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Avoiding the Agreement Trap: Teams Facilitate Impasse in Negotiations with Negative Bargaining Zones

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Abstract

The agreement trap occurs when negotiators reach deals that are inferior to their best alternative agreements. The paper extends prior negotiation research by investigating whether teams display greater wisdom than solos in knowing when to walk away from the negotiating table, and thereby avoid the agreement trap. Two experiments compared teams and solos in a negotiation in which reaching agreement was unwise because of misaligned interests. The negotiation involved a real-estate transaction in which the optimal solution was for the parties to declare an impasse. Study 1 found that two- and three-person teams were significantly more likely than solos to impasse. Study 2 found that the party faced with the greater need to make accurate judgments about the alignment between their own and their counterpart's interests benefited most from the addition of a teammate. These findings offer insight into why the agreement trap occurs and how it can be reduced.

Keywords: agreement bias; agreement trap; negotiation; impasse; teams; groups;

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"The art of leadership is not saying Yes, it's saying No."

Tony Blair (cited in Ury, 2007, p. 4)

Effective negotiation requires understanding not only how to "get to yes" but also how and when to say no. However, since the publication of Fisher and Ury's (1981) seminal negotiation book, *Getting to Yes,* negotiation research has focused almost exclusively on helping people reach agreements, whereas relatively less research has investigated factors that help parties identify when it is better to impasse. In fact, when negotiation impasses are discussed, they are usually framed as shortcomings or failures (O'Connor & Arnold, 2001) that can potentially be solved by correcting biases (Babcock & Loewenstein, 1997) or bargaining rationally (Roth, 1995). However, it is not always desirable or advantageous to reach a deal. For example, Raiffa (1982) argues that if a negotiator has better alternatives outside of the present negotiation then it would be foolish for him or her to ignore those attractive alternatives in favor of a less desirable settlement. Similarly, Fisher and Ury (1981) make the point that knowing when to walk away from the table is just as important as knowing when to secure a deal.

The *agreement trap* (also called the agreement bias) occurs when negotiators reach agreements that are inferior to their best alternatives (Thompson & Leonardelli, 2004). If a proposed deal does not meet or exceed the value that could be gained from a negotiator's Best Alternative to a Negotiated Agreement (BATNA; Fisher & Ury, 1981), then no deal should be

reached. However, negotiators often fail to evaluate the value of agreement relative to their BATNA, sometimes because of irrational escalation of commitment (Bazerman & Neale, 1992).

The agreement trap often occurs when there is a *negative bargaining zone*—situations in which mutual agreement is not viable because parties' interests cannot simultaneously be met. For example, there is a negative bargaining zone when the most a buyer is willing to pay is less than the seller is willing to accept. Likewise, there is a negative bargaining zone when parties' interests cannot be aligned, such as when a buyer's proposed use of an object or service is deemed inappropriate by the seller. Parties' interests are the fundamental core from which negotiation is either desirable or not (Fisher & Ury, 1981). Parties who reach deals in negotiations with negative bargaining zones are victims of the agreement trap.

Negatively aligned interests may be particularly difficult to identify when, on the surface, such negotiations may appear to offer favorable opportunities for agreement. For example, consider the summer internship process. Summer interns may be willing to accept demeaning jobs for little pay under the assumption that the organization will later offer a better position, in terms of pay, work and permanence. However, some organizations may not be interested in permanently hiring their summer help, and allow the intern to hold a faulty belief. Such a negotiation fails to meet the interests of both parties, and creates a particular burden on one of the parties (the intern in this case) to identify that the better outcome, rather than agreement, is impasse. Negotiations in which a negative bargaining zone over interests exists, and one negotiator seeks disclosure about interests from a party motivated to conceal interests, is all too common.

Such negotiations pose an informational burden for the negotiator seeking disclosure. For these negotiators, the other party's evasion may be interpreted as evidence of a negative

bargaining zone on interests. Yet, it may also be easy for the negotiator seeking disclosure to innocently infer that the other party may have revealed their interests but did not communicate them clearly.

Ambiguity and doubt about the other party's motives may be compounded by additional temptations for the party to reach agreement. One reason that negotiators may reach agreement (that they could later regret) is traced to the escalation of commitment bias, which posits that once people embark on a course of action and invest time, money, and energy, they are reluctant to withdraw (Staw, 1976). Another reason why negotiators may reach agreement is that they regard themselves to be interdependent with the other party (Howard, Gardner, & Thompson, 2007). For example, one-on-one negotiators are more likely to reach deals and compromise their interests than are teams in dispute situations because teams feel interdependent with their teammate, but solos feel interdependent with the counterparty (Howard et al., 2007). The temptation to reach agreement – whether as a result of escalation of commitment, perceptions of interdependence, or both – can leave negotiators with agreements that are worse than their alternatives.

Teams, as opposed to solo (individual) negotiators, may serve as an antidote to the agreement trap. Decades of social psychology has revealed that teams are generally better than individuals at solving complex problems (Hackman & Katz, 2010; Hill, 1982; Kerr & Tindale, 2004). Likewise, in negotiations, a consistent body of research indicates that teams, as compared to individuals, are more likely to craft integrative agreements (Morgan & Tindale, 2002; Polzer, 1996; Thompson, Peterson, & Brodt, 1996). Specifically, teams have a strong advantage over solo negotiators when there are multiple issues on the table and a high degree of unshared information (Morgan & Tindale, 2002; Polzer, 1996; Thompson, et al., 1996). Behavioral

analyses of teams versus solos reveal that teams ask more questions, share more information, and make more accurate judgments of counterparty's interests, preferences, and priorities. This suggests that teams, as compared to solos, are more skilled at uncovering parties' interests and integrating information to fashion joint gains (see Cohen & Thompson, 2011 for a review of when teams are an asset vs. a liability in negotiations).

Given the observation that teams are more likely to develop accurate judgments about parties' interests and fashion integrative agreements (e.g., Thompson et al., 1996), we conjecture that teams might be particularly adept at realizing when parties' interests are fundamentally incompatible. In short, previous research has established that teams are superior to individuals in terms of formulating accurate perceptions of parties' interests and crafting integrative agreements through logrolling. Teams might also be adept at quickly determining when parties' interests are so fundamentally misaligned that reaching agreement is not advisable. To test this hypothesis, we conducted two experiments comparing impasse rates among teams and solos in a negotiation in which reaching agreement was unwise because of severely misaligned interests. Because of the negative bargaining zone on interests, the optimal solution was to declare an impasse and seek superior alternatives outside the negotiation. We predicted that negotiating teams would be more likely than solos to impasse, and thereby avoid the agreement trap.

Study 1

Study 1 compared solo and team negotiators' likelihood of exhibiting the agreement trap. Our key prediction was that teams would be markedly superior to solos in contexts where there is incompatibility between the parties' interests, with the reasoning that teams would be more likely to impasse because they are better able to uncover the misalignment of interests. One interesting question is whether a dyad (two-person team) is sufficient to identify interests-based

disagreement or whether additional teammates (such as a three-person team) continues to improve the team's ability to identify impasse. On the one hand, social psychological research on group problem solving has found that larger groups are more likely to reach correct judgments in demonstrable decision making tasks (Laughlin, Hatch, Silver, & Boh, 2006; Michaelsen, Watson, and Black, 1989). After all, the more people processing the information from the other party, the more capable the team might be to identify impasse. However, studies of two-person and three-person teams within the negotiation literature have found similar patterns vis-à-vis their differences with solos (cf. Morgan & Tindale, 2002; Polzer, 1996; Thompson et al., 1996). Increasing team size may be more useful as problems become increasingly more complex, but on average, the information processing gains a negotiating party receives from having just a single additional teammate may be sufficient, holding the difficulty of the problem constant.

Likewise, studies within the interindividual-intergroup discontinuity literature that compare cooperative and competitive behavior among solos versus teams of varying sizes have found no reliable differences due to team size (McGlynn, Harding, & Cottle, 2009). Indeed, the phenomenon is called a "discontinuity effect" precisely because the difference between solos and teams is a not linear function based on party size, but rather a clear break between interpersonal interactions, which tend to be cooperative, and intergroup interactions, which tend to be competitive (Insko, Wildschut, & Cohen, 2013; Wildschut & Insko, 2007; Wildschut, Pinter, Vevea, Insko, & Schopler, 2003).

Overall, then, the study tested whether, in a negotiation when parties' interests are incompatible, three- or two-person teams would be more effective than solos at identifying impasse. We expected that teams would be more likely to impasse as compared to solos, but two-person and three-person teams would be similarly successful at reaching an impasse.

Method

A total of 1022 MBA students from two universities completed the Bullard Houses negotiation as an in-class exercise (Karp et al., 2008; for previous uses of this exercise in research, see Cohen, Wolf, Panter, & Insko, 2011; Kern & Chugh, 2009).[1] All students completed the exercise with other students from their own university. Participants were randomly assigned to a seller role or a buyer role, and those assigned to a team condition were randomly grouped with other students in their class. Participants were assigned to negotiate in one of three formats: one-on-one, two-on-two, or three-on-three. We denote these three formats as *team size* (solo, dyad, triad). All parties were assigned a counterpart of the same team size as their own (N = 319 negotiation groups).

Role materials (i.e., buyer or seller) were given to participants one week prior to the negotiation. Unbeknownst to participants, the buyer and seller had incompatible interests. The buyer was explicitly instructed to not reveal their intended use of the property purchase under any circumstances. In contrast, the seller was instructed to only sell the property to a known buyer who fully disclosed the planned use of the property. Thus, the key interest of the seller (sell to a known buyer who completely reveals their intended plans) and the buyer (be evasive and not reveal any plans) created a negative bargaining zone for parties' interests. Parties to the negotiation were given approximately one hour to negotiate at the end of which they completed a report indicating whether they reached an agreement and if yes, what terms and if no, why not.

Results

The key analysis involved examining impasse (no deal) rates for the solos, two-person teams, and three-person teams. Impasse rates were submitted to a logistic regression with team size as a three-level categorical predictor. This analysis yielded a significant effect of team size,

Wald $\chi^2(2, N = 319) = 12.59$, $p = .002$. As shown in Figure 1, impasse rates were lower in the solo condition (30%) than in the dyad (56%) or triad conditions (47%). We explored the team effect with two orthogonal contrasts (included in the regression model simultaneously): (c1) *solos versus teams* (solos coded .67; dyads coded -.33; triads coded -.33); and (c2) *dyads versus triads* (dyads coded .50; triads coded -.50; solos coded 0). These contrasts revealed that (c1) solos were significantly less likely to impasse than teams ($b = -0.90$, $SE = .25$, $p < .001$, *odds ratio* = .41), and (c2) two-person and three-person teams did not significantly differ ($b = .33$, $SE = .41$, $p = .42$, *odds ratio* = 1.39).

Discussion

As predicted, teams were more likely to reach impasse than were solos. Both two-person and three-person teams were significantly more likely than solos to impasse, and there were no significant differences between two- and three person teams. These results provide initial evidence of a "team effect" in inhibiting the agreement trap, and demonstrate its generalizability with teams of different sizes. These results are thus consistent with Thompson, Peterson and Brodt's (1996) argument that even two-person teams are adept at accurately identifying interests. Study 2 sought to more firmly establish support for this claim.

Study 2

Study 1 established support for the hypothesis that teams are more successful than solos at avoiding the agreement trap. In Study 2, we sought to replicate and extend the findings of Study 1 by varying the size of buyer and seller teams separately. There is an information-asymmetry in the Bullard Houses simulation. The seller's role requires the participant in that role to learn more information from the other party than vice versa. Namely, participants in the seller role are clearly told that satisfying their clients' interests (and therefore their own interests in the

simulation) requires that they discover who the buyer is (i.e., the identity of the client who their counterparty is representing) and to learn the buyer's plans and intended use of the property. This puts an informational burden on those in the seller role. Conversely, the buyer is simply told to be evasive and reveal as little information as possible.

Given that negotiating teams are better at information diagnosis than solos (e.g., Polzer, 1996; Thompson et al., 1996), and that in this study, it falls upon the seller to diagnose the buyer's identity and plans, a seller team more so than a solo negotiator should show the "team effect." Accordingly, we hypothesized that a seller team would be pivotal for reaching impasse in the Bullard Houses negotiation. Thus, a seller size main effect was our primary prediction.

Study 2 also allowed us to explore what a buyer team might do to the impasse rates. We thought a number of possible outcomes on buyer size might occur. On the one hand, it is possible that, while teams are better than solos at diagnosing interests, they might also be better at hiding their own interests. After all, if they are better at diagnosing it, perhaps they are also better at hiding it. However, it is equally plausible that the reverse could occur. Hiding information requires greater degrees of coordination among team members, and having more than one person at the table means there are more people to potentially reveal secrets, give "tells, or otherwise act suspiciously. One suspicious person or team interaction at the negotiating table could cause the other party to distrust the team entirely and thus walk away from the table (Naquin & Kurtzberg, 2009). We examined these more exploratory ideas about buyer teams versus solos as well in the following study.

Method

A total of 218 MBA students completed the Bullard Houses negotiation (N = 73 negotiation groups). As in Study 1, one week prior to negotiating, students were randomly

assigned to a seller role or a buyer role. In addition, each student was randomly assigned to negotiate as a solo or as a two-person team. Because Study 1 revealed no significant difference between two-member and three-member teams and we had no hypotheses regarding team size, all teams in Study 2 contained two members.

Results

The key analysis compared four configurations: team buyers/team sellers; solo buyers/solo sellers; solo buyers/team sellers; and solo sellers/team buyers in terms of impasse rates. The key hypothesis was that seller teams would be more likely to discover incompatible interests and declare impasse as compared to solo sellers, thereby avoiding a bad deal. In a 2 (*buyer size*: solo vs. team) X 2 (*seller size*: solo vs. team) logistic regression analysis (teams coded .5; solos coded -.5), our hypothesis would be supported by a significant main effect for seller size. Indeed, this is what we found.

Consistent with predictions, the analysis revealed a significant main effect of seller size (b = 1.96, SE = .60, p = .001, *odds ratio* = 7.06), indicating that negotiations in which the seller was a team were seven times as likely to result in impasse as compared to negotiations in which the seller was a solo. The buyer size main effect (b = .64, SE = .60, p = .29, *odds ratio* = 1.89), and the Seller Size X Buyer Size interaction (b = .34, SE = 1.20, p = .78, *odds ratio* = 1.41) were nonsignificant. Figure 2 displays these results. Impasse rates were highest in the team-buyer/team-seller condition (61%), followed by solo-buyer/team-seller condition (41%), team-buyer/solo-seller condition (16%), and solo-buyer/solo-seller condition (11%).

Discussion

Consistent with our proposal that the agreement trap is, at least in part, attributable to faulty judgment about the other party's interests, Study 2 demonstrated that a team in the role

with greater need to make accurate judgments about the alignment between their own and their counterpart's interests (i.e., the seller role in the Bullard Houses exercise) was critical for increasing the likelihood of impasse. Negotiations in which the seller was a team were seven times as likely to result in impasse as negotiations in which the seller was a solo. These findings suggest that the agreement trap is due, at least in part, to solo negotiators making less accurate judgments of the counterparties' interests as compared to negotiating teams.

Interestingly, there was a trend for buyer teams to impasse more than buyer solos. However, this difference failed to reach conventional levels of significance, indicating that negotiations in which the buyer was a team were statistically just as likely to result in agreement as compared to negotiations between two solos.

General Discussion

Results from two experiments indicated that teams facilitate impasse in negotiations with negative bargaining zones. These findings extend prior negotiation research by empirically demonstrating that teams are not only better than solos at creating and claiming value in multi-issue negotiations with positive bargaining zones (Morgan & Tindale, 2002; Polzer, 1996; Thompson et al., 1996), they are also better at avoiding the agreement trap in negotiations with negative bargaining zones. Moreover, this research offers insight into why the agreement trap occurs and how it can be reduced.

Study 1 found that the addition of a single teammate on each side was sufficient for generating interest-based disagreement between teams and solos, as evidenced by greater impasse rates in a negotiation in which it was better for the parties to impasse because of conflicting interests. Study 2 extended these findings by providing evidence consistent with the "faulty judgment" explanation for the trap. Consistent with this explanation, the party faced with

the information-acquisition demands benefited the most from the addition of a teammate. This finding suggests that the greater judgment capabilities of teams make them better equipped than solos to avoid the agreement trap.

Our findings suggest one factor underlying the agreement trap (faulty judgment) and a potential solution (greater information processing capability via teams). Such an interpretation is consistent both with past studies of team negotiations and information processing (e.g., Thompson et al., 1996) and the evidence collected here. Mutually agreeable impasse might have been easier to identify in the Bullard Houses negotiation had both parties been allowed to share information openly and explicitly, but such an allowance may have precluded the need for a team for additional information processing.

Other circumstances entailing a negative bargaining zone over interests may also benefit from the greater information processing capabilities that teams can provide. Consider, for example, the potential merger between two companies. Often, such mergers are mutually agreeable to both parties for various reasons, not the least of which would be the economies of scale. However, such mergers may face risks of being dissolved; for example, anti-trust legislation in the United States gives the Federal Trade Commission and the Justice Department the authority to prevent mergers that risk creating monopolies or controlling trusts in a particular industry. If such mergers will ultimately be prevented by government agencies, impasse is a better alternative than agreement. Such downstream consequences may be harder for individual negotiators to identify, in which case, teams may serve to more successfully identify interest-based disagreement than solo negotiators.

In addition to faulty judgment or insufficient information processing, there are undoubtedly other sources of the agreement trap. For example, the trap could result from

negotiators personal image concerns or basic fundamental needs. Negotiators may have deal-maker identities and failing to reach a deal could threaten their sense of self-efficacy (O'Connor & Arnold, 2001); they may prefer to be seen as “deal-makers” not “deal-breakers.” Another possibility is that the agreement trap also stems from concerns solo negotiators have with being liked or socially accepted by the counterparty—concerns that teams are unlikely to experience (Howard, Gardner, & Thompson, 2007). The desire for social acceptance is one of the strongest motivations guiding human behavior (e.g., Baumeister & Leary, 1995; Fiske, 2004; Leonardelli, Pickett, & Brewer, 2010). Concern with being accepted by the counterparty could push solo negotiators to (unwisely) reach agreements because impasses are socially awkward and even detrimental to negotiators’ relationships (O’Connor & Arnold, 2001). The common expressions “failure to reach agreement” and “failed to come to terms” smack of personal and social shortcomings.

Although it is unclear how a negotiating team might affect the agreement trap resulting from a deal-maker identity, teams may be effective for regulating the impact that a need for acceptance has on the agreement trap. Team negotiators are less likely to feel pressure to be accepted by the counterparty because they can satisfy their need for social approval via their teammates (Howard et al., 2007).[2] The group polarization effect also might contribute to this phenomenon in that team members might be more likely to have stronger attitudes about reaching impasse because of informational and social influence (Main & Walker, 1973). From this point of view, teams may also prevent the agreement trap when it might otherwise result from a need for acceptance.

Moreover, team members might even gain greater social approval by acting tough and intransigent (Cho, Overbeck, & Carnevale, 2011; Cohen, Montoya, & Insko, 2006; Wildschut,

Insko, & Gaertner, 2002). Indeed, teams are more competitive and less cooperative than individuals (Insko et al., 2013; Wildschut & Insko, 2007; Wildschut et al., 2003). And, members of teams who display resolve and adopt extreme ingroup-favoring views are held in higher regard by their constituencies who hold similar views (Abrams, Marques, Bown, & Henson, 2000). The competitiveness of teams is likely to give teams an advantage in avoiding the agreement trap, but this competitiveness could be a liability when reaching agreement is a wise course of action.

We have boldly asserted on the basis of previous research that teams are able to reach more integrative agreements than solo negotiators when it is clear that a positive bargaining zone exists (see Cohen & Thompson, 2011 for a review). In our current empirical studies, we have demonstrated that teams are able to exit ill-fated negotiations that otherwise might entice unsuspecting solos. An unanswered question, however, is whether teams are better able to reach integrative agreements in negotiations that appear to be intractable, particularly those that require a great deal of trust and information sharing to uncover hidden sources of compatibility. Teams are more likely to reach impasse in dispute negotiations as compared to solos (Howard et al., 2007). In addition, there is considerably more distrust in intergroup interactions than in interpersonal interactions, and this distrust leads teams to get worse outcomes than individuals (i.e., earn less money) in mixed-motive situations, such as the prisoner's dilemma game (Insko et al., 2013; Wildschut & Insko, 2007). Thus, there is reason to believe that the relatively greater distrust among team negotiators as compared to solo negotiators could in some circumstances counteract advantages based on greater judgment and decision-making capabilities.

Finally, although most research on teams in negotiations has sought to investigate the information processing benefits that teams provide over solos, the second study allowed us to

also examine whether teams would be more or less effective at hiding information from the other party. Recently, knowledge hiding has become a topic of increasing importance in the organizational literature (Connelly et al., 2012), yet little research to our knowledge has investigated this topic with teams. Interestingly, in Study 2, there was a trend for buyer teams to impasse more than buyer solos, although this difference failed to reach conventional levels of significance. Such a trend may simply be a statistical anomaly; alternatively, perhaps the study had insufficient power to detect the effect as an effect. Regardless, this could be an avenue for future research. Perhaps negotiating teams are less effective than solos at hiding information. After all, whereas the information processing benefits of teams requires teammates to process information, information hiding requires teammates to know what information to hide and how to hide it; it requires greater coordination. Thus, information hiding may be less effective with teams than with solos.

Conclusion

Negotiation research has benefitted greatly by adopting the economic yardstick of Pareto optimality as its prime dependent measure. Stated simply, most scholars are preoccupied with discovering the cognitive and social conditions that best position negotiators to reach optimal agreements. The wisdom of avoiding bad agreements has not been on the scholarly radar screen. Thus, the present research begins upstream of where negotiation research often starts. The wisdom of reaching a deal must logically precede the analysis of which mutual agreements might be more optimal than others. In this sense, this paper is an attempt to broaden the geography of negotiation research and focus on upstream considerations.

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Footnotes

[1] We used the Bullard Houses negotiation simulation for two key reasons. First and foremost, it is an established and popular role-playing exercise in which base rates for agreement are well-known among negotiations instructors. Second, it is based on a real-world situation (the Villard Houses in New York City) and thus provides a compelling case of surface validity for both participants and for generalizing results.

[2] We point out, however, that the buyer-seller difference observed in Study 2 cannot be explained by the idea that solo negotiators are more concerned with social acceptance than are team negotiators.

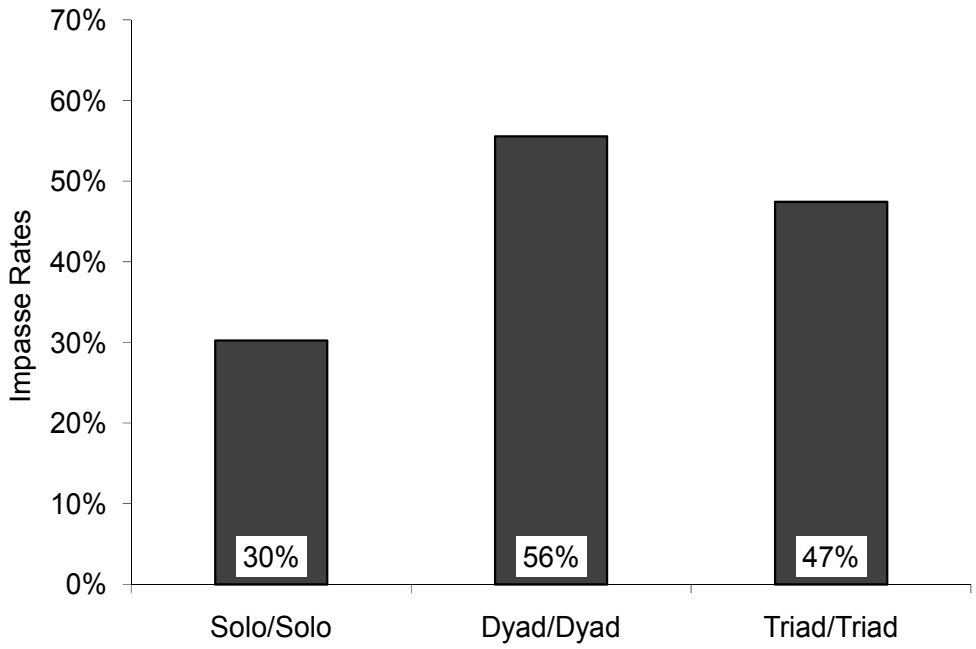

Figure 1. Study 1 (*N* = 319 negotiations): Impasse rates as a function of team size.

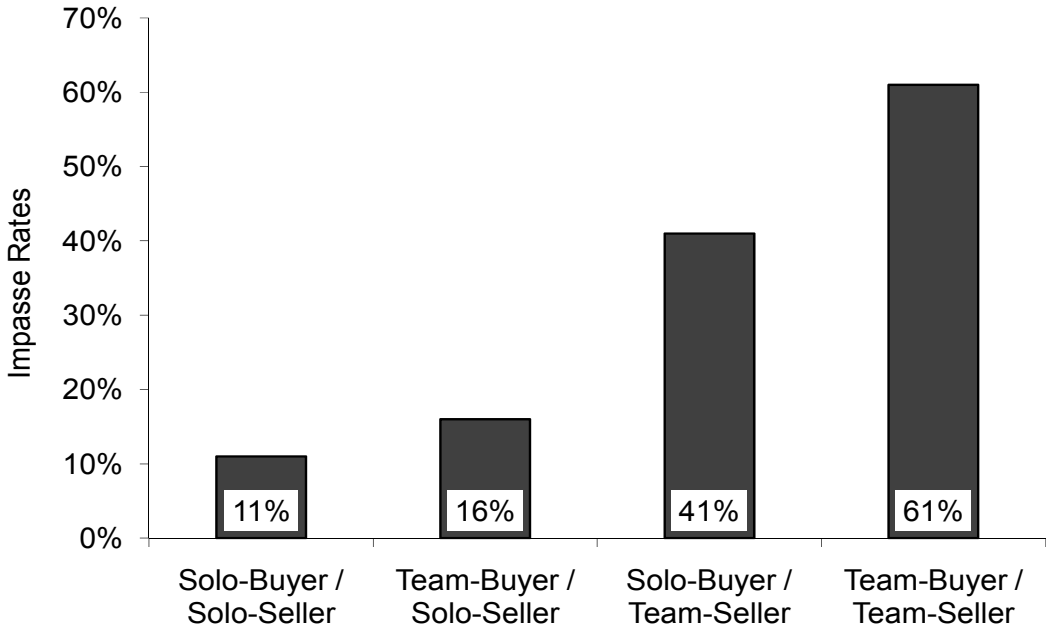

Figure 2. Study 2 (*N* = 73 negotiations): Impasse rates as a function buyer and seller size. Teams had two members.