

Managerial Negotiations
Professor Michael W. Morris
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**Does Our Background Affect
Our Ability to Negotiate?**

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Scope and Methodology

Our research was based on analyzing four sets of class negotiation outcomes from the two sections taught by Professor Morris this semester (Fall 2006). These included three separate negotiations on the price of a used car and one job offer negotiation. These particular data sets were selected because they concerned only a single issue (either price or salary) where value was simply claimed, not created.

In addition, we analyzed data from 63 paper surveys (Appendix B) collected from the students in the same class sections. In order to perform our analysis, we carefully matched up the data from these questionnaires with the actual negotiation outcomes and tried to correlate the different attributes. We also segregated the cross-gender negotiations and took a look at those as a separate data set.

Data for the opening bids, targets, and outcomes were normalized separately for each section and for each round of negotiations. It was then converted to a scale from zero to ten. For instance, to measure outcomes in the car price negotiations, we used the following formulas:

$$\text{Seller Outcome Grade} = \frac{\text{Outcome} - \text{Min}(\text{All Outcome})}{\text{Full Range of Outcomes}} * 10$$

$$\text{Buyer Outcome Grade} = \frac{\text{Max}(\text{All Outcomes}) - \text{Outcome}}{\text{Full Range of Outcomes}} * 10$$

We performed similar calculations based on the opening bids to evaluate one's "Aggressiveness" and on target prices to gauge one's level of "Optimism." The results for all four negotiations were averaged. However, we did not include the outcomes from the second car price negotiation as there was no ZOPA, so no mutually beneficial agreements could be reached.

Overall Results

All Data	Outcome	Target	Opening
Overall Average	5.01	4.31	4.87

As demonstrated in the table above, there were more people opening and targeting *below* the middle of the range than those who were overly aggressive or self-assured. This explains why averages for both “Target” and “Opening” bids were less than 5.0. In other words, a few people tended to skew the range in the upward direction.

All Data	Target/Outcome	Opening/Outcome	Target/Opening
Correlation	0.39	0.44	0.53

It is also worth noting that there was a pronounced positive correlation between how high people set their expectations at the beginning as well as how high they opened with how much value they could claim for themselves. Those who targeted high also tended to open with a higher bid.

Self-Rating Effects

Self-Ratings	Outcome	Target	Opening
High (4 or 5)	5.14	4.48	5.27
Low (1,2 or 3)	4.86	4.09	4.38

People who prided themselves for having Above Average Skills started with a lot more ambitious offers and were looking to get a larger piece of the pie. In the end, however, they achieved only marginally better results than the rest of the class.

Competitive vs. Collaborative

Negotiation Style	Outcome	Target	Opening
Competitive	5.90	5.04	6.57
Collaborative	5.09	4.08	4.52

People who claimed to be Competitive in their style performed notably better than those who described themselves as Collaborative. They also opened a lot higher and set

more optimistic targets. However, the disparity between the opening bids was far more drastic than that between the actual outcomes.

Positive vs. Negative Attitude

Attitude	Outcome	Target	Opening
Positive	4.73	4.37	4.78
Negative	4.85	4.52	4.60

People who reported having Positive feelings about negotiating (i.e. those who said to be “Excited or “Comfortable”) *didn't* fare as well as those who had Negative feelings (i.e. were “Stressed” or “Anxious”). This was in spite of the fact that those who had positive attitudes tended to open with more aggressive bids.

General Comfort Effects

Comfort	Outcome	Target	Opening
More Comfortable	4.88	4.30	4.77
Less Comfortable	5.28	4.33	5.09

Similarly, people who were Comfortable negotiating (i.e. rated themselves at 4 or 5) *didn't* achieve as high results as those who weren't. Those who felt less comfortable were also more aggressive.

Cross-Gender Negotiations

Cars: Data points for 38 male-female pairs were isolated from the first and third Cars exercises. Out of those, 20 (53%) came out with females claiming more value, while only 14 (36%) went in favor of males. There were 4 negotiations that split the price range down the middle that were deemed a tie.

Salary: Out of the 16 mixed-gender pairs, 7 (44%) negotiations went in favor of a female, while males claimed more value in just 5 (31%) cases. The other 4 (25%) negotiations that settled at the median outcome of \$130k were considered a tie.

One possible explanation for the fact that men did so poorly is that these negotiations took place in a classroom and had no tangible real-life effects, which could have made it easier for men to “concede” to women.

Men vs. Women

Gender	Outcome	Target	Opening
Male	5.11	4.54	5.25
Female	4.88	4.03	4.41

When it comes to negotiating, men are generally more aggressive and confident. However, the average scores for the outcomes seem to contradict the above findings from the isolated mixed-gender cases. This phenomenon can be explained by the fact that when men prevail in a negotiation, the relative value of their outcomes can be higher than that for women “winners,” which can skew the overall averages. In other words, women tend to win more often, while men are more likely to win by a wider margin.

Cross-Gender Comfort

Correlations	Outcome	Target	Opening
Negotiating with the Opposite Gender	0.004	0.14	0.18
Negotiating with people You Find Attractive	0.10	0.26	-0.10
Negotiating in a Long-Term Relationship	0.11	-0.09	-0.21

The above table summarizes the correlations between the level of comfort one feels in certain negotiation situations and their outcomes, targets, and opening prices. People who are comfortable negotiating with the Opposite Gender might be more optimistic and more aggressive, but they don’t achieve superior results. However, those who are comfortable negotiating with those They Find Attractive are not as aggressive and actually claim more value. Those who feel comfortable negotiating in Long-Term Relationships are even less aggressive yet can be equally successful.

Age Effects

Age	Outcome	Target	Opening
28 or Younger	4.96	4.42	4.91
29 or Older	5.06	4.14	4.49

The average age of those who filled out our survey was 28.5, which is where we drew the line. Over time, people learn to become slightly better at negotiating, although for the limited range of ages we have at Columbia (25 to 39 in our data set) this effect is barely noticeable. What is more significant is that as we get older, we become less aggressive and learn not to set unrealistic targets.

Siblings Effects

Number of Siblings	Outcome	Target	Opening
None or 1	4.45	4.07	4.84
2 or more	5.48	4.51	5.02

People who have two or more siblings performed significantly better than those who have just one or none. They were also more optimistic and more aggressive. All those years practicing negotiations while growing up are clearly paying off here!

Birth Order Effects

Birth Order	Outcome	Target	Opening
Youngest	3.96	3.56	4.75
Middle Child	5.43	4.94	5.38
Oldest	4.93	4.30	4.55

Middle Children are the best negotiators, while the Youngest are by far the worst. Middle Children also start higher and set more ambitious targets than anybody else. The Oldest Children, on the other hand, are the most realistic and the least aggressive.

Married vs. Single

Marital Status	Outcome	Target	Opening
Married	4.99	3.79	4.57
Single	5.03	4.10	4.42

Single and Married people achieved very similar outcomes. However, married people are somewhat less optimistic yet, surprisingly, slightly more aggressive. In these calculations, we counted those who claimed to be Partnered as Single and those in a Long-Term Relationship as Married.

Large Cities vs. Small Towns

Raised In	Outcome	Target	Opening
Large City	4.88	4.26	4.78
Suburbs	5.45	4.56	5.04
Small Town	3.41	3.41	4.02

Is it reasonable to assume that people raised in large cities like New York are more aggressive and can claim more value than those from small towns? That much is true, but our data also indicates that students raised in the Suburbs actually tend to be even better negotiators. The suburbanites also opened and targeted higher.

Geographic Area of Origin

Geographic Area	Outcome	Target	Opening
US and Canada	5.15	4.32	4.55
Latin America	4.97	5.39	6.29
Asia	4.94	3.43	3.96
Europe	4.56	4.04	5.62

Overall, Americans and Canadians came out on top, although this might have something to do with the fact that these negotiations took place on the American soil. Europeans did the worst, settling for less than their fair share. However, they set very realistic targets for themselves. Conversely, Latin Americans were the most optimistic and aggressive (with opening bids nearly twice as high as those for Asians) but they simply couldn't claim as much value as they wanted. Asian were the most reserved yet their overall performance was very similar to that of Latin Americans.

Differences within the US

US Area	Outcome	Target	Opening
East Coast	5.64	4.81	5.53
The Rest of US	4.96	4.00	4.02

Regarding regional differences around the United States, it appears that people from the East Coast negotiate very differently from those from the rest of the country. People raised in this region seem to be better negotiators, are more optimistic and more aggressive. However, this behavior could also be due to the fact that these negotiations were taking place in New York.

Time Spent in the US

Time in the US	Outcome	Target	Opening
5 Years or less	5.27	4.27	4.34
More than 5 years	4.29	3.83	5.19

Are foreigners influenced by the US negotiating style after they have lived in the US for a while or do they still maintain their native habits? The table above shows that people who have spent more than five years in the US tend to become less optimistic yet more aggressive. They also appear to gradually lose their ability to claim value.

Cross-Cultural Negotiations

Correlations	Outcome	Target	Opening
Negotiating with Americans	0.14	0.17	0.28
Negotiating with Foreigners	-0.05	0.03	0.12

The table above summarizes the correlations between comfort levels when dealing with Americans and Foreigners and outcomes, targets, and opening prices. As expected, people who feel more comfortable interacting with Americans negotiate better, set higher targets and are more confident being aggressive. However, when people deal with Foreigners, even if they feel comfortable, they do not do as well as expected. This

slightly negative correlation can be explained by cultural differences and the fact that it is easy to misinterpret someone with a different background than yours.

Previous Industry

Previous Industry	Outcome	Target	Opening
Finance	4.71	4.14	5.31
Consulting	4.63	3.75	3.32
Media	4.87	4.32	4.87
Tech/Telecom	5.46	3.83	5.22
Not for Profit/Arts	5.30	5.60	4.83
Real Estate	6.76	5.46	6.46
Retail	5.34	3.55	4.41
Other	4.57	4.58	4.41

The immediate takeaway here is that students coming from the Real Estate industry claimed the most value, significantly higher than all other groups. They were also by far the most aggressive with their opening bids. This is to be expected as these are the people whose well being depends heavily on their ability to negotiate. Somewhat surprisingly, those coming from the Not-for-Profit sector targeted the greatest share for themselves and generated above-average outcomes. On the other end of the spectrum, students coming from the Consulting industry opened with the lowest bids, set relatively low targets and achieved below-average results.

Previous Job Function

Previous Function	Outcome	Target	Opening
Banking*	5.39	4.47	5.69
General Finance	4.43	3.88	5.04
Consulting	4.92	4.25	3.95
General Mgmt	4.91	4.11	4.42
Sales & Marketing	4.52	3.11	2.42
Engineering/R&D	5.27	4.41	5.38
Other	4.02	4.56	4.87

*Banking includes Sales & Trading, Investments, and Wealth Management

One could argue that job function is more directly related to one's skills than their prior industry. Looking at these results, students whose previous job was in Banking opened the most aggressively and also claimed the greatest value. Scientists and Engineers finished just a step behind. Surprisingly, students whose previous job function was in Sales or Marketing set and opened with the lowest values, and also achieved below-average values. Another point of interest here is that students falling into the "Other" job function category were the most optimistic in setting their targets but actually claimed the least value in the end.

Professional Interests

Professional Interest	Outcome	Target	Opening
Financial Services	4.26	4.42	5.10
Corporate Finance	5.05	4.32	4.20
Consulting	6.14	5.04	4.99
Marketing	5.71	3.96	4.74
Sales & Trading	2.61	4.26	5.64
General Mgmt	5.68	4.36	5.46
Own Business	5.35	4.25	4.01

Students interested in Consulting were the most optimistic with their targets and claimed the most value but they were not very aggressive. Ironically, people interested in Sales & Trading opened the most aggressively, yet actually ended up doing the worst. Students interested in Marketing were the least optimistic with their targets but finished with above-average values. Future business owners were the least aggressive, but also ended up doing better than most.

Years of Work Experience

Work Experience	Outcome	Target	Opening
Less than 5 Years	4.86	4.43	4.76
5 Years or more	5.12	4.23	4.95

Students from both course sections had an average of five years of experience, so we compared those with less than average against the rest of the class. We found that work experience (which ranged from 2 to 12 years) did not have a significant impact on negotiation performance, although those with more experience performed slightly better. People with longer work experience were also more conservative in their targets yet generally opened with more aggressive bids.

The Best Negotiators

Good negotiators are definitely competitive in nature, at least as long as value needs to be simply divided and claimed. They are also the kind of people who think highly of their own negotiation skills, yet don't get too comfortable while negotiating. They are, however, generally at ease while dealing with Americans as well as those they find attractive.

Men, older people, those who have many siblings, and particularly middle children, are likely to claim the most value. Those who grew up in the suburbs in North America, better still on the East Coast, seem to fare the best. Latin Americans and Asians also do fine, as long as they haven't lived in the US for too long.

People with more work experience, as well as those who came from Real Estate, Technology and Non-Profits and/or have some background in Banking or Engineering, seem to have what it takes to claim the most value. Good negotiators at Columbia tend to gravitate towards Consulting, Marketing and General Management.

***Summary:** If you're looking to hire a great negotiator, your best bet is a real estate broker who grew up as a middle child in a large New Jersey family.*

Appendix A – Project Subject Negotiation

At the beginning of the term, we each took a look at the various projects people proposed in their Blogs. Some of the group members initially considered analyzing actual negotiations, such as a private equity transaction. Others wanted to do a social study on how politicians view disputes and what course of action they pursue.

Later in the semester, Stan approached us with his idea of analyzing whether one's background plays a role in his or her negotiation style. Since we have engaged in a number of simulated negotiations throughout the course, Stan decided that it would be insightful to take those outcomes and to see if any clear patterns emerge. We all thought that Stan's idea was both relevant and interesting, so we agreed to join his group.

In order to come up with a survey to be distributed to Professor Morris' two course sections, we communicated over e-mail. This allowed each team member to add questions that were of particular interest to him or her.

To keep the project on track, we divided up the tasks among the members of the group. Two people were responsible for entering the results from the surveys into Excel. The others worked to extract the data from the actual in-class negotiations. Once the information was collected, we met to merge the spreadsheets and to develop a consistent method to use for data analysis.

We then each took upon ourselves to determine patterns in a particular area, such as gender issues, regional differences, or professional backgrounds. The final results were distributed over e-mail so that everybody could add to the write-up. It was Stan's responsibility to put the final paper together.

Appendix B – Class Project Survey

Please answer all the questions. Thanks a lot!

Name (*Very Important!*): _____

Gender (circle one): M F

Age: _____

Country of origin: _____

If the US (circle one): East Coast West Coast Mid-West South

If not, years in the US: _____

You were raised in: Large City Suburbs Small Town Rural Area

Marital status: Single Partnered Long-Term Relationship Married

Number of siblings: _____

If you have any, you are: Oldest Youngest Middle Child

Years of work experience: _____

Your previous industry: _____

Your previous function: _____

Professional interest: Financial Services Corporate Finance Consulting Marketing
Sales & Trading General Management Own Business

Your negotiation style: Competitive Collaborative Varies

How do you feel in a negotiation? _____

On the scale of 1-5 (5 being the *highest*), how comfortable do you feel negotiating:

In general: 1 2 3 4 5

With Americans: 1 2 3 4 5

With foreigners: 1 2 3 4 5

With the opposite gender: 1 2 3 4 5

With people you find attractive: 1 2 3 4 5

With people you are in a long-term relationship with: 1 2 3 4 5

Finally, rate your overall negotiation skills: 1 2 3 4 5

Thanks again!