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Good Things Come to Those Who Wait: Late First Offers Facilitate Creative Agreements in Negotiation

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Abstract

Although previous research has shown that making the first offer leads to a distributive advantage in negotiations, the current research explored how the *timing* of first offers affects the creativity of negotiation agreements. We hypothesized that making the first offer later rather than earlier in the negotiation would facilitate the discovery of creative agreements that better meet the parties' underlying interests. Experiment I demonstrated that compared with early first offers, late first offers facilitated creative agreements that better met the parties' underlying interests. Experiments 2a and 2b controlled for the duration of the negotiation and conceptually replicated this effect. The last two studies also demonstrated that the beneficial effect of late first offers was mediated by greater information exchange. Thus, negotiators need to consider the timing of first offers to fully capitalize on the first offer advantage. Implications for our understanding of creativity, motivated information exchange, and timing in negotiations are discussed.

Keywords

creativity, negotiation, underlying interests, anchoring, motivated information exchange

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The 2000 Camp David meeting between the Israelis and the Palestinians was a critical negotiation aimed at putting an end to the conflict between the two parties. However, experts agree that the talks ended in failure, yielding disastrous consequences. According to diplomats, this failed negotiation meeting eventually led to the collapse of the peace process (e.g., Miller, 2008). Although there are many factors in this complex political situation, one critical reason for the failure of the 2000 Camp David meeting might have had to do with the *timing* of the first offers in this negotiation. As a close observer recalled, the parties made their initial offers early in the negotiation process, well before "neither the Israelis nor the Palestinians had been prepared to fully own up to the fears and needs of the other" (Malley, 2010, p. 3). Specifically, the initial offers came before the parties fully understood each other's underlying interests, leaving some fundamental interests unattended (especially critical issues such as the status of Jerusalem, security, and the status of the refugees; Miller, 2008; New York Times, 7/26/01). Putting early offers on the table appears to have backfired and prevented creative options from being explored during the Camp David meeting (Miller, 2008). Tellingly, however, in another negotiation in January 2001, Israelis and Palestinians were more successful at the Taba Summit meeting, potentially because the parties better understood each other's underlying interests and included

additional issues that were not fully discussed before (Israeli– Palestinian Joint Statement, 2001; Miller, 2008).

Although prior research has shown that making the first offer provides a critical advantage in "distributive" or zerosum negotiations (Galinsky & Mussweiler, 2001; Magee, Galinsky, & Gruenfeld, 2007), the 2000 Camp David negotiation example seems to suggest that beyond the simple question of who makes the first offer, the actual *timing* of first offers may critically affect negotiations, especially ones that require exploring the parties' underlying interests in creative ways. By making a first offer later rather than earlier in the negotiation process, negotiators may increase the information exchanged, hence facilitate the uncovering of creative solutions that better address the underlying interests of the parties. Thus, late first offers may lead to more efficient conflict resolution.

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First Offers in Different Negotiation Contexts

Negotiations are crucial to resolving conflicts between nations, organizations, and individuals (Bazerman & Neale, 1992; Pruitt & Rubin, 1986). In solving conflicts or making deals, negotiators often take a "distributive" (i.e., zero-sum) perspective and start the negotiation by asserting their positions (Pruitt, 1981; Pruitt & Rubin, 1986). Prior research has shown that making the first offer provides a potent bargaining advantage in distributive or zero-sum negotiations (Galinsky, Leonardelli, Okhuysen, & Mussweiler, 2005; Galinsky & Mussweiler, 2001; Galinsky, Mussweiler, & Medvec, 2002; Kray, Thompson, & Galinsky, 2001; Magee et al., 2007; Moran & Ritov, 2002; Ritov, 1996; see Maaravi, Ganzach, & Pazy, 2011). In particular, when people negotiate over a *fixed* set of issues, particularly those that are quantifiable such as price, more aggressive first offers lead to better individual outcomes, with the extremity of the first offer explaining up to 50% of the variance in individual outcomes (Galinsky et al., 2002; Galinsky & Mussweiler, 2001; Magee et al., 2007). First offers influence final individual outcomes through anchoring, thus setting standards that affect the entire postoffer interaction (Galinsky & Mussweiler, 2001; Magee et al., 2007). The impact of first offers on final outcomes in negotiation is so important that first offers have been recently deemed "key concepts in the study of negotiation" (Maaravi et al., 2011, p. 245).

However, it is important to note that most of the research that has documented the advantage of first offers has been in the context of negotiations in which the issues were fixedtypically, distributive, single-issue negotiations where it was only possible to negotiate over price. Yet, it is unclear whether such benefits would hold in different types of negotiations, in particular those where agreements can be achieved by uncovering the parties' underlying interests and creatively adding issues to the table. Although anchoring early in a negotiation may enable negotiators to claim a greater share of existing sets of issues (Galinsky & Mussweiler, 2001), anchoring early might also prove detrimental if the first offer anchors thinking on a fixed set of issues and prevents negotiators from considering additional issues or frameworks that would better meet the parties' underlying interests. That is, anchoring may limit negotiators' focus on the issues explicitly contained in the offer, making negotiators less likely to consider creative options outside the issues explicitly contained in the initial offer. In contexts where discovering creative yet hidden solutions is necessary to achieve a good deal (e.g., Kray, Galinsky, & Markman, 2009; Loewenstein & Howell, 2010; Maddux & Galinsky, 2009), negotiators may miss critical opportunities to meet their fundamental, underlying interests.

Taking the time to uncover the parties' underlying interests and explore creative options may allow negotiators to add novel perspectives and issues to the table that can increase the value of the deal for both sides (Bazerman & Neale, 1992; Fisher & Ury, 1981). Indeed, negotiation scholars have suggested that thinking creatively beyond existing issues to uncover underlying interests is a key standard of negotiators' efficiency (Bazerman & Neale, 1992; Fisher & Ury, 1981), but one that has been relatively understudied (Giacomantonio, De Dreu, & Mannetti, 2010; Loewenstein & Howell, 2010). As Giacomantonio and colleagues (2010) recently proposed, researchers know little about the psychological mechanisms that help negotiators explore underlying interests. It is important to note that, to date, no prior research examined how making offers might affect negotiators' ability to explore underlying interests and

The Importance of Timing: Early Versus Late

craft creative solutions.

In the current article, we propose that the *timing* of first offers is a key factor that determines the ability of negotiators to discover creative solutions that better meet the parties' underlying interests. Thus, we move beyond the simple question of who makes the first offer and the resulting impact on distributive outcomes (the focus of most previous research). We suggest that making a first offer relatively late in the negotiation (rather than relatively early) provides an additional benefit over simply making the first offer by leading to more creative agreements. Our prediction draws from research on the different stages of negotiation process (for reviews, see Morris & Keltner, 2000; Pruitt, 1981; Pruitt & Rubin, 1986). In particular, problem solving, which is characterized by free discussion and generation of new options through information exchange about priorities, is a stage that comes later rather than earlier in the negotiation process. Early in the negotiation, negotiators typically engage in positional, aggressive argumentation; they are not open to exchange information about their interests, and do not engage in creative problem solving. In contrast, later in the negotiation, negotiators are more likely to move away from existing positions, and become more open to exchanging information about their interests, and to engaging in collaborative thinking.

Given these stages in the negotiation, making a late first offer may be more efficient because late offers will tend to be made at a time when the parties are more likely to focus on exchanging information about their interests and priorities. In turn, greater information exchange is likely to affect the creativity of final agreements as negotiators will be able to make a more informed judgment about how to satisfy both parties' underlying interests. When first offers come later, they will not have anchored negotiators on extant issues, allowing negotiators to consider novel issues and think more freely beyond extant issues. Thus, we propose that late first offers versus early first offers will be more likely to lead to agreements that better meet the parties' underlying interests. Three experiments examined whether the timing of first offers affects the discovery of creative solutions in conflict and negotiation. Specifically, we investigated whether negotiators would be more likely to meet the parties' underlying interests in final agreements when making first offers later rather than earlier in the negotiation. We experimentally manipulated the timing of first offers in actual, faceto-face interactions. In all studies, the set of issues to be negotiated was not fixed, but instead was left open to allow negotiators the leeway to craft creative agreements. Thus, participants could include any additional issues they wanted in their first offers and any final deals. Experiment 1 provided initial evidence for the idea that late first offers facilitate the discovery of creative agreements that satisfied the parties' underlying interests compared with early first offers. Experiments 2a and 2b controlled for the duration of the negotiation and conceptually replicated this effect using a different task. Experiments 2a and 2b further investigated whether the beneficial effect of late first offers on uncovering underlying interests would be mediated by greater information exchange.

Experiment I

Method

Participants and Design. Participants were 108 undergraduate business students (62 women, 44 men, 2 unreported) enrolled in a negotiations course and the experiment took place at the beginning of the course. Dyads were randomly assigned to one of three conditions: a late-first-offer condition in which one participant was instructed to make a late first offer and the other was a control (first offers were not mentioned to the control participant); an early-first-offer condition in which one participant was instructed to make an early first offer and the other was a control; or a control condition in which both participants were controls (first offers were not mentioned to either participant).

Negotiation Task. Participants were randomly assigned to either one of two roles in a negotiation between two organizations that were considering buying and selling red bananas. One party was the seller who produced the bananas (Red Bananas Producer) and the other was a potential buyer who needed the bananas to produce drugs in response to the outbreak of a worldwide epidemic (Universal Lab, a pharmaceutical company). In this exercise, both parties had underlying interests that were comparatively more important than the issue of sale price. The seller/bananas producer wanted to foster a long-term business relationship beyond the current sale transaction while also needing to avoid the epidemic spreading to their country (i.e., they wanted the buyer to commit to something more than merely buying bananas). The buyer/pharmaceutical company had also fundamental interests that overshadowed the issue of sale price: They needed to produce the drug out of the bananas as efficiently as possible to maximize the number of people cured. Thus, both parties' underlying interests were actually compatible.

There was a large bargaining zone for the sale price of the bananas, consistent with previous research on first offers (e.g., Galinsky & Mussweiler, 2001). The bargaining zone was US\$19.90: For the seller/bananas producer, any sale significantly above the local consumption price of US\$0.10 would represent a profit, and for the pharmaceutical company, any price up to US\$20 would represent a profit. Thus, adding issues was *not* necessary for the participants to reach an agreement. Yet, because both parties had underlying interests that were comparatively more important than the issue of sale price, agreements based solely on sale price would satisfy their interests less than agreements that included additional issues.

Given the underlying interests of the buyer/pharmaceutical company, additional issues could include quality checks of the bananas or guarantees of careful conditioning and transportation to avoid spoiling of the bananas. Given the underlying interests of the seller/bananas producer, additional issues could include assurances for access to the drug if the epidemic spread to their own country, or ways to entice the pharmaceutical company to invest in the producer's country. Additional issues logical for both parties might involve an agreement that the pharmaceutical company would sell back the drug to the bananas producer if the epidemic spread. Although there were no specific numbers attached to such issues, and thus their exact value was not possible to quantify, the parties gained explicit benefits from their inclusion, and thus were important to the final value of the deal.

Thus, the exercise made it possible to observe variance along (a) the number of added creative issues and (b) the extent to which these would meet the parties' underlying interests. Importantly, across experimental conditions, both parties were instructed to get the best deal and meet their underlying interests. Irrespective of experimental conditions, both parties' instructions emphasized that the agreement could include issues other than the agreed-upon price (and quantity) of bananas. It is important to note that, although the instructions clearly allowed for such possibilities, no explicit hints were given as to what such additional issues might be. Thus, participants had to discover creative solutions spontaneously during the course of the negotiation for them to meet the parties' underlying interests.

Experimental Manipulation. Dyads were randomly assigned to one of three conditions: early-first-offer, late-first-offer, or control. Along with their task instructions, participants were given a recommendation about what strategy to adopt in the forthcoming negotiation. Because of concerns with adequate power, and because prior research suggests that making a

first offer (e.g., Galinsky & Mussweiler, 2001; Moran & Ritov, 2002) and anchoring (e.g., Galinsky et al., 2002; Huber & Neale, 1986) is equally effective for buyers and sellers, we only instructed the buyer to make a first offer. Thus, buyers were told to make either (a) a first offer late in the negotiation, (b) a first offer early in the negotiation, or (c) were given no specific recommendation (control).

In the late-first-offer condition, instructions indicated that experts recommended participants to make a first offer late in the negotiation, after the first 15 min. Instructions indicated that participants could, of course, raise and discuss any issue that seemed relevant, but it was important to make a first offer only after the first 15 min in the negotiation. In the early-first-offer condition, instructions were similar except that experts recommended participants to make a first offer early in the negotiation, within the first minute. Instructions again indicated that participants could, of course, raise and discuss any issue that seemed relevant, but it was important to make a first offer within the first minute in the negotiation. In the Control condition, participants were given standard negotiations advice (e.g., Maddux, Mullen, & Galinsky, 2008; Swaab, Maddux, & Sinaceur, 2011) about preparing in depth for the negotiation, quantitatively and qualitatively, in addition to allowing them to raise and discuss any issue that seemed relevant. Note that all counterparts (sellers) were given these same control instructions. Thus, across experimental conditions, participants were explicitly told that although they had to include price in their first offer, they could also include any additional issues they wanted in the negotiations and any final deals.

Procedure. Participants had 20 min to read their instructions and prepare for the negotiation. Then, they were given 20 min to negotiate face to face in dyads. After negotiating, they indicated the terms of the agreement they reached, if any.

Measures

Sale price. The sale price for the bananas was recorded from dyads' agreements.

Number of added creative issues. Dyads' agreements were first coded by counting the *number of* added creative issues beyond the extant issue of price, such as reusing the parts of bananas not used for the drug, putting the bananas producer logo on the drug, but also quality checks of the bananas and health-related plans for the bananas producer's population. A measure for the number of added creative issues was obtained from averaging results by two coders who were blind to the conditions. To obtain a reliable count of the number of added creative issues, the two coders first coded about 25% of the agreements. Then, all the differences between coders were resolved by discussion. Finally, the two coders coded independently the remaining 75% of the agreements. The reliability of the resulting measure was high (Cronbach's $\alpha = .99$).

Meeting underlying interests. Dyads' agreements were also coded for the extent to which they met parties' underlying interests based on the *nature* of the issues added beyond the extant issue of price (using a 0-7 scale; 0 = not at all, 7 = a*lot*). Based on both parties' instructions, the following added issues were deemed to have met the parties' underlying interests to a great extent: (a) quality checks of the bananas, (b) health-related plans for the bananas producer's population (including the pharmaceutical company selling back the drug to the bananas producer if the epidemic spread and/or health campaign for the drug in the bananas producer's country), (c) the pharmaceutical company's making additional investments in the bananas producer's country, and/or (d) careful conditioning and transportation to avoid spoiling of the bananas. Specifically, these added issues helped the seller and the buyer meet their underlying interests by allowing the seller to extend the transaction to a longer term business relationship or protect themselves against the epidemic, and by allowing the buyer to produce the drug more efficiently out of the bananas or potentially cure more people. Based on the parties' instructions, added issues not deemed to have met the parties' underlying interests included reusing the parts of bananas not used for the drug or putting the bananas producer logo on the drug. A measure for meeting underlying interests was obtained from averaging results by two independent coders who were blind to conditions. The same coding procedure as above was used. The reliability of the resulting measure was high (Cronbach's $\alpha = .99$). As expected, added creative issues and meeting underlying interests correlated highly (r = .69, p < .001).

Manipulation check. After the negotiation, participants reported when the first offer was made in the negotiation ("When was the first offer made, that is, after how many minutes into the negotiation?"). The two parties' responses were averaged into a single index about when the first offer was made (Cronbach's $\alpha = .97$).

Results

Manipulation Check. There was a significant effect of condition on when the first offer was made, F(2, 52) = 27.11, p < .0001, $\eta_p^2 = .52$. Mean comparisons indicated that in the latefirst-offer condition, the first offer was made later in the negotiation (M = 10.95 min, SD = 4.86 min) than in the early-first-offer condition (M = 2.06 min, SD = 1.10 min), t(50) = 7.35, p < .0001, d = 2.52, and later than in the control condition (M = 6.34 min, SD = 3.70 min), t(50) = 3.74, p < .0001, d = 1.07. Furthermore, in the early-first-offer condition, the first offer was made earlier in the negotiation than in the control condition, t(50) = 3.35, p < .005, d = 1.57.¹ Thus, the timing of first offer manipulation was successful.

Sale Price. The timing of the first offer had a significant effect on sale price, the distributive issue in the negotiation,

F(2, 53) = 4.44, p < .02, $\eta_p^2 = .15$. There was no difference in sale price between the early- and late-first-offer conditions, t(51) < .75, p > .45. However, in the early-first-offer condition (M = 11.88, SD = 4.54) and the late-first-offer condition (M = 10.76, SD = 5.19), buyers received a better price (paid less) than in the control condition (M = 15.15, SD = 3.76), both ts(51) > 2.05, ps < .05, ds > .78. Thus, we replicated the first offer advantage on the distributive issue, although notably the timing of first offers did not affect the first offer advantage the first offer advantage on the distributive advantage regardless of timing.

Number of Added Creative Issues. The timing of the first offer affected the number of added creative issues in the final agreements, F(2, 53) = 3.50, p < .04, $\eta_p^2 = .12$. In the late-first-offer condition, the final agreements contained a greater number of added creative issues beyond the extant issue of price (M = 1.59, SD = 1.81) than in the early-first-offer condition (M = .71, SD = .99), t(51) = 2.03, p < .05, d = .60, and more than in the control condition (M = .53, SD = .80), t(51) = 2.44, p < .02, d = .76. There was no difference between the early-first-offer condition and the control condition, t(51) < .40, p > .65. Thus, supporting our argument, a late first offer facilitated the discovery of creative agreements.

Underlying Interests. The timing of the first offer affected the extent to which the final agreements actually met the parties' underlying interests, F(2, 53) = 8.47, p < .001, $\eta_p^2 = .25$. In the late-first-offer condition, the final agreements met underlying interests to a greater extent (M = 2.84, SD = 2.17) than in the early-first-offer condition (M = 1.21, SD = 1.24), t(51) = 3.07, p < .005, d = .92, and more than in the control condition (M = .79, SD = 1.08), t(51) = 3.85, p < .001, d = 1.20. There was no difference between the early-first-offer condition and the control condition, t(51) < .75, p > .45. Thus, supporting our argument, a late first offer facilitated the discovery of creative agreements that better satisfied the parties' underlying, fundamental interests.

Experiment 2a

We conducted a second experiment to replicate and extend the beneficial effect of late first offers on underlying interests. First, Experiment 2a used a different negotiation task with different underlying interests. Specifically, we used a task in which adding creative issues is critical to even reaching an agreement in the first place, rather than simply increasing the quality of an already existing agreement (e.g., Galinsky, Maddux, Gilin, & White, 2008; Kray et al., 2009; Kray & Haselhuhn, 2007; Maddux & Galinsky, 2009).

We also wanted to rule out a potential alternative explanation for our results, namely, that we did not control for the amount of time participants took to complete the negotiation. This alternative explanation is important because the duration of negotiations has been shown to generally affect the integrativeness of agreements (De Dreu, 2003); hence, negotiations in which the first offer was made late might have simply lasted longer than negotiations in which the first offer was made early, potentially giving negotiators more time to generate creative solutions (see Bechtoldt, De Dreu, Nijstad, & Choi, 2010). Therefore, in Experiment 2a, we measured the actual duration of the negotiation and controlled for it in our analyses.

Finally, although the results from the first study support the idea that a late (vs. early) first offer has a beneficial effect on constructing creative agreements, they did not test the proposed causal mechanism behind this effect. Therefore, in Experiment 2a, we tested whether greater information exchange between the parties mediated the timing effect of first offers on the extent to which creative agreements were constructed.

Method

Participants and Design. Participants were 178 undergraduate students (72 women, 106 men). Dyads were randomly assigned to one of two conditions: a late-first-offer condition in which one participant was instructed to make a late first offer and the other was a control (the control participant was not told about the timing of the first offer); or an early-first-offer condition in which one participant was instructed to make an early first offer and the other was a control.

Negotiation Task. Participants were randomly assigned to either one of two roles in negotiating over the sale of a restaurant (see Galinsky et al., 2008; Kray et al., 2009; Kray & Haselhuhn, 2007; Maddux & Galinsky, 2009). In this exercise, a deal based solely on sale price was impossible. Specifically, the buyer's reservation price (the maximum he or she was authorized to pay) was lower than the seller's reservation price (the minimum he or she was authorized to accept), resulting in a negative bargaining zone for sale price. However, the parties' underlying interests were compatible: The buyer wanted to hire managers to run the restaurant, and the seller needed sufficient funds to finance a 2-year sailboat trip while also needing employment for after the trip. Thus, the parties could agree to a sale price below the seller's reservation price, but with a stipulation of future employment, with the value of a future job allowing the seller to satisfy his or her interests despite going below their stated reservation price.

In this exercise, dyads often reach impasses because they tend to focus only on the sale price of the restaurant. Specifically, and contrasting to the task in the prior experiment, participants could not achieve a deal via sale price alone. Thus, participants had to discover creative solutions spontaneously during the course of the negotiation by going beyond the sale price and adding novel issues such as future employment. Importantly, such creative solutions were not explicitly suggested in the materials: The sale price of the restaurant was presented as the only issue up for negotiation. As in the prior experiment, no hint was given to participants as to how to meet underlying interests, although these interests were laid out in the role instructions.

Experimental Manipulation. Participants were randomly assigned to roles and to experimental conditions. As in Experiment 1, we instructed buyers to make the first offer. The experimental manipulations of timing were the same as in Experiment 1. Unlike Experiment 1, the control instructions given to sellers told them to not make the first offer.

The timing for making first offers was the same as in Experiment 1. In the late-first-offer condition, buyers were instructed to make the first offer after the first 15 min in the negotiation. In the early-first-offer condition, buyers were instructed to make the first offer within the first minute in the negotiation.

Procedure. The procedure was the same as in Experiment 1. Participants had 20 min to read their instructions and prepare for the negotiation. Then, they were given 20 min to negotiate face to face in dyads. After negotiating, they indicated the terms of the agreement they reached, if any. Finally, they completed a brief postnegotiation questionnaire containing checks and a measurement of dyadic information exchange.

Measures

Coding of agreements. On the basis of a previously established coding scheme (e.g., Galinsky et al., 2008; Kray et al., 2009; Kray & Haselhuhn, 2007; Maddux & Galinsky, 2009), creative performance of the dyad was measured as a dichotomous variable. Specifically, an outcome was considered an appropriate and creative agreement if the terms involved (a) a sale price not greater than the buyer's reservation price or less than the seller's reservation price and (b) the addition of extra issue(s), such as future employment, where the value of the issue(s) helped the seller and the buyer meet their reservation prices and also their underlying interests. Outcomes were considered unsuccessful if they (a) involved only the sale price of the restaurant (which violated the parties' reservation prices) or (b) if parties reached an impasse. Note that, contrasting to the task in the prior experiment, adding creative issues was necessary to even get a deal.

Information exchange. Information exchange was the hypothesized mediator for the timing effect of first offers on creative agreements. It was the average of five items ("Was much information exchanged between the parties during the negotiation?" "Did you gather important new information during the negotiation?" "Did the counterpart want to learn more about the issues you were facing?" "Did the counterpart want to understand your reasons for acting while in the negotiation?" "Did the counterpart share information that provided you with insights about the negotiation?"). Importantly, these items were conceptually consistent with prior empirical research (e.g., De Dreu, Koole, & Steinel, 2000; Sinaceur, 2010; Ten Velden, Beersma, & De Dreu, 2010) and theorizing (e.g., De Dreu, Nijstad, & Van Knippenberg, 2008; Pruitt, 1981; Thompson, 1990) on information exchange in negotiation. We first averaged each party's ratings to obtain parties' ratings on information exchange (Cronbach's as > .70). We then averaged the two parties' ratings to obtain an overall measure of information exchange at the dyadic level (Cronbach's $\alpha = .71$). As can be seen, parties' ratings on information exchange included not only participants' rating their own perceptions but also participants' rating their counterpart's behavior to ensure greater objectivity for the resulting measure at the dyadic level. A confirmatory factor analysis verified that, for each party's rating, all items loaded on one factor (for each party's rating, it yielded only one factor with an eigenvalue greater than 1, that is, 2.28 or more, which explained 45.69% or more of the total variance). Note that the reliability of the resulting measure at the dyadic level suggests that, indeed, participants' ratings about each other were aligned.

Manipulation checks. After the negotiation, participants reported when the first offer was made in the negotiation (i.e., after how many minutes; same item as in Experiment 1). The two parties' responses were averaged into a single index (Cronbach's $\alpha = .99$). In addition, participants indicated who made the first offer ("Did you make the first offer in the negotiation?" either "Yes, I made it" or "No, my counterpart made it").

Duration of the negotiation. Participants were asked how long their negotiation lasted. The two parties' responses were averaged into a single index (Cronbach's $\alpha = .96$).

Results

Manipulation Checks. In the late-first-offer condition, the first offer was made later in the negotiation (M = 13.28 min, SD = 3.37) than in the early-first-offer condition (M = 1.94 min, SD = 2.22); F(1, 88) = 363.42, p < .0001; $\eta_p^2 = .81$. Thus, the timing of the first-offer manipulation was successful.

We also examined whether the buyer made the first offer. This was the case for 83 out of the 89 dyads (93.3%). We report below results with all dyads because a closer examination showed that the 6 dyads (6.7%) in which the counterpart (i.e., the seller) preempted the buyer were cases in which the buyer had acted consistent with his or her condition. Specifically, in these 6 dyads, buyers were in the late condition and first offers were always made after 15 min (significantly after the time observed in the early condition as indicated by *t* tests, ps < .0001). Importantly, excluding these 6 dyads did not change any of the results below (neither in pattern nor in significance).



Figure I. Experiment 2a: Mediation by information exchange. Note: We controlled for duration of the negotiation in all regression analyses.

 $^{p} < .10, * p < .05, ** p < .01, *** p < .001.$

Creative Agreements. We examined whether a late versus early first offer predicted whether a creative agreement was constructed. We conducted a binary logistic regression on the dyads' creative agreements with timing of first offers as a predictor. There was a significant effect of timing, such that dyads in the late-first-offer condition were more likely to construct a creative agreement than dyads in the early-first-offer condition (B = 1.26, SE = .59; Wald(1) = 4.57, Exp(B) = 3.54, p < .04). Specifically, 28.2% of dyads constructed a creative agreement when first offers were late, whereas 10.0% did so when first offers were early.

The timing effect of first offers on creative agreements (B = 1.73, SE = .69; Wald(1) = 6.28, Exp(B) = 5.62, p < .02) held even when adding the duration of the negotiation as a covariate (ns) in a hierarchical binary logistic regression. Thus, a late first offer increased the likelihood of reaching a creative agreement and this effect was independent of how long the negotiation lasted. Note that, although timing of first offers also affected duration such that a late first offer did increase the duration of the negotiation (M = 19.62, SD =2.58) compared with an early first offer (M = 17.47, SD =4.65); F(1, 88) = 6.67, p = .01, $\eta_p^2 = .07$, duration did not affect creative agreements (p > .27) and therefore could not be a mediator. In addition, duration was not related to information exchange (p > .66). We return to the issue of duration in the "General Discussion" section.

Information Exchange. Dyads were more likely to exchange information when first offers were late (M = 6.34, SD = .92) rather than early (M = 5.67, SD = 1.11); F(1, 88) = 8.55, p < .005, $\eta_p^2 = .09$, controlling for duration. This effect was similar whether controlling for duration or not.

Mediation by Information Exchange. We examined whether information exchange mediated the effect of a late versus early first offer on constructing creative agreements. Figure 1 presents the results of the regression analyses. Importantly, we controlled for the duration of the negotiation in all regression analyses (controlling for it or not did not affect any of the results). As can be seen, a regression on creative agreements was conducted with timing of first offers and information exchange as simultaneous predictors. In this regression, the timing effect of first offers was reduced (B = 1.43, SE = .76; Wald(1) = 3.60, Exp(B) = 4.20, p = .06), whereas the effect of information exchange was significant (B = 1.33, SE = .46; Wald(1) = 8.50, Exp(B) = 3.79, p < .005). To test the significance of the indirect effect (i.e., the path through the mediator), we used a bootstrapping procedure, as recommended by Shrout and Bolger (2002). The result of 1,000 resamples demonstrated that zero fell outside the 95% confidence interval (CI) for the indirect effect (95% CI low = .24; 95% CI high = 2.17), controlling for duration of the negotiation. Thus, information exchange mediated the effect of late versus early first offers on creative agreements, controlling for duration.

Experiment 2b

We conducted a third experiment to further document the robustness of our effects. First, we introduced one variation in our experimental manipulation compared with Experiment 2a. Because we had instructed the buyer to make a first offer in the first two experiments, in Experiment 2b, we wanted to instruct the seller to make a first offer.

Second, although the results from the first two studies support the idea that a late (vs. early) first offer has a beneficial effect on constructing creative agreements, we wanted to provide further evidence for the proposed mechanism behind this effect. Thus, in Experiment 2b, we tested whether greater information exchange between the parties mediated the timing effect of first offers by using a different measure of information exchange at the dyadic level. Specifically, we measured how much the parties focused on exchanging information as a proportion of the overall time spent negotiating. Again, we controlled for the actual duration of the negotiation in all analyses.

Method

Participants and Design. Participants were 202 undergraduate students (121 women, 81 men). Dyads were randomly assigned to one of two conditions: a late-first-offer condition or an early-first-offer condition.

Negotiation Task. Participants performed the same negotiation task as in Experiment 2a.

Experimental Manipulation. The experimental manipulations were the same as in Experiment 2a, except for the fact that sellers were instructed to make the first offer (instead of buyers as before). Buyers were given the same control instructions as in Experiment 2a. The timing for making first offers was the same as in Experiments 1 and 2a.

Procedure. The procedure was the same as in Experiments 1 and 2a. Participants had 20 min to read their instructions and prepare for the negotiation. Then, they were given 20 min to negotiate face to face in dyads. After negotiating,

they indicated the terms of the agreement they reached, if any. Finally, they completed a brief postnegotiation questionnaire.

Measures

Coding of agreements. Creative performance of the dyad was measured as a dichotomous variable on the basis of the same coding scheme described in Experiment 2a (e.g., Galinsky et al., 2008; Kray et al., 2009; Kray & Haselhuhn, 2007; Maddux & Galinsky, 2009).

Duration of the negotiation. Participants were asked how long their negotiation lasted. The two parties' responses were averaged into a single index (Cronbach's $\alpha = .86$).

Information exchange. Information exchange was the hypothesized mediator for the timing effect of first offers on creative agreements. It was measured by asking participants "How much did you focus on exchanging information about the diverse motivations of the two parties?" as a percentage of the overall time spent negotiating. The two parties' responses were averaged into a single index (Cronbach's $\alpha = .74$).

Supplementary measure. In this exercise, a critical piece of information needs to be shared by the seller for the dyad to construct a creative agreement, namely, that the seller needs employment after selling the restaurant and completing a 2-year sailboat trip around the world (Kray & Haselhuhn, 2007; Maddux et al., 2008; Maddux & Galinsky, 2009). Therefore, the seller's sharing what he or she would do after the sailboat trip is the most critical piece of information that can be exchanged in this negotiation (Kray & Haselhuhn, 2007; Maddux et al., 2008; Maddux & Galinsky, 2009). Thus, we also asked sellers to what extent they shared information about what they would do after their sailboat trip ("As the restaurant seller, how much did you share what you would do after your sailboat trip?"). We expected that the seller's sharing this critical piece of information would also mediate the timing effect of first offers.

Manipulation checks. After the negotiation, participants reported when the first offer was made in the negotiation (i.e., after how many minutes; same item as in Experiments 1 and 2a). The two parties' responses were averaged into a single index (Cronbach's $\alpha = .96$). In addition, participants indicated who made the first offer (same item as in Experiment 2a).

Results

Manipulation Checks. In the late-first-offer condition, the first offer was made later in the negotiation (M = 12.54 min, SD = 3.57) than in the early-first-offer condition (M = 1.65 min, SD = .81), F(1, 96) = 416.97, p < .0001; $\eta_p^2 = .81$. Thus, the



Figure 2. Experiment 2b: Mediation by information exchange. Note: We controlled for duration of the negotiation in all regression analyses.

* p < .05, ** p < .01, *** p < .001.

timing of the first offer manipulation was successful. We also checked that the seller made the first offer. This was true for all dyads.

Creative Agreements. We examined whether a late versus early first offer predicted whether a creative agreement was constructed. We conducted a binary logistic regression on the dyads' creative agreements with timing of first offers as a predictor. There was a significant effect of timing, such that dyads in the late-first-offer condition were more likely to construct a creative agreement than dyads in the early-first-offer condition (B = 1.02, SE = .49; Wald(1) = 4.37, Exp(B) = 2.77, p < .04). Specifically, 34.0% of dyads constructed a creative agreement when first offers were late, whereas 15.7% did so when first offers were early.

The timing effect of first offers on creative agreements (B = 1.05, SE = .49; Wald(1) = 4.53, Exp(B) = 2.85, p < .04) held even when adding the duration of the negotiation as a covariate (ns) in a hierarchical binary logistic regression. Thus, a late first offer increased the likelihood of reaching a creative agreement, and this effect was independent of how long the negotiation lasted. Note that, in this study, timing of first offers did not significantly predict duration (p > .24). In addition, duration did not affect creative agreements (p > .82) and was not related to information exchange (p > .57). We return to the issue of duration in the "General Discussion" section.

Information Exchange. Dyads focused on exchanging information to a greater extent when first offers were late (M = 35.72%, SD = 15.89%) rather than when first offers were early (M = 25.68%, SD = 13.30%); F(1, 100) = 11.60, p < .001, $\eta_p^2 = .11$, controlling for duration. This effect was similar whether controlling for duration or not.

Mediation by Information Exchange. We examined whether information exchange mediated the effect of a late versus early first offer on constructing creative agreements. Figure 2 presents the results of the regression analyses. Importantly, we controlled for the duration of the negotiation in all regression analyses (controlling for it or not did not affect any of the results). As can be seen, a regression on creative agreements was conducted with timing of first offers and information exchange as simultaneous predictors. In this regression, the timing effect of first offers was not significant (B = .72, SE = .52; Wald(1) = 1.92, Exp(B) = 2.06, p > .16), whereas the effect of information exchange was significant (B = .037, SE = .016; Wald(1) = 5.23, Exp(B) = 1.04, p = .02). To test the significance of the indirect effect (i.e., the path through the mediator), we used a bootstrapping procedure, as recommended by Shrout and Bolger (2002). The result of 1,000 resamples demonstrated that zero fell outside the 95% CI for the indirect effect (95% CI Low = .084; 95% CI High = 1.08), controlling for duration of the negotiation. Thus, information exchange mediated the effect of late versus early first offers on creative agreements, controlling for duration.

Supplementary Analysis. We also conducted a supplementary analysis on the critical piece of information. Late first offers increased the tendency for the seller to share the critical piece of information, that is, what they would do after their sailboat trip (M = 6.78, SD = 2.84) compared with early first offers (M = 5.37, SD = 3.45); F(1, 100) = 5.11, p < .03, $\eta_p^2 =$.05, controlling for duration. This effect was similar whether controlling for duration or not. We examined whether the seller's sharing the critical piece of information mediated the timing effect of first offers. A bootstrapping procedure using 1,000 resamples demonstrated that indeed this was the case (95% CI low = .019; 95% CI high = 1.23), controlling for duration. Combined with the main analysis about the dyad's general focus on exchanging information, this supplementary analysis suggests that the actual content of the information being exchanged indeed drives our effect.

General Discussion

The current research demonstrates that the timing of making first offers can significantly affect negotiation outcomes. Three experiments involved face-to-face interactions and found that making a first offer later rather than earlier in a negotiation facilitated the discovery of creative agreements. Experiment 1 demonstrated that making a late first offer led to final agreements that better met the parties' underlying interests compared with making an early first offer and a control condition. This study also replicated the first offer bargaining advantage—making the first offer, regardless of timing, led negotiators to get a better outcome on the distributive issue of sale price.

Experiments 2a and 2b conceptually replicated the beneficial effect of making a late first offer on creative agreements. These experiments also demonstrated that the timing effect on creative agreements was independent of the duration of the negotiation, thus ruling out an important alternative explanation. The last two studies further showed that the beneficial effect of late first offers on creative agreements was mediated by greater information exchange. Thus, a late first offer facilitated information exchange, and, ultimately, enabled negotiators to meet their underlying, fundamental interests.

Creativity in Negotiation

Prior negotiation research has largely focused on tasks in which the set of issues was fixed in nature (notable exceptions include Galinsky et al., 2008; Giacomantonio et al., 2010; Kray et al., 2009; Kray & Haselhuhn, 2007; Maddux & Galinsky, 2009). Indeed, prior research on first offers has typically used tasks in which the set of issues was fixed often, single-issue negotiation over quantifiable issues such as price (Galinsky et al., 2005; Galinsky & Mussweiler, 2001; Magee et al., 2007).

Departing from that prior research, the current work explored negotiations that had more creative potential to satisfy negotiators' underlying interests. In our studies, people had leeway to add meaningful ideas and issues to the negotiation, thus discovering hidden solutions that creatively integrated their interests. It is important to note that the ability to add issues and construct creative agreements is quite common in actual conflict and negotiation (Bazerman & Neale, 1992; Fisher & Ury, 1981). Furthermore, thinking creatively beyond existing issues and uncovering underlying interests is an important way to expand the pie in negotiation, thus a key standard of negotiators' efficiency (Bazerman & Neale, 1992; Fisher & Ury, 1981; Giacomantonio et al., 2010; Loewenstein & Howell, 2010).

Motivated Information Exchange in Negotiation

The current research also speaks to the literature on motivated information exchange and processing in negotiations and joint decisions. Specifically, the current results support the theory that motivated information exchange and processing improves joint outcomes in negotiation (De Dreu, Beersma, Stroebe, & Euwema, 2006; De Dreu et al., 2000; De Dreu et al., 2008; Sinaceur, 2010; Ten Velden et al., 2010; Thompson & Hastie, 1990) in that making a later first offer proved to be a critical antecedent of information exchange.

Our work extends this theory in two ways: (a) by identifying a new, behavioral determinant of information exchange, that is, when to make the first offer; and (b) by suggesting that the exchange of information also needs to be studied in contexts where efficiency resides in uncovering underlying interests. By focusing on creative agreements (i.e., agreements that uncover underlying interests), the current work departs from prior work on motivated information exchange, which examined trading-off between issues *within* fixed sets of issues.

In this way, later first offers seem to provide a potent possibility of focusing on exchanging information. This result is consistent with the notion that parties often come to negotiation with the expectation that the pie is fixed (Bazerman & Neale, 1992; Thompson & Hastie, 1990) but that this expectation is especially strong early in the negotiation (De Dreu et al., 2000; Thompson & Hastie, 1990). In this context, making a later first offer may give a chance for the parties to revise their competitive biases before engaging in a detailed discussion of offers, thus opening more and exchange more information. In this way, our results are consistent with prior research that showed that judging and acting with patience rather than impatience (e.g., having a lower need for cognitive closure) makes negotiators more open, less susceptible to biases, and more likely to move away from existing positions (De Dreu, Koole, & Oldersma, 1999), which, in turn, improves joint outcomes for the dyad (De Dreu, 2003; Sinaceur, 2010; Ten Velden et al., 2010).

Timing Matters in Negotiation

The current findings also support a stage-based perspective on negotiation. Negotiation theorists have long argued that problem solving, or the free discussion and generation of new options through information exchange about priorities, is a crucial stage in negotiation, but one that comes late in the process (Morris & Keltner, 2000; Pruitt, 1981; Pruitt & Rubin, 1986). Typically, parties are reluctant to exchange information early in the negotiation (Morris & Keltner, 2000; Pruitt, 1981; Pruitt & Rubin, 1986), consistent with the fixed-pie expectation that they bring early to the table (Bazerman & Neale, 1992; De Dreu et al., 2000; Thompson & Hastie, 1990). Thus, by delaying making first offers, negotiators facilitate information exchange before stating their positions (see Morris & Keltner, 2000; Pruitt, 1981). Importantly, Experiments 2a and 2b demonstrated that the beneficial effect of late first offers was independent of the duration of the negotiation. Thus, the current results resonate with recent research that showed that the timing of strategies generally affects information exchange and joint outcomes (Lount, Zhong, Sivanathan, & Murnighan, 2008; Moore, Kurtzberg, Thompson, & Morris, 1999; Swaab et al., 2011). Combined with this recent research, the present findings suggest that, in conflict and negotiation, the efficiency of strategies relies not only on their nature but also on when they are executed.

Offers and Anchoring

The current results qualify the abundant literature on first offers (e.g., Galinsky et al., 2005; Galinsky & Mussweiler, 2001; Magee et al., 2007; Moran & Ritov, 2002) and anchoring (e.g., Galinsky et al., 2002; Ritov, 1996) in negotiations. Anchoring through first offers is among the most potent strategies in negotiations (e.g., Galinsky & Mussweiler, 2001; Magee et al., 2007) by providing "a powerful tool to influence the outcome of a negotiation for one's advantage" (Galinsky & Mussweiler, 2001, p. 665). Thus far, first offers had been found to backfire only when recipients feel offended (Schweinsberg, Ku, Wang, & Pillutla, 2012) or think about counterarguments (Maaravi et al., 2011). Departing from this prior research by focusing on the creativity of agreements, the current studies document for the first time that the timing

The current research still supports the bargaining advantage provided by making the first offer. Making the first offer led to a better distributive outcome in Experiment 1 regardless of the timing of that first offer. Thus, it is important for negotiators to recognize whether they are part of a negotiation that has the potential to add issues or is a pure distributive situation in which there are no additional issues that can satisfy underlying interests. Of course, negotiators and their fixed-pie beliefs vastly underestimate the creative possibilities that exist at the bargaining table (Bazerman & Neale, 1992; Thompson & Hastie, 1990).

Limitations and Future Research

The current research is the first to investigate the timing effect of first offers on creative agreements. However, this basic effect is likely to be subject to several important boundary conditions. First, an important limitation relates to what might happen in a negotiation based on a fixed set of issues where additional, creative issues cannot be added (see Bazerman & Neale, 1992). In this situation, the benefits of late first offers may not hold when value creation depends on trading-off between extant issues rather than adding creative issues. Thus, it will be important to test whether the late-first-offer effect *only* affects negotiations that are rather "open" and can include new issues discovered over the course of a negotiation or whether it extends to "closed" negotiation where the set of issues is fixed from the beginning.

Another important limitation of our studies is that we examined negotiations that were "open" but in which price might have seemed salient. For example, in the task used for Experiments 2a and 2b, dyads often reach impasses because they tend to focus only on the sale price of the restaurant (Kray et al., 2009; Maddux & Galinsky, 2009). Therefore, future research should examine whether our effects extend to similarly "open" negotiations but in which price is less salient.

In addition, another boundary condition is that we examined the timing of first offers in relatively short negotiations. The short time frames of our studies allowed us to introduce a high level of experimental control. Specifically, we experimentally limited duration across conditions to rule out duration as an alternative explanation for our results. Accordingly, there was relatively little variance along duration. Future research should investigate the impact of first offers using a longer time-window, which would allow an examination of whether long versus short duration moderates our effects. Perhaps the benefits of late first offers would be attenuated when negotiations unfold over a long period of time. Furthermore, our findings may be limited to situations in which negotiators have fairly cooperative goals overall. When negotiators have strong competitive goals (e.g., due to a proself rather than prosocial orientation), they may not become more open to exchanging information about their interests even later in the negotiation. Thus, negotiators' goals may not always lead to productive information exchange and converging positions (De Dreu et al., 2006). Therefore, it is important to note that the beneficial effect of late first offers may be limited to negotiators. Future research should examine how negotiators' preexisting goals and expectations moderate our effects.

Conclusion

Three experiments involved face-to-face interactions in which negotiators could explore creative options and meet underlying interests. Experiments 1 and 2 showed that making a first offer later in the negotiation led to more creative agreements that better met underlying interests. Experiments 2a and 2b further showed that the beneficial effect of late first offers was mediated by greater information exchange.

Our findings speak to four distinct streams of research on conflict and negotiation. First, they resonate with the notion that creativity is an important outcome in negotiations and that future research may further consider what makes negotiators think outside the box (Bazerman & Neale, 1992; Giacomantonio et al., 2010; Loewenstein & Howell, 2010). Second, our results support a motivated informationexchange perspective on conflict and negotiation (De Dreu et al., 2008; Ten Velden et al., 2010). Yet, they extend that perspective to the realm of creative agreements. Third, our results add to recent research that showed that the timing of moves critically affects information exchange and joint outcomes (Lount et al., 2008; Moore et al., 1999; Swaab et al., 2011). Finally, the current studies add an important caveat to the impact of first offers in negotiations (Galinsky & Mussweiler, 2001; Magee et al., 2007), showing that considering the timing of first offers is critical to meet underlying interests.

Combined with previous research, the prescription derived from the current research may be twofold. Be the one to make the first offer (you will most often get a better individual outcome) but do not make it too early so that you can exchange information about underlying interests. Making the first offer, but making it later, lets you have your cake and eat it too—a more creative agreement with an icing of a better distributive outcome.

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Note

1. Participants from one dyad did not answer this item, which accounts for fewer degrees of freedom in this analysis.

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