

Negotiation as a Form of Persuasion: Arguments in First Offers

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In this article we examined aspects of negotiation within a persuasion framework. Specifically, we investigated how the provision of arguments that justified the first offer in a negotiation affected the behavior of the parties, namely, how it influenced counteroffers and settlement prices. In a series of 4 experiments and 2 pilot studies, we demonstrated that when the generation of counterarguments was easy, negotiators who did not add arguments to their first offers achieved superior results compared with negotiators who used arguments to justify their first offer. We hypothesized and provided evidence that adding arguments to a first offer was likely to cause the responding party to search for counterarguments, and this, in turn, led him or her to present counteroffers that were further away from the first offer.

Keywords: negotiation, first offers, arguments, persuasion

Negotiation is 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. Surprisingly, the negotiation literature has rarely drawn upon the abundant research in persuasion or social influence to explore the dynamics of this process (Hovland, Janis, & Kelley, 1953; Malhotra & Bazerman, 2008; Petty & Cacioppo, 1986). Malhotra and Bazerman (2008) have recently called for the creation of “a new domain of academic inquiry—psychological influence in negotiation” (2008, p. 526), but so far this lacuna has not been theoretically or empirically addressed. In the current article we examine negotiation within a persuasion framework. Specifically, we study how the provision of arguments that justify the first offer in a negotiation affects the behavior of the counterpart, namely, how it influences counteroffers and settlement prices.

First Offers as Anchors

First offers are key concepts in the study of negotiation. First offers determine both the process and outcomes of negotiations (Chertkoff & Conley, 1967; Liebert, Smith, Hill, & Keiffer, 1968). In particular, the higher the first offer, the higher the counteroffer and the higher the settlement price (Galinsky & Mussweiler, 2001). On the basis of these findings, negotiators in distributive¹ settings are commonly advised to be first in making an offer and to make their first offer as extreme as possible, while still being reasonable (Bazerman & Neale, 1992; Raiffa, Richardson, & Metcalfe, 2002; Thompson, 2005).

The effect of first offers on outcomes is explained by the anchoring and adjustment heuristic (Tversky & Kahneman, 1974). According to this heuristic, when people try to estimate an unknown quantity (for instance, an opponent’s reservation price in a negotiation), they tend to anchor on a given number (e.g., the first offer in a negotiation) and adjust from it. This rule of thumb may lead to systematic errors both because people tend to cling to an anchor even when it is not relevant and because their adjustments are often insufficient.

Abundant research has demonstrated that the anchoring heuristic is highly robust. It affects judgments in numerous and diverse domains, from general knowledge questions and estimations of probability (Chapman & Johnson, 1999; Tversky & Kahneman, 1974) to legal verdicts (Englich & Mussweiler, 2001) and negotiations (Bazerman & Neale, 1992; Galinsky & Mussweiler, 2001; Ritov, 1996). Because negotiations involve a significant degree of uncertainty, negotiators probably use their counterparts’ first offers as anchors and adjust their counteroffers relative to this anchor.

Arguments, First Offers, and Counteroffers

In this article we study how adding arguments to first offers affects counteroffers and settlement prices. Counteroffers are important because they mediate the effect of the first offer on subsequent steps in the negotiation process (Galinsky & Mussweiler, 2001; Kristensen & Gärling, 1997). Deals are rarely closed after the first offer; rather, most negotiations consist of a sequence of reciprocal contacts. Typically, the responding party comes up with a counteroffer, and the process continues until they reach an agreement. First offers influence counteroffers (through anchoring and adjustment) and, therefore, eventually influence settlement prices. Thus, although studying the effect of first offers on settle-

This article was published Online First April 18, 2011.

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¹ The negotiation literature often distinguishes between two major types of negotiation: distributive negotiation and integrative negotiation. Whereas the former is defined as a competitive (win–lose) process of slicing a fixed pie between the negotiating parties, the latter is characterized as a creative problem-solving process in which the parties are working together to find a mutually beneficial (win–win) pie-expanding solution.

ment prices is important, this effect is usually mediated by the anchoring effect of first offers on counteroffers.

Our leading question asks, what is the behavioral impact of adding arguments to first offers? A common sense answer to this question would contend that justifying a suggested price makes it more persuasive and therefore more acceptable. Arguments will convince the other, and both the counteroffer and the settlement price will be more beneficial to the negotiator who offered first. Such an expectation is consistent with evidence regarding the effectiveness of influence tactics that are based on rational persuasion (Eagly & Chaiken, 1984; Yukl & Tracey, 1992). In addition, it is also consistent with Langer, Blank, and Chanowitz's (1978) famous copy machine study according to which supporting a request with a rationale or an argument is so powerful that it is influential even when the rationale is placebic. In these studies, a confederate requested to "cut in front" of people who were waiting to use a copy machine. The request was followed by no argument, a valid argument, or a placebic argument. When the request was small (five copies), valid and placebic arguments produced equivalent levels of compliance (valid = 94%, placebic = 93%, no argument = 60%). Langer et al. explained that when the request was small, people did not really pay attention to the content of the argument but rather used the word *because* as a signal that a good reason would follow. This behavior was described as mindlessness.

In fact, in light of Langer et al.'s (1978) results, the positive effect of providing arguments seems so obvious that two of the leading books on negotiation recommend negotiators add arguments to their first offers (Malhotra & Bazerman, 2007; Thompson, 2005). But although it has recommended in books on negotiation, this advice has never been tested empirically in negotiation settings. There is reason to believe that the conditions in a typical negotiation are completely different from those in Langer et al.'s study. For example, note that when the confederate in Langer et al.'s experiments presented a larger request (20 copies), the compliance rates changed dramatically (valid = 42%, placebic = 24%, no argument = 24%). Comparing the requests that were made in those studies (to "cut in front" in the line at a copy machine) with requests that are typically made in negotiations (e.g., to cut the price of an asset) suggests that the requests in Langer et al.'s experiments may be better described as *tiny* (five copies) and *small* (20 copies) and not as *small* and *large*. Moreover, when negotiating the price of an asset, the parties can be described as opponents in a zero-sum game whose interests contradict, whereas this description is not suitable for a person who asks a favor from another person. In fact, as detailed shortly, on the basis of the persuasion and attitude change literature, there is reason to believe that in some circumstances adding arguments to first offers in negotiations may have a negative effect.

Intention to Persuade, Reactance, and the Generation of Counterarguments

The attitude change literature has long established the idea that persuasion is not merely a matter of logic and that its source, form, and medium play important parts in this social interaction (Festinger & Maccoby, 1964; Greenwald, 1968; Hovland et al., 1953; Petty, Cacioppo, & Heesacker, 1981). Most relevant to our topic is the idea that arguments in first offers are likely to induce coun-

terarguments. Indeed, the attitude change literature has suggested that when people believe someone is intending to persuade them, they spontaneously seek or generate counterarguments (Brock, 1967; Hass & Grady, 1975; Kiesler & Kiesler, 1964; Petty & Cacioppo, 1977, 1979). What determines the success of the persuasion attempt is the degree of ease of finding such counterarguments.

One process that may explain this effect is reactance. Presenting justifying arguments may prompt negative emotions or thoughts in recipients due to feelings that a counterpart is attempting to limit their negotiation freedom by pushing them or doing the thinking for them. This is commonly known as a *reactance effect* (Pennebaker & Sanders, 1976), namely, a negative reaction that is created when another tries to control or limit one's actions. Indeed, recent research has linked reactance to the generation of counterarguments that may eventually lead to resistance to the persuasion attempt (Silvia, 2006).

It is important to note that adding an argument to a first offer is inherently different from merely stating the (numerical) first offer. Whereas the latter may be perceived as intention to provide information regarding the initiator's goal or estimation of the asset's worth, the former may be seen as a persuasion attempt. This differentiation is important because similar data can be interpreted as having an intention to provide information or as having an intention to persuade, depending on the situation and on the exact phrasing. For example, a seller of an apartment is often requested to provide details about the asset (number of bedrooms, proximity to city center, condition of the apartment, etc.). When this information is perceived by the recipient (the potential buyer) primarily as objective data, not so much as an attempt to persuade, the negative effect of arguments is not expected, because the buyer has not been influenced into searching for counterarguments. Such information may even have a positive influence on the counterpart's judgments.

Often the objective details and the first offer are presented to the counterpart separately. Typically, the provision of information precedes the first offer. Thus, the first offer may or may not include justifying arguments. In the above example, after the seller or the real estate agent describes the apartment (provides information), the requested price (first offer) is presented. If the seller uses the details of the asset to justify its price ("I demand this price because of the number of bedrooms, the proximity to city center, the condition of the apartment, etc."), potential buyers may interpret the same information as a persuasion attempt, which may have a negative effect because it will generate counterarguments.

Figure 1 illustrates the two possible ways a presentation of a negotiated asset may be perceived (intention to provide information vs. intention to persuade) and the respective reactions of the counterpart. Note that although making a first offer without any justifying arguments is modeled as a mere provision of information (regarding the worth of the asset from the initiator's side), adding arguments to a first offer is treated as an intention to persuade.

Figure 1 depicts the seller as the initiator because sellers (and not buyers) typically present the first offer, and this was also the case in three of the four the studies in the current article. Note that when buyers add arguments to the first offer, a similar boomerang

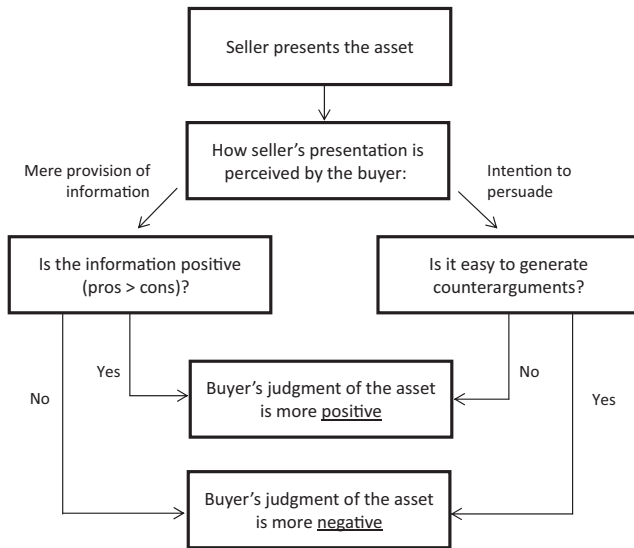


Figure 1. The two possible ways in which the presentation of a negotiated asset may be perceived and the respective reactions of the counterpart.

effect is expected if the sellers can easily generate counterarguments. This effect is demonstrated in Study 2.²

Hypotheses

In the current article we examine how arguments that are added to first offers in distributive negotiations affect the responding party. Specifically, we predict that adding an argument to a first offer (“I request this price, because . . .”) may be seen by the counterpart as an intention to persuade, which may cause the responding party to generate counterarguments. When counterarguments are easily found, they will cause the buyer to focus on the disadvantages of the negotiated object. This, in turn, should result in lower counteroffers and eventually in lower settlement prices compared with buyers who respond to first offers with no arguments. On the other hand, when it is the buyer who presents the first offer and counterarguments are easily found, they will cause the seller to focus on the advantages of the negotiated object. This will result in higher counteroffers and eventually in higher settlement prices compared with sellers who respond to first offers with no arguments. Thus, counteroffers and settlement prices will be less favorable to the negotiator who added an argument to the first offer.

On the other hand, even if the argument is perceived as an intention to persuade, there may still be cases where the inclusion of arguments will not have a negative effect. This may happen when it is difficult to generate counterarguments. Thus, we predict that when it is difficult to generate counterarguments, adding a justifying argument to the first offer will either have no effect or even have a positive effect (counteroffers will be more favorable to the negotiator who made the first offer), depending on the quality of the arguments and the available information.

Pilot Studies

Before we present the four main studies that test our predictions, we report the conclusions from two pilot studies in which we found that (a) negotiators (sellers) who made the first offer tended to spon-

taneously add arguments to their first offers and (b) when the generation of counterarguments was easy, negotiators (buyers) who responded to first offers with arguments made lower counteroffers (further from the first offer) than did negotiators who responded to first offers with no arguments.

(a) We conducted an e-mail negotiation simulation among a random sample of 51 undergraduates. They read a description of an apartment (identical to that used in Study 1) and were asked to assume the role of the seller by sending an open-ended first offer to a potential buyer who supposedly was aware of the same information about the apartment. Thirty-one participants sent a first offer (60.8% response rate). The majority (72%) did spontaneously add arguments to their first offer. A binomial test based on a Z approximation indicated a significant result ($Z = 2.3, p < .05$). However, the first offers of those who added arguments ($M = \$167,167, SD = 13,666$) were not significantly different from the first offers of those who did not ($M = \$165,854, SD = 30,214$), $t(29) = 0.015, p = .902, d = 0.056$. Because participants believed that their counterparts were aware of the same information, it seems that they added arguments not so much to convey information but probably as an act of persuasion for their own benefit. Does the addition of such arguments act to their benefit? We predicted that it would not. The next pilot study supports this prediction.

(b) Forty-eight undergraduates were randomly assigned to two conditions in which all participants assumed the role of potential buyers: Half received first offers with nothing but the amount of the asking price, and the other half received first offers with the same asking price but also with arguments to justify it. The description of the apartment, which included both advantages and disadvantages of the asset, was available to the participants throughout the experiment, and a few of the reported advantages were used as the argument in the relevant condition. Thus, generating counterarguments was easy.

Having reviewed the materials, 24 randomly assigned participants received from their counterpart “seller” (one of the experimenters) a first offer that included nothing but the asking price (no-argument condition), whereas the other 24 participants received the same monetary offer along with a the following justifying argument (argument condition):

Dear Buyer,

I ask \$190,000 for the apartment. I ask this money because this is a unique apartment in a renovated building that has an elevator and is situated near a nice park.

Waiting for your reply.

Yours,

The seller

² In addition, because buyers usually do not provide information about a negotiated asset, there are two important notes regarding buyers' first offers: (a) Here too, making a first offer with no arguments is modeled as the mere provision of information (regarding the worth of the asset from the perspective of the buyer), whereas adding arguments to a first offer is treated as an intention to persuade; (b) because in three of the four experiments in the current article the seller made the first offer and the price of an asset was negotiated, Figure 1 depicts such a scenario. However, in order to think of the two parties in a completely symmetrical way, it might be easier to think of another example instead of a buyer versus a seller, such as a job candidate and an employer negotiating the candidate's salary.

Thirty-nine participants (81%) replied to the first offers. There was no difference between the response rates to first offers with (79%) or without (83%) arguments, $\chi^2(1, N = 48) = 0.14, p = .71$.

Participants who received nonargued first offers replied with an average counteroffer of \$131,100 ($SD = 16,654$), whereas those who received argued first offers gave an average counteroffer of only \$116,947 ($SD = 17,884$). This difference was significant, $t(37) = 2.56, p < .05, d = 0.82$. Thus, consistent with our prediction, although participants in both groups replied to identical first offers, their responses were different.

Study 1

In the first study the participants assumed the role of buyers who responded to first offers made by sellers. The experimental treatment consisted of a 2 (argument: yes vs. no) \times 2 (ease of generating counterarguments: low vs. high) between-subjects factorial design. Another factor that is directly relevant to our research—the level of the anchor of the first offer—was kept constant. In Studies 2 and 3 it is treated experimentally in conjunction with the presence or absence of arguments.

Given that the participants were buyers, we hypothesized that when it was easy to generate counterarguments, the amount of the counteroffers would be lower if first offers were accompanied by arguments than when they were not. Lower counteroffers imply that the persuasion attempt had a boomerang effect, so that it was better for the seller to merely state the first offer without any arguments. In contrast, we hypothesized that when it was difficult to generate counterarguments, the amount of the counteroffers would be higher if first offers were accompanied by arguments than when they were not. Higher counteroffers imply that the persuasion attempt was successful.

Method

Participants and design. The sample consisted of 202 people who had registered on an Internet site that allows its users to take part in social science experiments for pay. All of the participants were 21 years old or older and all had more than 12 years of education. Participants assumed the role of buyers and were randomly assigned to the four experimental conditions: First Offers With/Without Arguments \times Low/High Availability of Counterarguments.

Procedure and materials. The negotiation was conducted via an online simulation program. Participants were told that they were about to participate in two different experiments: a negotiation experiment and a language skills experiment. In fact, the language skills task was used only as a distraction task between the two parts of the negotiation experiment in order to make the generation of counterarguments easy or difficult in accordance with the relevant condition. In addition to the standard participation payment, four prizes of 100 NIS (Israeli new shekel; about 28 U.S. dollars) were promised to the four negotiators who reached the best results. Because the process did not continue, the prizes were eventually given to those who presented the lowest counteroffers.

The participants read a scenario (similar to the scenario that was used in the two pilot studies) in which they intended to buy a specific apartment as an investment. The following information was provided: (a) an estimate of the value of the apartment made a few years back by a professional estimator (\$170,000); they were

also informed that since then real estate prices had significantly dropped; (b) the selling price of a similar (though smaller) property that had been recently sold in the neighborhood (\$129,000); and (c) that their best alternative to the current negotiation in case they failed to complete this deal (the main source of power in negotiations, also known as the best alternative to a negotiated agreement [BATNA]) was a similar apartment for \$160,000.

In addition, the materials included nine pieces of information about the apartment: two neutral items, three drawbacks (e.g., no parking), and four advantages (e.g., renovated building). Finally, the participants were told that the information included in their materials—except for their alternative—was known to the seller, and they were asked not to reveal their alternative. They were instructed to wait until they received the first offer from the seller.

After the participants had read the above information and clicked “next” in the computer program, they reached the language skills task. The task was a complicated word search puzzle in which the participants had to search for four actual words in a few grids of seemingly random letters. After the participants had completed this task and clicked “next,” they returned to the negotiation simulation and saw the seller’s first offer. At this stage the information regarding the apartment that had been presented to the participants at the first stage of the negotiation experiment was available only to half of the participants (high availability of counterarguments). The other half (low availability of counterarguments) saw the seller’s offer but did not see and could not return to the information about the apartment. Thus, the word puzzle task was used to enhance the manipulation of the availability of counterarguments by creating a delay between reading the details of the asset (before the puzzle) and the negotiation simulation (after the puzzle). It was assumed that after such a delay that also involved substantial cognitive effort, participants who received the first offer but could not return to the information would find it harder to generate counterarguments than participants to whom the information was available both before and after the word puzzle task.

A random half of the participants (no-argument condition) in each of the above conditions received from their counterpart “seller” the following first offer:

Dear buyer,
I ask \$190,000 for the apartment.
Waiting for your reply.
Yours,
The seller

The other half (argument condition) received the same monetary first offer, but this time it was accompanied by an argument:

Dear buyer,
I ask \$190,000 for the apartment. I ask this money because this is a unique apartment in a renovated building that has an elevator and is situated near a nice park.
Waiting for your reply.
Yours,
The seller

It is important to stress that the information that constituted the argument was already known to the participants, as it was part of their experimental materials.

After the participants read the first offer they were requested to respond to it. They had to fill in a numerical value for their counteroffer and could also add free text in a designated text box.

Measures. Our main dependent variable was the amount of the counteroffer. Measuring counterarguments is important but problematic. It is important because it is hypothesized to be the mechanism behind the boomerang effect of adding arguments to the first offer (Briñol, Rucker, Tormala, & Petty, 2004). On the other hand, it is problematic to measure the number of counterarguments in a negotiation simulation. First, negotiators can generate counterarguments and be affected by them without communicating them to their counterparts. Second, encouraging participants in both conditions (responding to first offers with/without arguments) to generate counterarguments by explicitly instructing them to do so might wear the natural effect. Despite the above, the following section does include an analysis of the number of counterarguments. A research assistant blind to the experiment's conditions and hypotheses counted the number of counterarguments in the responses of the participants. A counterargument was defined as pointing to a disadvantage or contradicting an advantage of the negotiated asset.

Results and Discussion

One hundred seventy-six of the 202 participants (87%) replied with a counteroffer. Nine participants were removed from the analysis: four who did not complete the word search puzzle and five whose counteroffers were more than 2.5 *SD* higher than the average.

Supporting our conceptualization, the interaction between the two independent variables (First Offers With/Without Arguments \times Low/High Availability of Counterarguments) was significant, $F(1, 163) = 8.96, p < .01$. The meaning of this interaction is that adding arguments to a first offer could have either a positive or a negative (boomerang) effect depending on the availability of counterarguments. The two relevant simple effects that are specified in Table 1 were also significant and supported the above conceptualization. When the availability of counterarguments was low, adding an argument to the first offer resulted in a higher counteroffer, $t(84) = 5.126, p < .05, d = 0.49$. On the other hand, when counterarguments were highly available, adding an argument to the first offer resulted in a lower counteroffer, $t(79) = 3.9, p = .052, d = 0.44$.

A 2×2 analysis of variance (ANOVA) on the number of arguments in the counteroffer revealed a significant interaction effect between the two independent variables (First Offers With/Without Arguments \times Low/High Availability of Counterarguments), $F(1, 124) = 9.56, p < .01$.³ The simple effects were also significant. When the availability of counterarguments was low, adding an argument to the first offer resulted in fewer counterarguments, $t(66) = 3.63, p = .06, d = 0.47$. On the other hand, when counterarguments were highly available, adding an argument to the first offer resulted in more counterarguments, $t(58) = 5.65, p < .05, d = 0.62$. These results, which are summarized in Table 1, support our conceptualization that the generation of counterarguments is probably the mechanism behind the above effect.

Table 1
Summary of Results, Study 1

Availability of counterarguments	Argument in first offer	
	No	Yes
Low		
Buyer's counteroffer	\$136,867 (19,027)	\$145,429 (15,688)
Number of counterarguments	2.03 (0.86)	1.67 (0.72)
High		
Buyer's counteroffer	\$147,279 (17,477)	\$139,737 (16,789)
Number of counterarguments	1.79 (0.98)	2.42 (1.06)

Note. Data are means with standard deviations in parentheses. $N = 167$ participants for counteroffer and 128 participants for number of counterarguments.

In sum, the above results are consistent with the predictions that when the generation of counterarguments is easy, first offers that include justifying arguments result in counteroffers that are less favorable to the negotiators who made the argued first offers.

Study 2

Study 2 was designed to address the main limitations of Study 1. First, Study 1 investigated the effect of arguments when the initiator was the seller and the responding party was the buyer, but our model does not predict any differences between buyers and sellers. Second, Study 1 involved negotiations where only one of the negotiating parties was a real participant and the other was one of the experimenters. Although this was done to control both the amount of the first offer and the content of the argument, it also resulted in artificial negotiations. Third, in Study 1, we examined only one type of argument, namely, an argument that restated some of the advantages of the negotiated asset that were described in the negotiation materials. This kind of argument may be considered too artificial, and our hypotheses should also be tested with other more natural arguments. Finally, although the counteroffer is an important variable, its importance stems mainly from its effect on settlement prices, which were not tested in Study 1.

Thus, in Study 2 we manipulated both the presence of arguments and the anchor, allowed negotiations that involved buyers and sellers, let first offers and arguments be spontaneously and naturally generated, and followed the negotiation until its conclusion. We used Galinsky and Mussweiler's (2001) anchor manipulation by instructing either the buyer or the seller to offer first. In line with our hypotheses, the main idea of Study 2 is that when the generation of counterarguments is easy, arguments that are added to first offers cause the responding party to generate counterarguments, which set counteroffers and settlement prices further away from the first offers (i.e., set prices that are less to the advantage of the negotiator who made the first offer). Whereas in Study 1 the ease of generating counterarguments was manipulated, in Study 2 the generation of counterarguments was equal across all condi-

³ Because a response with no text at all (with only a numerical counteroffer) cannot tell us if the respondent thought of counterarguments but did not communicate them or did not think of counterarguments at all, such counteroffers (39, or 23% of all counteroffers) were not included in the analysis.

tions. We assumed that it would be easy to generate counterarguments because (a) the information regarding the negotiated asset included both advantages and disadvantages that were clearly stated and (b) this information was available throughout the simulation.

We tested this idea in a 2 (who made the first offer: seller vs. buyer; i.e., anchor) \times 2 (argument: yes vs. no) between-subjects factorial design. If our conceptualization is correct so that counteroffers are further away from first offers that include arguments, then the difference between counteroffers of buyers and sellers should be larger in the argument condition than in the no-argument condition. We expect this pattern because buyers in the argument condition are likely to present even lower counteroffers and sellers are likely to present even higher counteroffers. A similar effect is likely to occur for settlement prices. The difference between settlement prices when buyers as opposed to sellers make the first offer should be smaller in the argument than in the no-argument condition. Statistically, these patterns should yield interactions between who made the first offer and argument in determining both the amount of the counteroffer and the amount of the settlement price.

Method

Participants and design. Undergraduate students in a research methods course in the business school of an Israeli university recruited a total of 112 people (56 dyads) to participate in this experiment. The recruited participants were friends, family, or colleagues of these students. The students themselves were blind to the experimental design and conditions. All they had to do was to recruit participants according to two characteristics (12 or more years of education, 21 years old or older) and provide the participants' contact information. We used a 2 (who made the first offer: buyer vs. seller) \times 2 (argument: yes vs. no) between-subjects factorial design. Participants were randomly assigned to the four conditions of the experiment.

Procedure and materials. Half of the participants received the buyer's materials by e-mail, and the other half received the seller's materials. A random half of the participants in each group were instructed to send (by clicking the reply option) their first offer to their counterparts; the other half were instructed to wait until they received the first offer from their counterparts. Most of the information that was included in the e-mails was identical for buyers and sellers.

The information was taken from Galinsky and Mussweiler (2001). Sellers (buyers) were asked to assume the role of a CEO of a company that intended to sell (buy) a pharmaceutical plant. The plant was for sale because the company had decided to stop manufacturing its line of products. Buyers and sellers alike were informed that (a) a highly experienced workforce was available for recruiting in the vicinity of the plant; (b) the plant had been purchased 3 years earlier from a bankrupted company for 15 million NIS, below the market price at the time; (c) 2 years ago the value of the plant was estimated at 19 million NIS, but since then real estate prices in the area had declined about 5%; (d) the plant was a unique property, and therefore general real-estate trends may be irrelevant to its pricing; and (e) a similar plant had been recently sold for 26 million NIS.

In addition to the common information, each role received its unique BATNA information. The best alternative for the sellers was to strip the plant and sell the land and machinery separately; the revenue in such case would be 17 million NIS. The best alternative for buyers was to build a new plant that would cost 25 million NIS. All participants were instructed to refrain from revealing their BATNAs to their counterparts.

The negotiators in the argument condition were requested to add an argument to their offer, using the following format:

My company asks (offers) ____ million NIS for the plant. We ask (offer) this sum of money, because _____ [blank space].

No instructions regarding the phrasing of the argument were given to participants.

The other half of participants were instructed to send just a number without adding any text, using the following format:

My company asks (offers) ____ million NIS for the plant.

We emphasized that they should not add anything to this format.

Prizes of 100 NIS were promised to the six negotiators who reached the best results in the negotiation. Negotiation was conducted via e-mail. The participants were instructed to negotiate until they reached an agreed-upon price or an impasse. They were further requested to reply to each offer by clicking the reply button of their e-mail software, thus creating a complete record of their correspondence. The amounts of counteroffers and settlement prices were obtained from this correspondence.

Results and Discussion

Because settlement price was a key dependent variable in this study, the analysis was conducted on the 43 dyads (77%) who completed the negotiation and reached an agreement. The other 13 dyads (23%) did not complete the negotiation or reached an impasse. There was no significant difference in the proportion of completed negotiations between the two groups (87% and 70%, for first offers with vs. without arguments, respectively), $\chi^2(1, N = 56) = 2.2, p = .13$.

Consistent with Galinsky and Mussweiler (2001), being first to offer resulted in better outcomes for the side who was first, $F(1, 39) = 7.72, p < .01$. Settlement prices were significantly higher ($M = 23.4$ million NIS, $SD = 3.4$ million) when the first offer was made by the seller rather than by the buyer ($M = 20.7$ million NIS, $SD = 2.6$ million).

As indicated in Table 2, the difference in settlement prices was smaller in the argument condition compared with the no-argument condition. Supporting our conceptualization, the interaction between who made the first offer and argument was significant, $F(1, 39) = 4.53, p < .05$. This interaction was driven by a significant difference between the seller and buyer conditions in the no-argument condition ($M = 24.4$ million NIS, $SD = 3.8$ million vs. $M = 19.9$ million NIS, $SD = 2.9$ million, respectively), $t(21) = 9.4, p < .01, d = 1.33$, and no difference in the argument condition ($M = 22.1$ million NIS, $SD = 2.3$ million vs. $M = 21.5$ million NIS, $SD = 2.1$ million, respectively), $t(18) = 0.36, p = .60, d = 0.27$.

Counteroffers showed a similar pattern to settlement prices. The difference between counteroffers of buyers and sellers was larger

Table 2
Summary of Results, Study 2

Who made the first offer	Argument	
	Yes	No
Seller		
Buyer's counteroffer	18.0 (1.6)	19.6 (3.8)
Number of counterarguments	2.25 (0.5)	1.17 (0.4)
Settlement price	22.1 (2.3)	24.4 (3.8)
Buyer		
Seller's counteroffer	27.4 (6.3)	23.9 (3.5)
Number of counterarguments	2.38 (1.3)	1.28 (0.5)
Settlement price	21.5 (2.1)	19.9 (2.9)

Note. Data are means with standard deviations in parentheses. Buyers' counteroffers and settlement prices are expressed in millions of Israeli new shekels (NIS). $N = 43$ dyads (86 participants).

in the argument condition compared with the no-argument condition, yielding a significant interaction between who made the first offer and argument, $F(1, 38) = 3.64, p = .06$. This interaction was driven by a stronger significant difference between seller and buyer conditions in the argument condition ($M = 18.0$ million NIS, $SD = 1.6$ million vs. $M = 27.4$ million NIS, $SD = 6.3$ million, respectively), $t(17) = 16.7, p = .001, d = 2.05$, compared with a milder difference in the no-argument condition ($M = 19.6$ million NIS, $SD = 3.8$ million vs. $M = 23.9$ million NIS, $SD = 3.5$ million, respectively), $t(18) = 8.01, p = .01, d = 1.2$.

The above results regarding counteroffers and settlement prices suggest that the anchor provided by the first offer influenced settlement prices only when the first offer did not include arguments (but not when it did include arguments). Moreover, the obtained attenuation of anchoring effects seems to be due to counteroffers that were further away from the first offers in the argument condition (compared with the no-argument condition).

In addition, a 2×2 ANOVA on the number of counterarguments revealed a significant effect for the presence of argument, $F(1, 34) = 13.5, p < .001$, associated with more counterarguments in the argument condition ($M = 2.3, SD = 0.9$) than in the no-argument condition ($M = 1.2, SD = 0.4$).⁴ The simple effects were also significant. When the seller made the first offer and added arguments to justify it, the buyer responded with an average of 2.25 counterarguments ($SD = 0.46$), whereas when the first offer did not include any arguments, the number of counterarguments dropped significantly to 1.17 ($SD = 0.41$), $t(12) = 20.70, p < .001, d = 2.48$. When the buyer made the first offer, results indicated the same pattern, with $M = 2.38$ ($SD = 1.30$) and $M = 1.28$ ($SD = 0.49$) for the numbers of counterarguments in with versus without arguments in the first offer conditions, respectively, $t(13) = 4.33, p = .058, d = 1.12$. Neither the main effect of who made the first offer nor the interaction was significant, $F(1, 34) = 0.2, p = .68$, and $F(1, 34) = 0.0, p = .99$, respectively. Taken together, these results support our conceptualization that the effect of arguments on counteroffers is related to negotiators' tendency in the argument condition to look for counterarguments.

Finally, note that the correlation between counteroffers and settlement prices was significantly positive whether the first offer was made by sellers, $r(20) = .48, p < .03$, or buyers, $r(22) = .51, p < .02$, and that this pattern remained the same when the amount

of the first offer was controlled for ($r = .74, p < .001$ and $r = .51, p < .02$, respectively). These correlations suggest that the effect of arguments on settlement prices can be inferred from their effects on counteroffers.

In sum, the results of Studies 1 and 2 support the hypothesis that when the generation of counterarguments is easy, adding arguments to first offers is associated with generating more counterarguments and, therefore, with a boomerang effect of the arguments.

Study 3

The two purposes of Study 3 were (a) to test another kind of argument and (b) to test a different operationalization of the ease of generating counterarguments. Similar to Study 2, Study 3 involved a 2 (first offer: moderate vs. extreme) $\times 2$ (argument: yes vs. no) design. However, whereas in Study 2 the anchor was indirectly manipulated through the role of the negotiator who offered first (buyer vs. seller), in Study 3 it was manipulated directly by setting the first offer to be moderate or extreme.

We remind the reader that in Study 1 the argument was drawn from the experimental material known to both sides, and in Study 2 participants were free to use their own arguments. In Study 3, on the other hand, we justified the first offer (in the argument condition) by merely stating that the asking price was "fair," without providing any further information. Although this content-free argument might seem different from the arguments used in Study 1, they are essentially similar in that the fairness argument is also likely to be perceived as an intention to persuade and, consequently, to cause the respondent to generate more counterarguments (Brock, 1967; Hass & Grady, 1975; Kiesler & Kiesler, 1964; Petty & Cacioppo, 1977, 1979).

In addition, whereas in Study 1 we manipulated the ease of generating counterarguments by using a distraction task, in Study 3 we manipulated it through the level of the first offer. A moderate first offer is an objectively fair offer, and consequently the generation of counterarguments to it should be more difficult. In such case the use of an argument in the first offer should not cause the negative (boomerang) effect that was evident in Studies 1 and 2. On the other hand, when the monetary offer is extreme (e.g., outside the bargaining zone and worse than the respondent's alternative), generating counterarguments should be easier, and we expect a negative effect of using arguments that justify the first offer.

Method

Participants and design. Ninety-two college students in a decision-making class participated in the experiment as a course task. The study was based on a 2 (first offer: moderate vs. extreme) $\times 2$ (argument: none vs. "fair") between-subjects factorial design. The participants were randomly assigned to the four conditions of the experiment.

Procedure and materials. As in Study 1, the negotiation was conducted via an online simulation program. Participants read the

⁴ As in Study 1, here too, responses with no text (5, or 11.6% of all counteroffers) were not included in the analysis. But it is important to note that when the number of counterarguments in such counteroffers was set as zero, the results were in the same pattern and were also similarly significant.

buyer's materials and were asked to interact with a seller of an apartment. They read a scenario that was identical to that of Study 1.

The following four versions of first offers were sent out next:

Dear buyer,

I ask \$132,000 (\$182,000) for the apartment.

[In the argument condition the following phrase was added: I ask this sum of money because it's a fair price for this apartment.]

Waiting for your reply.

Yours,

The seller

Participants responded to the first offer by writing their counteroffers in a specified text box. The experiment was terminated after they replied to the first offer, and the participants were debriefed in their next class about the experiment's design and purpose.

Results and Discussion

Seventy-eight of the 92 participants (85%) replied with a counteroffer. Four participants whose counteroffers were more than 2.5 *SD* higher than the average were removed from the analysis. Figure 2 presents the amount of the counteroffers as a function of the two independent variables: First Offers With/Without "Fair" Argument \times Moderate/High First Offers. Supporting our conceptualization, the interaction between the two independent variables was significant, $F(1, 74) = 5.43, p < .05$. This interaction means that adding fairness arguments to first offers had a negative (boomerang) effect, but only when the first offer was extreme. An extreme first offer (outside the bargaining zone) was probably not perceived as fair by the counterpart, who could easily find counterarguments to support his or her perception.

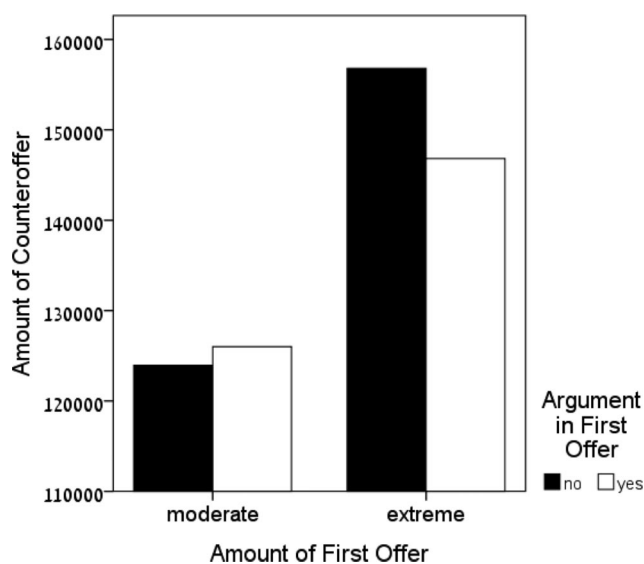


Figure 2. Study 3: Counteroffers by amount of the first offer (low vs. high) and argument in first offer (yes vs. no).

The relevant simple effect supported the main result of Studies 1 and 2: When the first offer was extreme, adding a fairness argument resulted in a lower counteroffer ($M = \$146,826, SD = 12,608$) compared with counteroffers that followed first offers that did not include any argument ($M = \$156,786, SD = 11,396$). This result was significant, $t(35) = 5.83, p < .05, d = 1.24$. On the other hand, when the first offer was moderate, adding a fairness argument did not influence the amount of the counteroffer, $t(35) = 0.44, p = .51, d = 0.22$ ($M = \$126,000, SD = 9,577; M = \$123,955, SD = 9,026$, respectively). This is probably due to the fact that when the amount of the first offer is indeed fair, a fairness argument adds nothing to the monetary offer and, thus, has no persuading power.

These results are consistent with our hypotheses. It was shown that the negative effect of arguments in first offers is not limited to the specific type of argument that was used in Study 1 and in the pilot studies (namely, stating one or more advantages of the negotiated asset, which are already known to the responding party). Buyers who responded to extreme (but not moderate) first offers that were justified as fair, and therefore could be easily refuted by counterarguments, tended to respond with lower counteroffers, which were less beneficial to the negotiators who made the first offers.

Study 4

Study 4 was designed to examine an alternative explanation to the one that has been presented throughout the current article. Although we argue that adding arguments to first offers causes the responding party to seek or generate counterarguments, another explanation is that it prevents them from self-generating anchor-consistent information. This alternative explanation is consistent with research that showed that when decision makers were prevented from self-generating anchor-consistent information, the anchoring effect wore off (Chapman & Johnson, 1999).

Although the results regarding the number of counterarguments that were demonstrated in Studies 1 and 2 lend more support to our suggested mechanism, it was important to address the alternative explanation directly. Accordingly, we hypothesized that buyers' counteroffers would be lower when sellers' first offers were accompanied by arguments than when they were not, even when the first offer did not include a numeric anchor. If first offers that include arguments but do not include any numeric value result in the same pattern that was demonstrated in the previous studies, it is more likely that this effect is due to generation of counterarguments and not to the prevention of self-generation of anchor-consistent information.

Method

Participants and design. The sample consisted of 102 people who registered on an Internet site that allows its users to take part in social science experiments for pay. Participants assumed a buyer role and were randomly assigned to the two experimental conditions: first offers with or without arguments. The first offers did not present an asking price.

Procedure and materials. The negotiation was conducted via an online simulation program. Participants were told that they were about to negotiate with a seller (the program was their

counterpart). The negotiation materials that appeared on the screen were identical to those of Study 3. In addition to the standard participation payment, prizes of 100 NIS were promised to the two negotiators who reached the best results.

After reading the materials, the following message appeared on the screen:

Please wait, the system is looking for a potential seller that is willing to negotiate with you.

After a few seconds, another message appeared on the screen:

The system has found a seller that is willing to negotiate with you. Please wait while the seller is phrasing his/her first message.

These messages were meant to enhance the realism of the simulation. Next, the seller's message appeared on the screen. Half of the participants received the following message:

Dear buyer,

As you know, I'm selling my apartment.

[The other half read the following addition: It is a great apartment because the building is renovated and well kept, and there is an elevator. In addition, there is a big park near the apartment.]

Please send me your offer for the apartment.

Yours,

The seller

The arguments were based on information that was known to participants. Furthermore, they had been specifically told that all the information was known to both sides (except for the information regarding the best alternative, i.e., their BATNA). The simulation information remained on the screen throughout the simulation.

Next, the following message appeared on the screen:

Now you have to send to the seller the price you are willing to pay for the apartment. Please write your monetary offer below in US\$.

I offer \$___ for your apartment.

You may write a message to the seller in the following text box.

A text box appeared below this message. The participants were requested to click on a button when they wished to send their offer. After the "send offer" button was clicked, a message saying that the seller was considering their offer appeared. A few seconds later another message appeared, saying that the seller had accepted their offer, and therefore the simulation ended. Prizes were eventually given to the two negotiators who made the lowest counteroffers. The monetary offers of all participants were recorded, as well as their responses that were typed in the text box.

Results and Discussion

As predicted, the participants who received messages without arguments replied with higher counteroffers than did those who received messages with arguments ($M = \$141,289$, $SD = 14,249$ vs. $M = \$134,346$, $SD = 15,705$, respectively). This result was significant, $t(99) = 2.33$, $p < .05$, $d = 0.46$. Because the first

message did not include any anchor, this result cannot be attributed to the alternative explanation according to which the arguments prevented the respondents from seeking anchor-consistent information. On the other hand, this result is consistent with the mechanism that was suggested in the current article that focuses on the generation of counterarguments. This explanation is also consistent with the persuasion literature that was referred to previously. Fifty-one percent of the participants did not add any counterargument to their counteroffers. In a result consistent with our model, 62% of them were in the no-argument condition, whereas only 38% were in the argument condition. The remaining counteroffers were examined by a research assistant blind to the experimental conditions and hypotheses. The difference in the number of counterarguments was in the expected direction ($M = 1.5$, $SD = 0.69$ vs. $M = 1.8$, $SD = 0.83$, for no argument vs. argument, respectively) though not significant, $t(48) = 2.2$, $p = .14$, $d = 0.39$. Analysis of the entire sample, including the counteroffers with zero counterarguments, yielded a significant result, $t(100) = 6.7$, $p < .05$.

In sum, the results of Study 4 strengthen the validity of the idea that adding arguments to first offers causes the responding party to seek or generate counterarguments, versus the alternative explanation that it prevents them from self-generating anchor-consistent information.

General Discussion

Offering first in negotiations is beneficial to the offering party because it affects the counterpart through an anchoring and adjustment process (Galinsky & Mussweiler, 2001; Tversky & Kahneman, 1974). In the current research we examined the effects of adding arguments to first offers. Whereas it could be argued that such arguments make the message more persuasive, our results suggested the opposite. Consistent with the persuasion literature (Brock, 1967; Cacioppo & Petty, 1979; Tormala & Petty, 2004), the results of four experiments and two pilot studies showed that when the generation of counterarguments is easy, both counteroffers and settlement prices are lower (higher) when sellers (buyers) add arguments to their first offers.

Although the provision of arguments may convince the recipient and thus result in a better outcome for the party who provides arguments, it may also create a boomerang effect. When people perceive a message as a persuasion attempt, a reactance effect (Pennebaker & Sanders, 1976) is likely to cause them to generate more counterarguments (Silvia, 2006). These counterarguments, in turn, may lead to resistance to the persuasion attempt (Brock, 1967; Hass & Grady, 1975; Kiesler & Kiesler, 1964; Petty & Cacioppo, 1977, 1979).

In negotiations, the generation of counterarguments may result in the wearing of the anchoring effect of the first offer, because counterarguments typically contradict or even oppose this offer. Although the anchoring effect is highly robust (for a review, see Galinsky & Mussweiler, 2001, p. 659), it may be overcome by "consider the opposite" strategies (Galinsky & Mussweiler, 2001; Mussweiler & Strack, 2000). For example, in one study it was shown that considering information that is inconsistent with the first offer (e.g., focusing on the counterpart's BATNA) resulted in overcoming the anchor effect (Galinsky & Mussweiler, 2001).

Our results have implications that go beyond the straightforward recommendation to refrain from justifying first offers in negotiation if counterarguments are easily accessible. From a practical (as well as an empirical) perspective, we need to examine when counterarguing will be more likely (so that justifying an offer is damaging to oneself). It is likely, for example, that when the first offer is unreasonably extreme, or when the encounter is otherwise stressful or offensive, the other side will be driven to seek counterarguments. Alternatively, when the responding side is knowledgeable, or has access to knowledge, so that they cannot be easily caught in the offering side's perspective, there too the justifying arguments might be of no use to the offering party.

The implications of our results concern additional contexts beyond that of negotiation, as they are relevant to commerce and business in general. They suggest that excessive persuasion efforts, such as in exaggerated selling or advertising, are likely to be less effective because they arouse counterarguing. A business approach that is more respectful of customers' ability to reason for themselves and guard their own interests might in the end be more effective.

Future Research

Future research should distinguish between arguments and information. In the current research all information regarding the negotiation (except for the opponent's BATNA) was provided by the researchers and was shared by the two sides. In real-life negotiations, however, negotiators provide at least some of the information. For example, job candidates tell recruiters about their experience, knowledge, and achievements. When the added information is perceived by the recipient primarily as objective data, not so much as an intention to persuade, the negative effect of arguments is not expected, because the responding party has not been influenced into searching for counterarguments. In fact, when the communicated information is positive (pros are greater than cons), it may even have a positive effect.

In order to further establish the linkage to the persuasion literature, other types of arguments that persuasion scholars have already shown to be more influential should also be examined. For example, the persuasion literature has shown that under certain conditions two-sided arguments pose a more convincing appeal than do one-sided arguments (Chu, 1967; Eisend, 2007; Hovland et al., 1953; Kamins & Assael, 1987). This effect is attributed to the increase in source credibility and the decrease in a search for counterarguments when two-sided arguments are presented (Eisend, 2007). Thus, the difference between one- and two-sided arguments added to first offers should be tested.

To enhance generalizability, contextual features should also be tested. For example, it is more difficult to develop trust in online rather than face-to-face settings (Rocco, 1998). Rich media such as video or audio facilitate the emergence of trust compared with text chat (Bos, Olson, Gergle, Olson, & Wright, 2002). If trust (or credibility) mediates the effect of arguments in first offers, using different communication channels might alter the results. Thus, we suggest testing the effect of arguments on first offers in alternating communication situations: face-to-face and audio chat (Bos et al., 2002).

In addition, integrative (rather than distributive) scenarios should be examined. In integrative negotiations the parties need to

communicate and join forces in order to find a mutually beneficial (win-win) pie-expanding solution (Thompson, 2005). It is possible that some of the negative effect of the added arguments might be due to the distributive nature of our setting, and in integrative settings added arguments might not yield the same effect.

Finally, we suggest that future research investigate this effect across cultures. Our participants were Israelis, namely, members of a relatively collectivist culture (Hofstede, 1980). People from collectivist cultures show lower trust toward strangers (Jarvenpaa, Tractinsky, & Saarinen, 1999) and exhibit higher propensity for risk taking (Weber & Hsee, 1998). It is possible that Israeli participants did not trust opponents who added arguments to a first offer but were more willing to take the risk of an impasse accompanying an extreme counteroffer. Thus, the behavior of negotiators toward a justifying argument in other (more individualistic) cultures should also be examined.

Conclusion

In this article we tried to combine concepts and findings from the negotiation and persuasion literatures: first offers and arguments. These two closely related bodies of research have evolved separately, and the negotiation literature has rarely drawn upon the abundant research in persuasion or social influence to explore the dynamics of the negotiation process. Even when findings from the persuasion literature are integrated into the negotiation literature it is usually done in popular books and not in empirical research. In the current article we have demonstrated how the negotiation research can benefit from incorporating concepts and findings from the well-established persuasion and attitude change literature. In two pilot studies and four studies, we have shown that in line with the persuasion literature, adding arguments to first offers in negotiations is not recommended when the counterpart can easily generate counterarguments.

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Received March 1, 2009

Revision received January 25, 2011

Accepted January 31, 2011 ■