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The Mind and Heart of the Negotiator, 7e **(Thompson)**
Chapter 2 What to Do Before Negotiation

2.1 Multiple-Choice Questions

1) In any negotiation scenario, a negotiator needs to determine what would constitute an ideal outcome, however, problems often arise such as the winner's curse. In negotiation, the winner's curse occurs when:
A) a negotiator sets his/her aspirations too high
B) a negotiator makes an offer that is immediately accepted by the other party
C) the counterparty demonstrates retaliative behavior
D) no one can be trusted
Answer: B
Page Ref: 14
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

2) Many negotiators do not think carefully about what they want before entering negotiations. One type of problematic negotiation behavior known as reactive devaluation refers to:
A) a negotiator who does not know what he or she really wants other than not wanting what the other party is offering
B) a negotiator who sets the target point too high and refuses to make any concessions
C) a negotiator who overvalues the counterparty's offer
D) an negotiator who opens the negotiation by setting their target too low
Answer: A
Page Ref: 14
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

3) A negotiator's BATNA (Best Alternative to a Negotiated Agreement) determines the point at which a negotiator is prepared to:
A) make larger concessions
B) keep options open
C) reject the terms of and walk away from a negotiated agreement
D) identify the counterparty's alternatives
Answer: C
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4) Your BATNA is time sensitive and is subject to market forces, thus negotiators should constantly attempt to improve their BATNAs. One strategy for improving one's BATNA in negotiation is to:
A) discuss it in explicit terms with the counterparty
B) identify several alternative options before going to the negotiation table
C) replace it with an aspiration point
D) revise it in reaction to progress of the negotiation
Answer: B
Page Ref: 15
AACSB: Interpersonal relations and teamwork
Difficulty: Easy

5) A negotiator's reservation point has the most direct influence on their final outcome. A negotiator's reservation point is a quantification of the negotiator's:
A) target point
B) BATNA
C) bargaining zone (ZOPA)
D) opening offer
Answer: B
Page Ref: 16
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Difficulty: Easy

6) When facing risk, many negotiators do not weigh a course of action by its impact on total wealth, rather they generally frame outcomes as either gains or losses relative to some arbitrary reference point. Instead, negotiators should consider the impact of three types of risk with regard to their alternatives. These three types of risk include:
A) tactical risk, strategic risk, and overconfidence risk
B) failure risk, BATNA risk, and information-sharing risk
C) contractual risk, overconfidence risk, and failure risk
D) strategic risk, BATNA risk, and contractual risk
Answer: D
Page Ref: 21
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Difficulty: Moderate

7) In negotiation, buyers and sellers may adopt differing bargaining positions for an object, but their private valuations for the object should not differ as a consequence of who has possession. This situation is termed the endowment effect and is best described as:
A) the difference between what sellers demand and what buyers are willing to pay
B) a tendency for people to value an object more once they own it
C) the intrinsic value we associate with a certain outcome
D) saving money instead of purchasing goods
Answer: B
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8) In negotiation, a dispute is best defined as a situation in which:
A) parties have to resort to their BATNAs
B) parties fail to exchange resources
C) a claim is made by one party and rejected by the other party
D) negotiators turn down favors and rewards from others
Answer: C
Page Ref: 27
AACSB: Interpersonal relations and teamwork
Difficulty: Easy

9) In negotiation which of the following statements is generally NOT true when it comes to a negotiator's BATNA?
A) It is dynamic and constantly changing
B) Negotiation terms less than your BATNA should be accepted
C) It is determined by the negotiator's available options
D) The counterparty has an incentive to minimize the quality of your BATNA
Answer: B
Page Ref: 15
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Difficulty: Moderate

10) A more accurate model of negotiation is to approach it as a decision-making enterprise that is best described as a _____, which involves both _____ and _____.
A) self-assessment; focus; introspection
B) grass-is-greener negotiation; selectiveness; restlessness
C) strategic risk; aggressiveness; gambling
D) mixed-motive enterprise; cooperation; competition
Answer: D
Page Ref: 13
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

11) Effective negotiation preparation encompasses three general abilities: situational awareness, perspective-taking, and:
A) financial assessment
B) location assessment
C) team assessment
D) self-assessment
Answer: D
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Difficulty: Easy

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12) In preparing for negotiation, a negotiator needs to determine what would constitute an ideal outcome, or favorable set of terms, also known as a:
A) winner's result
B) target point
C) BATNA
D) reservation point
Answer: B
Page Ref: 12
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Difficulty: Easy

13) In order to reach a successful negotiation outcome, the negotiators must understand that their BATNA is:
A) the outcome that the negotiator wishes to achieve
B) able to be modified by persuasive offers
C) not time sensitive
D) determined by objective reality
Answer: D
Page Ref: 15
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Difficulty: Moderate

14) The term used to represent the quantification of a negotiator's BATNA with respect to other alternatives is known as:
A) the reservation point
B) the target point
C) the focal point
D) a sunk cost
Answer: A
Page Ref: 16
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Difficulty: Moderate

15) Negotiators who make the mistake of not developing a reservation point before they negotiate often focus on an arbitrary value that masquerades as a reservation point. Such arbitrary points are called:
A) personal blind spots
B) focal points
C) sunk costs
D) linkage effects
Answer: B
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16) Negotiators should assess themselves and their resources before commencing negotiation. One question a negotiator should ask is, "What are my sunk costs?" A sunk cost is best defined as:
A) money you have invested, that is for all practical purposes, spent
B) a contractual cost
C) money you expect to be paid at the completion of a service contract
D) the yield expected from a stock price
Answer: A
Page Ref: 19
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Difficulty: Moderate

17) Many negotiations appear to be about a single, salient issue—such as price or salary. However, it is NOT advisable to focus on a single issue in a negotiation because single-issue negotiations are _____ in nature.
A) variable-sum
B) integrative
C) mixed-motive
D) fixed-sum
Answer: D
Page Ref: 19
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Difficulty: Moderate

18) Negotiators should take the time to brainstorm how a single-issue negotiation may be segmented into multiple issues. By identifying and segmenting the negotiation into multiple issues, negotiators may create:
A) a less complicated negotiation
B) more issues that could lead to an impasse
C) integrative potential
D) a potentially illegal negotiation situation
Answer: C
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19) In a job interview situation, when the prospective employer asks about your desired salary, what is the recommended response to use?
A) Make an extreme offer and negotiate your way back down to your acceptable BATNA range
B) Give a salary range that would meet your needs in order to seem less fixated on a particular number.
C) Make a take-it-or-leave-it offer
D) Present a variety of different combinations of highly attractive offer packages that are of equivalent value to yourself
Answer: D
Page Ref: 20
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Difficulty: Moderate

20) Negotiators can focus on gains or losses during a negotiation. When faced with risk, most negotiators are _____ when it comes to losses, and _____ when it comes to gains.
A) risk-averse; risk-seeking
B) risk-seeking; risk-averse
C) rational; irrational
D) irrational; rational
Answer: B
Page Ref: 20
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Difficulty: Moderate

21) Which of the following situations would lead a negotiator to be the most uncertain about his or her BATNA?
A) Potential alternatives present themselves all at once, giving the person a wide range of choices
B) The person is presented with a take it or leave it offer
C) The person is not confident in their reservation point
D) Potential alternatives arise sequentially, rather than all at the same time
Answer: D
Page Ref: 21
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Difficulty: Hard

22) Negotiators may have a manager who directs them to either "maximize their gains" in the negotiation or "minimize their losses". As compared to negotiators who focus on maximizing gains, negotiators who focus on minimizing their losses are more likely to:
A) reach agreement
B) minimize their strategic risks
C) make few concessions and reach fewer agreements
D) accept a sure thing
Answer: C
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23) The more _____ the negotiator, the more likely it is that she or he will make greater concessions.
A) vigilant
B) risk-averse
C) risk-seeking
D) confident
Answer: B
Page Ref: 22
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Difficulty: Easy

24) An important component in determining whether a person feels they made the correct decision is counterfactual thinking. What is meant by counterfactual thinking in negotiation?
A) A negotiator who focuses intensely on what outcome they want
B) A negotiator who thinks about what might have been but did not occur
C) A negotiator who plays the devil's advocate with the other party
D) A negotiator who considers whether the other party will follow through on the terms of their agreement
Answer: B
Page Ref: 23
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Difficulty: Moderate

25) In negotiation, having your first offer immediately accepted by the counterparty is likely to lead to feelings of what might have gone differently. Having your first offer immediately accepted can also lead to:
A) the overconfidence effect
B) changing your BATNA
C) hindsight bias
D) improved preparation
Answer: D
Page Ref: 24
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Difficulty: Moderate

26) When one or more parties are involved in a negotiation, the situation becomes a team or multi-party negotiation. In a multi-party negotiation, what is meant by the term, "hidden table"?
A) An undisclosed group of resources
B) The ultimate goal of a good negotiator
C) Important parties who are the real decision makers are not present at the negotiation table
D) The undisclosed offers that could have been made
Answer: C
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27) If one negotiator has a negative, loss-frame mindset and the counterparty has a positive, gain-frame mindset in a negotiation, the negotiator with the _____ usually reaps a greater share of the available resources.
A) positive-frame
B) negative-frame
C) lower sunk costs
D) higher target point
Answer: B
Page Ref: 22
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

28) A negotiator who lacks a well-formed _____ risks agreeing to a settlement that is worse than what they could do by following another course of action.
A) reservation point
B) aspiration point
C) focal points
D) reference point
Answer: A
Page Ref: 19
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Difficulty: Easy

29) What is the one thing that each of the following have in common: the purchase price that home sellers paid for their house; new sewing machine at a baseball glove factory; marketing department's monies spent on research and focus groups.
A) Strategic risk
B) Interdependence
C) Sunk costs
D) Fixed-sum negotiations
Answer: C
Page Ref: 19
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Difficulty: Easy

30) As a negotiator, if you have not properly prepared, you might be influenced by the counterparty's persuasive appeals. However, a person's BATNA should change as a result of:
A) persuasive arguments by the counterparty
B) rumored workplace layoffs
C) the counterparty's time constraints
D) objective facts and evidence
Answer: D
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31) In some negotiation situations, one or both parties may require the counterparty to sign a nondisclosure agreement in advance of any projects they might do together. In this situation, both parties are taking a contractual risk, which means:
A) one party might not honor the terms of this nondisclosure agreement
B) the counterparty might have different private valuations for the value of the assets in the negotiation
C) one party might accept the first set of agreeable terms and sign the contract immediately
D) one party might use risky strategies at the bargaining table
Answer: A
Page Ref: 22
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Difficulty: Hard

32) Negotiators whose first offer is accepted by the counterparty have more likely to do all of the following EXCEPT:
A) prepare longer for a subsequent negotiation
B) become reluctant to make the first offer again
C) are not usually satisfied that their first offer was accepted and feel regretful
D) distrust the counterparty (or feel very confident in their efficiency as a negotiator)
Answer: D
Page Ref: 24
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Difficulty: Moderate

33) The _____ refers to unwarranted levels of confidence in a person's judgment of their abilities and underestimation of the likelihood of negative events.
A) seller's regret effect
B) positional negotiator
C) overconfidence effect
D) grass-is-greener negotiator
Answer: C
Page Ref: 24
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Difficulty: Moderate

34) Negotiators who consider how the counterparty _____ the negotiation are more effective than negotiators who consider how the counterparty _____ the negotiation.
A) discusses; expedites
B) thinks about; feels about
C) closes; complies with
D) guarantees; finalizes
Answer: B
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35) Frequently, parties in a negotiation are composed of people who are on the same side, but have differing beliefs. When parties are referred to as being "monolithic", this means that:
A) the group lacks alignment
B) they have differing values, beliefs, and preferences
C) they are in agreement with one another concerning their negotiation interests
D) they will approach the negotiation from the fixed-pie perception
Answer: C
Page Ref: 25
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Difficulty: Moderate

36) The most important piece of information a negotiator can have about the counterparty is:
A) their reservation point
B) their aspiration point
C) their BATNA
D) the counterparty's hidden table
Answer: C
Page Ref: 26
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Difficulty: Easy

37) Negotiators who have high situational awareness have knowledge about:
A) linkage effects, norms, and time constraints
B) the counterparty's interests
C) the certainty of future events
D) how the counterparty feels about the negotiations
Answer: A
Page Ref: 26
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38) Which of the following is an example of a transactional negotiation?
A) A seller says that a buyer still owes her money and the buyer disagrees
B) A buyer asks a seller for the price of an item
C) A buyer needs their car fixed, but the seller refuses to fix it
D) A buyer pays a seller money for services rendered
Answer: D
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39) Negotiation outcomes from one agreement between parties often have implications and set precedent for future negotiations — often referred to as:
A) repetitive negotiations
B) linkage effects
C) monolithic parties
D) unwarranted causation
Answer: B
Page Ref: 27
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Difficulty: Moderate

40) A final deadline is a fixed point in time that ends the negotiations. The rate of concessions made by negotiators _____ as negotiators approach final deadlines.
A) decreases
B) ceases
C) increases
D) forecasts the likelihood of the counterparty's compliance with the agreement terms
Answer: C
Page Ref: 29
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Difficulty: Easy

2.2 Discussion Questions

1) In what way does the fixed-pie perception affect a person's preparation for negotiation?
Answer: The fixed-pie perception means that whatever is good for one person must ipso facto be bad for the other party. Negotiators who have this perception usually adopt one of three stances: resign themselves to capitulating to the other side, prepare for a battle of wills, or mutual compromise in an attempt to reach a midpoint between opposing desires.
Page Ref: 1
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Difficulty: Moderate

2) What are some of the problems that can arise in the determination of one's target or aspiration point in a negotiation?
Answer: Identifying a target or aspiration may cause three major problems: setting target or aspirations too low and opening the negotiation by requesting something that is immediately granted; setting the target point too high and refusing to make concessions; not knowing what one really wants–only that one wants what the counterparty is not giving and does not want what the counterparty is offering.
Page Ref: 13-14
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Difficulty: Hard

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3) What is the difference between a target point and reservation point, and why is it important not to confuse the two?
Answer: A target point relates to an ideal situation, but a reservation point relates to what represents as one's BATNA. The negotiator who lacks a well-formed reservation point risks the following fatal flaws: agreeing to a settlement that is worse than what the negotiator could do or walking away from a potentially profitable deal.
Page Ref: 19
AACSB: Interpersonal relations and teamwork
Difficulty: Easy

4) Why should negotiators segment the issues in a negotiation into multiple issues and identify issue alternatives rather than engage in a single-issue negotiation?
Answer: In most negotiation situations, it creates more integrative potential if negotiators take time to brainstorm how a single-issue negotiation may be segmented into multiple issues. By doing so, negotiators can add value to negotiations, formalize the issues and alternatives by creating multiple-issue packages, and determine a variety of different combinations of the issues that all achieve his or her target point all while looking flexible and cooperative to the counterparty.
Page Ref: 19-20
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

5) What are some of the questions a negotiator needs to ask themselves when assessing the negotiation situation? What is one of the key threats to the ability of negotiators to consider the perspective of the counterparty?
Answer: Some of the questions prior to commencing negotiations are: What do I want?, What are the issues in the negotiation?, What issues are relevant to the other party? A key threat to the ability of negotiators to take the perspective of the counterparty is egocentrism, or the tendency to focus on one's own interests and priorities. Negotiators often rely on their own interests and priorities when estimating those of the counterparty and fail to understand the interests of the other party.
Page Ref: 4, 25
AACSB: Interpersonal relations and teamwork
Difficulty: Hard

6) What situational questions should a negotiator find answers to when assessing a negotiation strategy?
Answer: Questions such as: Is the negotiation one-shot, long term or repetitive? Is the negotiation a transaction or a dispute? Are linkage effects present? Is the counterparty negotiating with the intent to reach agreement or are they looking to stall negotiations? Is it legal to negotiate? Is ratification required? Are time constraints or other time-related costs involved? Are the contracts official or unofficial? Where do the negotiations take place? Are the negotiations public or private? What scripts guide the process of the negotiation? Do the negotiations involve more than one offer?
Page Ref: 33, Exh. 2-2
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7) Why do negotiators incorrectly predict the consequences of final deadlines in a negotiation?
Answer: It has to do with the more general psychological tendency to focus egocentrically on the self when making comparisons or predictions. Negotiators focus on the deadline's effect on themselves more than its effect of their negotiation partners. Negotiators also believe that final deadlines are a strategic weakness, so they avoid revealing their deadlines for fear their "weakness" will be exploited by the counterparty.
Page Ref: 30
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Difficulty: Moderate

8) Why is a lengthy time horizon between the negotiation and the consequences of the negotiated agreement positive or negative?
Answer: Greater temporal distance increases the incidence of profitable win-win behavior, including negotiators' preference for multi-issue proposals and value-added trade-offs. The longer the temporal distance between the act of negotiation and the consequences of the agreements, the better the agreement. The reason behind this outcome is that parties are less contentious because the realization is in the distance and that time stretch gives people the opportunity to discount the effects of any "burdens" imposed by the agreement.
Page Ref: 30
AACSB: Interpersonal relations and teamwork
Difficulty: Easy

9) Explain the difference between a "gain-frame" and a "loss-frame" when it comes to making decisions in negotiation.
Answer: Under most circumstances, negotiators who are told to "maximize their gains" are in a "gain-frame" or a "glass half full" state of mind when approaching a negotiation. Negotiators who are in a gain-frame are more risk averse, are more inclined to accept a sure thing and reach agreement. Negotiators who are told to "minimize their losses" are in a "loss-frame" or "glass half empty" state of mind when approaching a negotiation. Negotiators in a "loss-frame" state of mind are more likely to adopt more risky bargaining strategies, preferring to hold out for a better settlement. These negotiators are more likely to use threats and exercise their BATNAs.
Page Ref: 21-22
AACSB: Interpersonal relations and teamwork
Difficulty: Moderate

10) What are some of the advantages for establishing a framework for negotiation preparations?
Answer: There are several advantages to having a framework for negotiation preparation: first, it can save the negotiator time; second, it assures the negotiator that relevant information will be considered; and third, when companies and organizations consistently use negotiation frameworks, colleagues can use these rules to communicate clearly with each other and co-develop shared mental models.
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11) Since most negotiation situations are not one-shot negotiations where both parties will never see each other again, what are some of the characteristics and norms of repetitive negotiations?
Answer: Most people in repetitive negotiations negotiate in the context of social networks and reputation information is carried through the negotiators' social networks. The link between a negotiator's reputation and their behavior is stronger for people who are more well-known in communities. Repetitive negotiators must renegotiate terms on some regular basis and therefore must consider how their relationship with the counterparty evolves and how trust is built and maintained over time.
Page Ref: 27
AACSB: Interpersonal relations and teamwork
Difficulty: Hard

12) The usual purpose of negotiations is to reach agreement if it is possible, however some negotiators don't enter into negotiations with this purpose. Describe an example of a false negotiation situation.
Answer: A false negotiation situation occurs when a party can gain more by stalling negotiations until an external change happens and thus improves the position of the stalling party. False negotiators seek to avoid agreement but to artificially extend the negotiation, encumber negotiations, and conceal these intentions by putting on a facade of cooperation.
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Difficulty: Hard

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