

Essential Negotiation Skills: Limiting Cognitive Bias in Negotiation

Essential business negotiation strategies and tactics to create value at the bargaining table

BY MAX BAZERMAN — ON JULY 2ND, 2018 / NEGOTIATION SKILLS



In past articles, we have highlighted a variety of psychological biases that affect negotiators, many of which spring from a reliance on intuition, and may hinder integrative negotiation.

Of course, negotiators are not always affected by bias; we often think systematically and clearly at the bargaining table.

Most negotiators believe they are capable of distinguishing between situations in which they can safely rely on intuition from those that require more careful thought – but often they are wrong.

In fact, most of us trust our intuition more than evidence suggests that we should.

Intuition and Reality in Negotiation

To explain why individuals don't always think rationally or logically, Keith Stanovich of the University of Toronto and Richard F. West of James Madison University have distinguished between what they call System 1 and System 2 thought.

- System 1 thought describes our intuition: quick, automatic, effortless, and influenced by emotion.
- By comparison, System 2 thought is slower, more conscious, effortful and logical.

When you are carefully considering options, you are using System 2 thinking.

When you are simply acting on intuition, you are using System 1 thinking.

We can all think of instances in which we acted rashly, relying on System 1 thoughts and emotions, as well as times when we carefully evaluated a situation using System 2 logic.

System 1 Versus System 2 Logic in Integrative Negotiation

Unfortunately, most people – especially busy managers and executives – fall back on System 1 thinking during their negotiations.

- Reliance on intuition increases when a situation is complex and negotiators reach a state of cognitive overload. At such times, our ability to process information is pushed to the limit and we naturally shift away from System 2 thought toward System 1 thought.

Clearly, a complete System 2 thought process is not necessary for every managerial decision or for every small negotiation you may face.

- When you're negotiating with your coworkers over where to go for lunch, when you're setting deadlines for low-priority tasks, or when you're informally discussing items that you plan to revisit later in more detail, System 1 thought will be sufficient.

Taking the time to logically reason through every decision can be costly, even leading to decision paralysis. However, we encourage you to engage in System 2 thought during your most important negotiations.

Four Strategies for More Rational Integrative Negotiation Approach

The following negotiation strategies will help you guard against falling back on your intuition during times of stress and indecision in negotiations.

Integrative Negotiation Strategy 1: Make a System 2 List.

The first step in negotiating more rationally is to identify real life negotiation situations that call for extra vigilance.

- Periodically, perhaps once per month, make a list of important upcoming negotiations that you think might require System 2 thought. Such negotiations might concern lots of money, complex issues, multiple parties, key strategic partners, or a new direction for your firm.

When you carefully prepare for particular negotiations, you are setting yourself up to engage in System 2 thought in situations where it is required. You also should schedule negotiations to best engage in System 2 thinking.

- If you're a night owl, for example, avoid meeting with an important client first thing in the morning. In addition, this strategy will remind you to actively participate in any necessary pre-negotiation discussions that could affect the agenda.

Integrative Negotiation Strategy 2: Don't Let Time Pressure Affect Your Decisions

As we have noted, intuitive System 1 thought often takes over when negotiators are facing intense time pressure. Awareness of this tendency should lead you to make key adjustments to your negotiations.

- Instead of scheduling to negotiate over a short lunch, set aside an entire morning – remember, you've already decided that these talks are important. If someone catches you off guard and launches into discussions on the fly, ask to reschedule the conversation for a later time or date.

Real estate agents and other intermediaries are famous for “forcing” people to negotiate, make commitments, or respond to requests under immense time pressure. Too many people fall prey to this tactic, for fear of losing the deal or offending the other party.

- But, in most cases, there is little reason you should feel guilty about postponing your negotiation or decision. Unless someone has given you specific, credible information that time truly is of the essence, avoid succumbing to pressure tactics.

Integrative Negotiation Strategy 3: Partition the Negotiation Across Multiple Sessions

Human beings have a natural desire for closure. As a result, most of us seek to reach an agreement or settlement as quickly as possible. But keep in mind that completing an entire negotiation in one session is typically unnecessary – and, in fact, sometimes impossible.

Even when you're well prepared, a negotiation that is the slightest bit complex will raise new information, unforeseen issues, and tactics that you did not anticipate.

In negotiation, patience often generates significant dividends.

- To avoid falling back on System 1 thinking, structure a process that allows you to rethink or re-strategize. You might schedule breaks every hour or two; these intervals will give you time to evaluate and organize unexpected information – as well as your thoughts.

When you expect talks to be especially intricate, consider negotiating over multiple days. You might exchange preliminary information by e-mail on Day 1, have initial discussions over the phone on Day 2, and meet in person on Days 3 and 4 for substantive negotiations. By giving yourself time to think things through, you'll be in a better position to apply System 2 thought throughout the negotiation process.

Integrative Negotiation Strategy 4: Adopt an Outsider Lens

Why are we typically unaware of our own biases in negotiations, yet at the same time, capable of accurately pinpointing the biases that influence others?

Psychologists Daniel Kahneman of Princeton University and Daniel Lovallo of the Australian Graduate School of Management have argued that we make decisions using two different lenses: the insider lens and the outsider lens.

- A negotiator typically uses an insider lens for making judgments when deeply immersed in a particular context or situation; the insider relies on intuitive System 1 thinking.
- By contrast, the typical negotiator adopts an outsider lens when removed or detached from a particular situation; the outsider uses rational, System 2 thinking.

The insider focuses only on the current situation, while the outsider is better at integrating information across multiple episodes – in particular, other people's successes and failures.

Obviously, for our most important negotiations, the outsider lens is preferable.

Unfortunately, however, the outsider lens is rarely the default option when we are facing major negotiation or are embroiled in conflict.

A negotiator might well be aware that it takes six to 12 weeks to move from an initial sales call to a legally binding agreement. Yet, when a new prospect comes along, she may nonetheless believe that she can close the deal within three weeks.

Furthermore, particularly for business negotiations, the overconfidence bias suggests that business negotiators are likely to continue to be overly confident about their odds of success despite being proven wrong in the past. In other words, most of us fail to learn from experience.

When deciding whether to start a new business, entrepreneurs should use their outside lens to critically and comprehensively analyze negotiations over land, construction, hiring, and so on.

Integrative Negotiation Strategies and Tactics: Norms and How to Avoid Pitfalls

Yet overconfidence remains the norm; in a study by Arnold Cooper of Perdue University, Carolyn Woo of Notre Dame University, and William Dunkelberg of Temple University,

- More than 80% of entrepreneurs estimated their personal chances of success to be 70% or higher;
- One-third of them described their success as certain.

If these entrepreneurs adapted the outsider lens, as Kahneman and Lovallo suggest, they easily would find out that the five year survival rate for new businesses is only about 33%.

Many intelligent people stake their reputations, large sums of money, and years of their lives on intuition and overconfidence (for more information on a negotiator's reputation and its impact on negotiating, read also *Business Negotiations: Let Your Reputation Precede You*).

The strong urge to view the world – and ourselves – in a positive light can powerfully affect our decision making in negotiation.

How can you make sure the outsider view is represented at your most important negotiations?

- First, during preparation for a key negotiation, consider hiring a true outsider, whether an expert within your firm, a consultant with unique experience, or a trusted friend. When your deal is complex or emotionally charged, others will identify factors that you have ignored, weight negative information more appropriately, and maintain an objective view of the ways that you cannot.
- If you are not willing or able to bring in an outsider, becoming an outsider yourself by assessing the situation as if you were not immersed in it. This strategy might require you to recall when someone else was faced with a similar situation or to collect data on what you should rationally expect. In addition, ask yourself this simple question: If someone I cared about asked me for my opinion in a negotiation such as this, what advice would I give?

Together, these strategies should help you identify when to incorporate careful, reasoned analysis into your negotiation judgments.

We realize that our recommendations run counter to the implicit trust and confidence that many of us have in our intuition.

However, the data is clear: with the use of intuition comes the potential for significant psychological biases that lead to irrationality.

By accepting this gift, you can learn to overcome bias and think more rationally during your most important negotiations.

Are there any essential negotiation skills you think we've missed? Share them with us in the comments.

Adapted from “It’s Not Intuitive: Strategies for Negotiating More Rationally” by Max Bazerman and Deepak Malhotra for the May 2006 issue of the *Negotiation* newsletter.

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■ Comments

2 Responses to “Essential Negotiation Skills: Limiting Cognitive Bias in Negotiation”

GREG R. APRIL 16, 2013

Can I suggest that you do a disservice to the word “intuition” by defining it so narrowly. Like the words mediation and love they have broad meanings. It would be like saying that all love is romantic love or that all mediation is transformative mediation – there is far more to intuition than what is defined as Systems 1 logic.

I suspect what you mean by your definition of intuition is what Wilfred Bion refers to as the attachment to our memories and desires. These attachments stop us being present in the moment and impede our ability to really understand what is happening. It is what causes our brains to become fast, automatic, frequent, emotional, stereotypic and subconscious.

Intuition, in its purest sense, is a far deeper concept. It goes beyond Systems 2 logic to incorporate such things as Thomas Ogden's concept of “the analytic third”. It recognises that we relate to each other on many levels some of which are beyond our rational understanding.

We are rational beings however we live in an uncertain and irrational world. To limit our worldview to the rational would run up against Sigmund Freud's warning that if we truly follow our expectations we will be in danger of never finding out anything other than what we already know.

Corporate managers and negotiators need to be able to work and operate beyond the rational. To do this they need to be able to embrace the uncertainty

of each moment. It requires being present and being comfortable with that uncertainty.

While Systems 1 and 2 logic have their relevance there is much more to life and to how we relate to each other.

See http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2140220

REPLY

DANIELLE A. APRIL 16, 2013

Within the different functions of our brain, thinking more logically in negotiations will require the use of our neocortex and limiting our natural responses based on emotion that frequently takes place within the use of our Limbic System.

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