

# Negotiation Traps

by Maine Spoelstra

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Although the human brain will always be something we marvel at, it is unfortunately not foolproof when it has to deal with complex situations. The embedded routines or mental short-cuts we use to arrive at most of the decisions we take, are by no means foolproof.

Unless we are aware of these routines and understand them, we unknowingly fall prey to them.

## The anchor trap

When someone asks you the following questions, how are you likely to respond?

Is it true that management bonuses are 65% higher than the bonuses paid to workers?

What is your best estimate of the percentage gap between management and worker bonuses?

Research has conclusively shown that the 65% mentioned in the first question (an unsubstantiated figure) is highly likely to cause most responses to the second question to be closely aligned to this arbitrary figure.

Our minds tend to give disproportionate weight to the first information we receive when we are required to make decisions. In negotiation, this means that our first impressions, estimates or information strongly anchor subsequent thoughts and judgements.

Anchors can be a mere comment made by a person from the other negotiating team or a statistic quoted out of context from a publication. They can, however, also be stereotypes about race, religion, language, background or dress.

Our tendency to focus too strongly on past events and not to pay sufficient attention to other information during a negotiation often causes premature thought closure. We then become so anchored in the past that we lose the mental flexibility to create the alternatives necessary to move from conflict to compromise.

Skilled negotiators often use anchors as a powerful bargaining tactic. By, for example, opening the negotiation on a rental contract by stipulating the terms of such a contract, they succeed in defining the mental parameters within which the potential tenant operates. This more often than not results in the tenant paying a rental far higher than he/she should.

Negotiators who are aware of the anchor trap in negotiations can reduce the impact by:

- Consciously resisting the tendency to be "imprisoned" by the first line of thought that comes to mind, deliberately trying to find other points of departure.

- Keeping their minds open long enough to admit new information and opinions that can broaden their frame of reference and generate new solutions.
- Spending sufficient time thinking about all the facets of a problem before entering a negotiation where the other party introduces its ideas.
- Always looking for opportunities to use anchors to their own advantage.

### **The comfort zone trap**

In a negotiation, negotiators frequently merely negotiate to keep things the way they are. Was this not why the elders of the Swiss watch industry in 1968 rejected their own invention of the quartz watch with contempt? Their unconscious need to perpetuate the status quo prevented them from seeing that the watch industry was on the verge of an entirely new time keeping paradigm and that choosing to remain in their tried and trusted comfort zone would soon seriously erode their dominance in the watch market. Their reluctance to depart their comfort zone caused paradigm paralysis and nearly destroyed the Swiss watch industry.

Our natural reluctance to break out of the comfort zones of the status quo and to transcend boundaries into new and uncharted territories is often motivated by our reluctance to accept responsibility and by our fear of possible criticism. By not venturing outside our comfort zones, we do not place ourselves at risk.

Those designated to negotiate on behalf of companies or institutions are often strongly conditioned to maintain the status quo. Experience has taught them that venturing beyond the status quo is potentially dangerous. They are consequently little more than postmen that deliver predetermined messages.

The magnetism of the comfort zone can be broken by:

- Always setting clear negotiation objectives and then carefully considering whether the status quo is conducive to achieving these objectives or acts as a barrier.
- Always maintaining the flexibility required to find negotiation alternatives outside the status quo and to evaluate their advantages and disadvantages objectively.
- Evaluating every alternative, including the status quo, in terms of future and present goals.
- Not merely opting for the status quo because it is too difficult to choose the best other alternative.

### **The investment trap**

Our past investments, be they in terms of money, effort or time, often cause us to defend them vigorously. Although we know that they are or may be wrong, they entrap our minds.

Our unwillingness to admit our mistakes often makes it very difficult for us to escape the bind of past investments when negotiating. This is, for example, often the case when a bank manager continues to protect a bad loan account, eventually accumulating the loss to the bank. Our fear of

having to accept blame for a wrong decision, consciously or unconsciously ties us to our initial investment. We do not want to suffer the "humiliation" of having to admit to bad judgement.

Organisations often fail to realise that a corporate culture that does not leave room for mistakes, causes their negotiators to place unwarranted restrictions on themselves during a negotiation.

The investment trap can be prevented by:

- Requesting and carefully listening to the views of others not involved in the initial investment.
- Being aware that advice received from advisors may be subject to them also being locked into the same investment trap.
- Honestly examining whether reluctance to break out of an investment trap is not largely due to a wounded self-esteem, and then confronting this fear head-on.

### **The supporting evidence trap**

When senior executives for example negotiate a downsizing exercise, their first inclination is to telephone a colleague who recently went through a similar exercise. By unconsciously allowing this discussion to determine their actions and behaviour, they fall prey to the supporting evidence trap. Not only is their colleague likely to provide arguments in favour of his/her approach, but the natural tendency will be for the inquiring executive to listen selectively for information that supports his/her inclination and point of view.

In negotiation, the supporting evidence bias often strongly influences the way we listen to the other party. It causes us to pay far too much attention to supporting evidence and too little to conflicting evidence.

To not fall into this trap, negotiators need to:

- Always be aware of the tendency to accept supporting evidence without due consideration.
- Deliberately appoint "devils advocate's" to argue against their point of view, and to develop their own arguments why other approaches should not be followed.
- Question whether they are honestly seeking to find the information needed to make the best decision, or merely seeking confirmation for their views.
- Ensure that they do not surround themselves with "yes-men" when they seek advice on a course of action.

### **The framing trap**

The way a negotiator frames (defines) a problem can have a profound influence on the course of a negotiation. Adopting a particular frame can establish the status quo, introduce a particular anchor, accentuate a hidden investment, strongly direct the negotiator towards confirming evidence, or seeing events as problems and missing the opportunities embedded inside them.

## Gains versus losses

In a study by Kahneman and Tversky, a group of insurance executives were asked the following question:

You are a marine property adjuster charged with minimizing the loss of cargo on three insured barges that sank yesterday off the coast of Alaska. Each barge holds \$200 000 worth of cargo, which will be lost if not salvaged within 72 hours. The owner of a local marine-salvage company gives you two options, both of which cost the same:

Plan A: This plan will save the cargo of one of the three barges, worth \$200 000.

Plan B: This plan has a one-third probability of saving the cargo of all three barges, worth \$600 000, but a two-thirds probability of saving nothing.

Which plan would you choose? In the study, 71% of the respondents chose the "less risk" plan A.

In the second phase of the study, the researchers asked a different group to choose between the following plans:

Plan C: This plan will result in the loss of two of the three cargoes worth \$400 000.

Plan D: This plan has a two-thirds probability of resulting in the loss of all three the cargoes and the entire \$600 000, but has a one-third probability of losing no cargo.

Plan D was the preferred choice of 80% of the respondents. The choices of the two groups differed despite the fact that plan A is the same as plan C, and plan B is the same as plan D. The only difference being the way they were framed.

From the responses of the two groups we can deduce that risk is avoided when a problem is framed in terms of gains (barges saved) and risk is accepted when a problem is framed in terms of avoiding losses (barges lost).

Negotiators tend to accept a problem as it is presented to them; they seldom stop to reframe it in their own words.

Adopting the following precautions should prevent negotiators falling into the framing trap:

- Always looking for possible framing errors and trying to reframe problems in as many different ways as possible.
- Challenging the course of action suggested by others by proposing different frames.
- Always considering how one's thinking in relation to a problem would change if the frame changed.

## **The prediction trap**

Generally, most people are quite good at predicting time, distance, weight, volume, etc. Due to the regular feedback they receive, they become increasingly accurate in their predictions. This is, however, not the case when predictions are made about less certain matters such as future prices, the weather, etc.

Our ability to make predictions when faced with uncertain situations is limited by:

#### Overconfidence

Negotiators who for example overestimate the possible growth in earnings of a company are likely to be prone to offering wage deals that will expose the company to serious future difficulties, while those that underestimate earnings growth are likely to forego a settlement that could have been achieved through a slightly more flexible approach.

#### Over-cautiousness

When faced with decisions that could have important consequences, many negotiators choose to "err on the safe side". In budget negotiations heads of department adjust their forecasts to "be on the safe side". This causes drawn out negotiations and often results in unnecessary competition.

#### Memory

Negotiators often err by allowing dramatic past events embedded in their memory banks to influence predictions they make during a negotiation. Because a previous wage negotiation ended in a strike, their thinking is dominated by the probability that this may again happen. They could consequently tend to be overcautious and too accommodating.

The prediction trap can be avoided by:

- Considering what the potential upper and lower end values for a particular prediction could be, and then trying to imagine what circumstances could cause the prediction to fall outside this range.
- Always striving to make honest predictions and then explaining to the other party that these predictions have not in any way been adjusted.
- Carefully examining every assumption to ensure that it is not distorted by memory residue.

When preparing for negotiation we should always remember the words of Walt Kelly, "We have met the enemy and it is in us". Knowing our hidden tendencies greatly enhances the possibility of successful negotiation.

## Biography

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**Professor Manie Spoelstra** has published numerous articles and books on negotiation, general management, strategy formulation and participative management, and has often consulted to many leading companies on these topics. By regularly attending advanced seminars at

institutions such as the Harvard Center for Management Research in Boston and the Stanford Business School in San Francisco, and by continuing to teach negotiation at the Witwatersrand Business School and the Rand Afrikaans University, he has maintained his intellectual prowess and has ensured that the courses the International Negotiation Academy offer are consistently of the highest international standard.

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