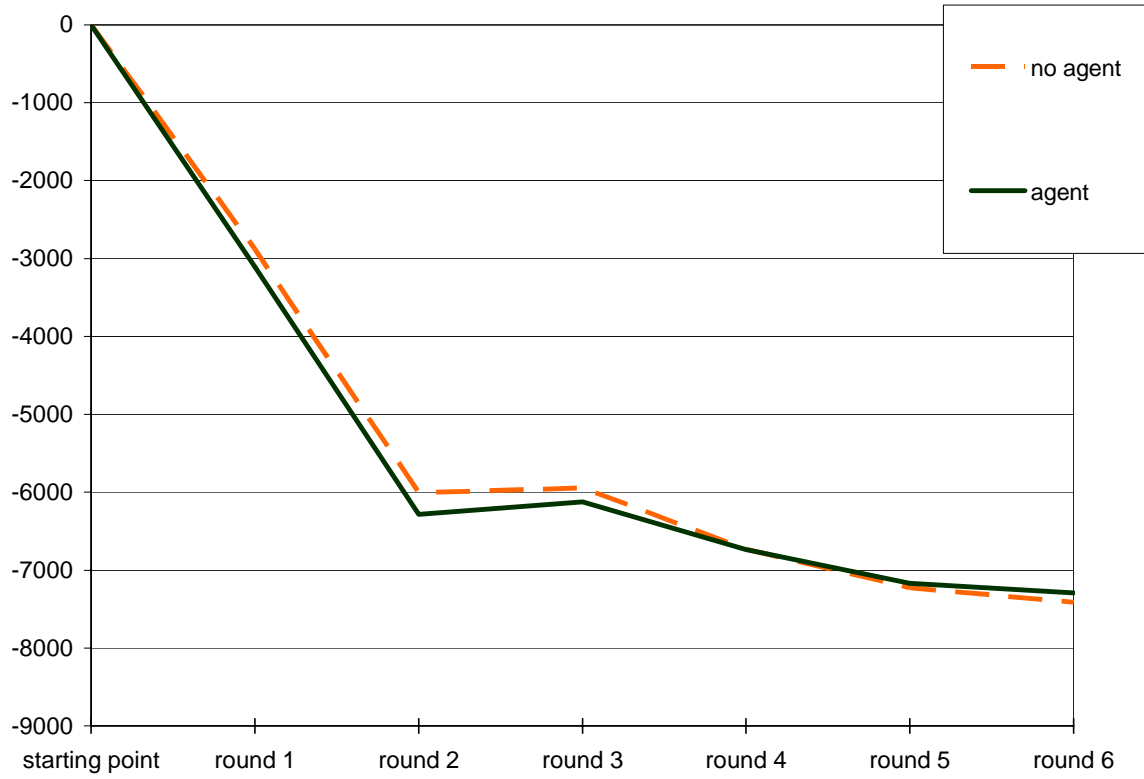


FIGURE 2.

Cumulative Value Concession of Seller by Round in Experiment 2

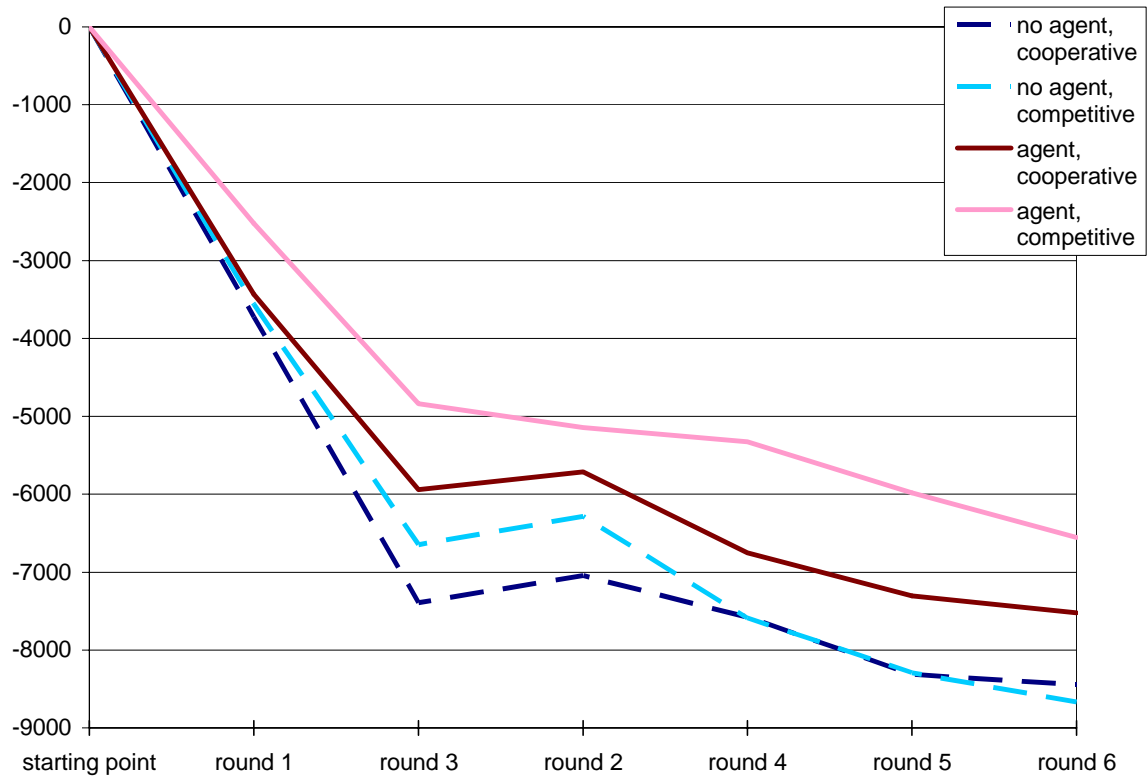


FIGURE 3

Cumulative Value Concession of Seller by Round in Experiment 3

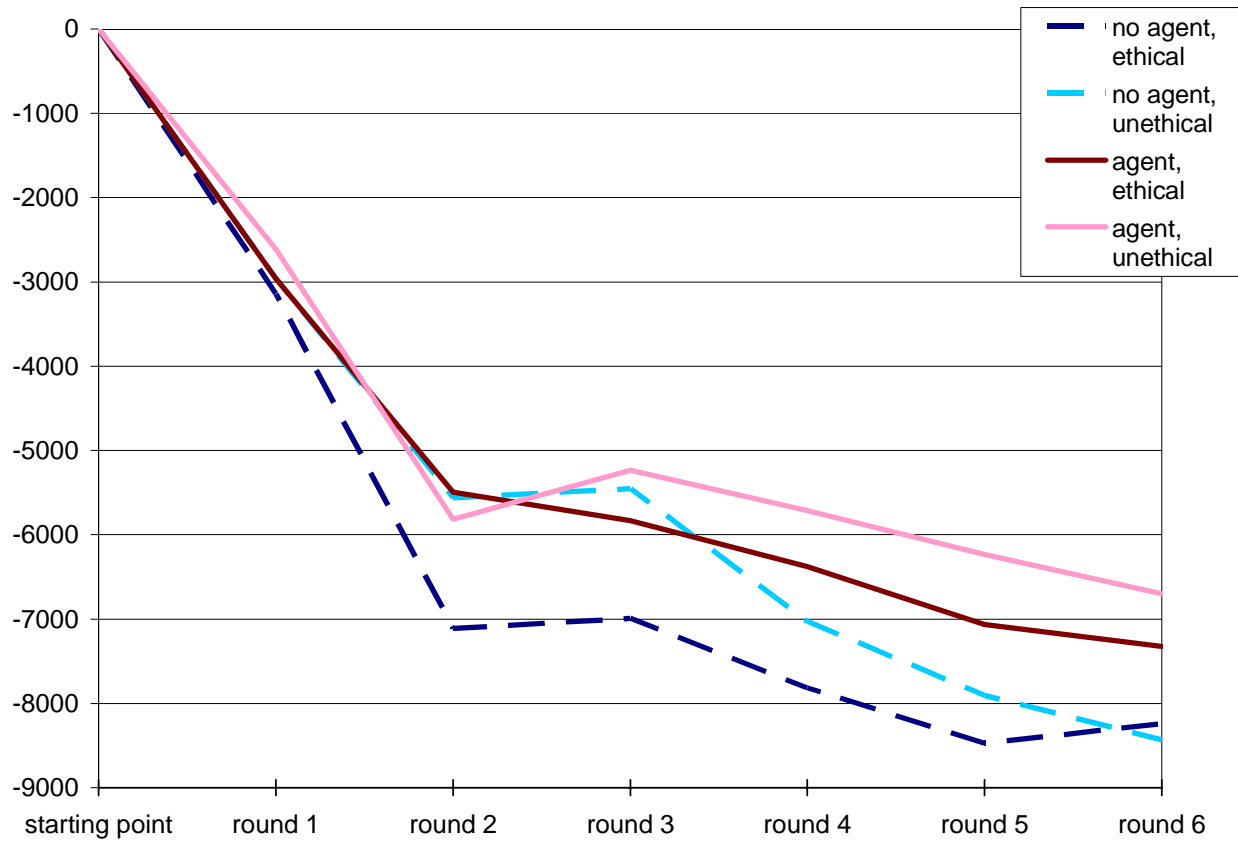


TABLE 1
Negotiation Payoff Structure

deck posts		furnace	
1	no concession	0	0
		-	-
		200	300
2	medium quality plain, corner beams only	0	0
		-	-
		300	400
3	high quality decorative, corner beams only	0	0
		-	-
		400	600
4	medium quality plain, all four beams	0	0
		-	-
		500	700
5	high quality decorative, all four beams	0	0
		-	-
		600	800
6	full concession	0	0
			600
			0
gutters		closing date	
1	no concession	0	0
		-	-
		140	110
2	cost of standard gutters, patio only	0	0
		-	-
		180	220
3	cost of covered gutters, patio only	0	0
		-	-
		280	330
4	cost of standard gutters, length of side and rear	0	0
		-	-
		360	440
5	cost of covered gutters, length of side and rear	0	0
		-	-
		400	
6	full concession	0	

TABLE 2

The Effects of Experimental Conditions on Concession-Making Over Six Rounds

Experiment	1		2		3	
	agent / no agent		agent / no agent competitive / cooperative		agent / no agent good / bad reputation	
Subjects that completed experiment	202		210		212	
Subjects that completed a sixth round (n)	119		118		126	
Percentage retained through six rounds	58.9%		56.2%		59.4%	
Test of Within-Subjects Effects						
	F	sig.	F	sig.	F	sig.
round	4.17	0.001	7.02	0.000	5.20	0.000
round * <i>gender</i>	2.22	0.051	0.70	0.623	1.65	0.145
round * agent	0.11	0.991	0.83	0.529	1.91	0.091
round * comp/coop			0.33	0.898		
round * agent * comp/coop			0.92	0.471		
round * bad/good rep					0.87	0.504
round * agent * bad/good rep					2.43	0.034
Test of Within-Subjects Contrasts						
	F	sig.	F	sig.	F	sig.
round	2.20	0.140	14.52	0.000	12.81	0.000
round * <i>gender</i>	3.00	0.086	0.41	0.522	0.01	0.906
round * agent	0.23	0.633	1.38	0.243	4.12	0.045
round * comp/coop			0.00	0.983		
round * agent * comp/coop			1.12	0.292		
round * bad/good rep					0.06	0.806
round * agent * bad/good rep					1.63	0.204
Test of Between-Subjects Effects						
	F	sig.	F	sig.	F	sig.
<i>gender</i>	2.83	0.095	0.27	0.605	0.496	0.483
agent	0.12	0.730	9.36	0.003	4.33	0.039
comp/coop			3.71	0.056		
agent * comp/coop			1.41	0.238		
bad/good rep					1.56	0.214
agent * bad/good rep					0.28	0.596

Note: Bold text indicates an F statistic significant at the 0.1 level.

TABLE 3

The Effects of an Agent on Concession Value by Quality of Relationship

Over Rounds 4, 5, & 6.

COOPERATIVE CONDITION			
round	4	5	6
F	1.920	1.155	1.006
df	58	58	58
standardized coefficients			
agent	0.129	0.149	0.174
gender	0.205	0.117	0.051
COMPETITIVE CONDITION			
round	4	5	6
F	6.224 **	4.893 *	3.347 *
df	60	60	60
standardized coefficients			
agent	0.399 **	0.378 **	0.313 *
gender	-0.139	-0.083	0.051

TABLE 4

The Effects of an Agent on Concession Value by Target Negotiator's Reputation

Over Rounds 4, 5, & 6.

ETHICAL REPUTATION CONDITION			
round	4	5	6
adjusted R ²	0.003	0.007	0.021
F	1.081	0.791	0.361
df	60	60	60
standardized coefficients			
agent	0.129	0.156	0.174
gender	0.205	0.033	0.051
UNETHICAL REPUTATION CONDITION			
round	4	5	6
adjusted R ²	0.017	0.048	0.042
F	1.557	2.577 *	2.392
df	63	63	60
standardized coefficients			
agent	0.191	0.279 **	0.270 **
gender	0.033	0.051	0.001

* p < 0.1; ** p < 0.05