State of the Art

How We Feel about the Deal

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Recent experimental research suggests that humans are prone to systematic errors when determining how they currently feel, imagining how they will feel about future events, remembering how they have felt about past events, and understanding the preferences that underlie their decisions. In this article, we briefly review three basic assumptions that are called into question by recent findings regarding specific kinds of errors that people are prone to make. We suggest that this line of research has important implications for negotiation theory, research, advice, and practice.

Key words: negotiation, interests, prefeeling, affective forecasting.

Introduction

Have you ever bid for something online after imagining your joy at owning it, only to find that weeks later the thrill is gone? Or felt sure that mileage was the most important feature in the car you sought, only to fall prey to a surprisingly comfortable model with leather seats and a great stereo

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system? Why is it that realtors sometimes listen politely when we describe exactly what we want in a house but then move quickly to show us a wide range of homes, some of which are dissimilar to what we described?

How good are we at knowing our current and past feelings, and anticipating our future feelings? Recent research suggests that the answer in some situations is "not so good," and this has implications for both negotiations and negotiation theory. Specifically, three basic assumptions are worth examining more closely in view of these empirical findings.

Assumption One: People Know What They Feel, and Why

"The heart has its reasons, of which reason knows nothing," observed Blaise Pascal. When it comes to choosing art, or music, or flavors, or perfumes, most of us are able to rely on our direct senses and choose what we like, without giving it a lot of thought. But research shows that people are not always so good at listing and ranking preferences that require imagination or prospection rather than sensation.

One complication is that people can mistake one feeling for another: male subjects in one study were more attracted to (and likely to ask out) a woman they met on a shaky canyon bridge than when on a park bench; without knowing it, they had attributed their heightened physiological state as a response to the woman, rather than the bridge (Dutton and Aron 1974). A second complication is that we are not always aware of *why* we like something. Research participants rated cartoons as more amusing when they were holding a pen in their teeth in a way that caused them to adopt a smile-like expression, although they were unaware of the connection (Strack, Martin, and Stepper 1988).

In another study, participants were asked to rate the quality of four sets of pantyhose arranged on a table from left to right (labeled A, B, C, and D). They showed a marked preference for the pantyhose they viewed last (C and D) and were unaware that the order of viewing influenced their preferences. Instead, they listed a host of reasons for why those pantyhose were preferable. In reality, all four products were identical (Nisbett and Wilson 1977). Other studies suggest that people are often unable to explain why they feel the way they do and are unable to recognize which personal goals have been activated and are driving their behavior (Bargh 1994). Moreover, merely having to think of reasons for why we like or choose an object can actually cause us to be *less* satisfied with it later (Wilson et al. 1993).

Research suggests that negotiators who are in a better mood are more likely to make concessions than those who are not (O'Quin and Aronoff 1981) and are more likely to engage in joint problem solving (Carnevale and Isen 1986). Unfortunately, we may not always be aware of our own bad moods; evidence suggests that we are generally less aware of our feelings than we might think (Nisbett and Wilson 1977; see Wilson 2002 for a summary). A

more recent study (Carney, Cuddy, and Yap 2010) suggests that assuming a more confident body posture can improve negotiator effectiveness at the table. In general, then, negotiator attitudes, feelings, and judgments may be unconsciously influenced by a variety of internal, physiological, and situational cues.

Moreover, even when we can consciously identify the features of a person, thing, or situation that may influence our feelings, we may not be aware of the ways that they interact to influence our feelings in unpredictable ways. While researchers (e.g., Greenhalgh and Neslin 1981) have occasionally used conjoint analysis to try to tease apart such interactions, preferences in negotiation research and training simulations are often set quantitatively by the assignment of points to preferences. In these cases, the issues are assumed to be additive toward an overall goal. But this may not mimic real life effectively. Interests and preferences may interact in ways we do not predict in the real world: the feel of leather seats and the sound of the stereo in the car we had not intended to buy; the combination of features in a new technology, product, or service; the people involved in a deal that might otherwise not look good on paper.

This suggests that rather than relying solely on ordinal rankings of interest and preferred options prior to a negotiation, researchers should (also) extract those preferences from parties by asking them to rank *packages* of options, without implied commitment. Such a procedure, while more laborious, might more accurately determine how each option is valued and how it interacts with other options (Stuhlmacher and Stevenson 1997). To our knowledge, use of techniques such as conjoint analysis is far more common in marketing and consumer behavior studies than in negotiation research; it should be more commonly used and compared to linear/additive preference models for decision making.

The implications for negotiators are intriguing. We assume that we know why we want what we want. Indeed, many popular texts such as *Getting to Yes* (Fisher, Ury, and Patton 1991) prescribe asking "why" questions such as "why is that important to you?" to help bring underlying negotiator interests and assumptions to the surface and to help distinguish them from positions. In cases in which preferences are particular to the negotiator, however, people may be reporting their *theories* about what is important to them; generating reasons for their preferences requires introspection, which may be unreliable. On the other hand, in situations in which there is an objective, externally determined interest, or goal that underlies a position or preference, rather than a purely personal preference, one might be more confident that addressing that interest will produce lasting satisfaction. Buying a toy for a child who wants it "because it's cool" might be a riskier strategy than buying one that has a clear external purpose (e.g., needing it in order to enable a trip or join a group).

For negotiators, then, there appear to be four prescriptive implications. First, "going with gut feeling" may be wise in cases in which our own subjective satisfaction is the goal, that is, when we are negotiating a purchase or exchange for our own pleasure (a vacation, a dessert, a concert). Attempting after the fact to explain or justify these kinds of decisions or transactions can actually decrease our dissatisfaction with the decision or choice.

Second, negotiators should seek to experience several different packages of features or options (e.g., test drive several different cars, look at several different product prototypes before settling on features), before deciding conclusively how to rank the component features, which may interact with one another. (And we should ask our counterparts to do the same.) This is entirely consonant with a mutual gains approach to negotiation, which prescribes giving ample time to the exploration of options and "packages" of options before reaching a decision on one. The proposal put forward by your counterpart may be inadequate, greedy, and unresponsive; on the other hand, if the room has been growing slowly hotter over time, flickering lights have made it difficult to concentrate, an unpleasant odor from the cooling system has been wafting in through old vents, and you have not had anything to eat in five hours, you may discover upon a "change in scenery" that you feel somewhat differently and can respond in ways that are likely to be more informative for the other side.

Third, before committing to a major decision or deal that involves multiple issues, negotiators should explicitly name and explore emerging interests that may only become clear in response to a package that has been put forward. Negotiators should *predict* that they may not be aware of their own interests or preferences in advance of a negotiation. They should consider packages in more than one situation, by taking a break away from the table, or sharing the packages with a "back table" to whom the negotiator is accountable, and take care to discern additional interests in the responses and evaluations of parties to the negotiation.

Finally, notwithstanding the risks of introspection, negotiation researchers should continue to consider all kinds of utilities (preferences) as predictors of satisfaction, including feelings that emerge about the self, the other party, and the negotiation process. As Jared Curhan and his colleagues (Curhan, Elfenbein, and Kilduff 2009) have shown, negotiators are more willing to negotiate again when the subjective value rating they assign to the interaction is high. It is a significantly better predictor than past objective outcomes that the negotiator will want to negotiate again with that particular counterpart and that he or she will want to have a counterpart join their *own* team in a future negotiation.

Assumption Two: People Know How They Will Feel in the Future

A negotiator's evaluation of a negotiation experience often relies on imagining future scenarios, rewards, costs, and commitments. How well do people imagine how they will feel and react to imagined events in the future? Recent research suggests that people are far worse at predicting what will satisfy them than they might think.

Human beings may be unique among animals in being able to simulate experiences in the future and make decisions according to how we imagine we will feel then (Gilbert and Wilson 2007). In effect, our cortex tricks our subcortical systems into reacting to an imagined event or situation, and then takes note of how the simulated event makes us feel, in order to make predictions about the future. Human children do not develop this ability until ages three or four (Atance and O'Neill 2005; Gilbert 2006).

Research concerning prospection — the act of looking forward in time or considering the future — suggests that we use our imagined reactions to future stimuli as a guide to how we will actually feel (for summaries, see Gilbert 2006; Gilbert and Wilson 2007). Prospection correlates with heightened activation of prefrontal and medial temporal lobes (Addis, Wong, and Schacter 2007; Schacter, Addis, and Buckner 2007; Szpunar, Watson, and McDermott 2007). Patients with damage to the prefrontal cortex show an inability to think about future preferences or events; they are "locked in" to the present (Faglioni 1999). Research has also revealed the neural substrates involved in "prefeeling" or imagining how future events or situations will make us feel, with particular areas of the brain activated by imagining future pleasurable feelings, whereas imagining painful future events is associated with heightened activity in other areas (Gilbert and Wilson 2007).

Mounting evidence suggests we make predictable errors in imagining future feelings. When we make predictions about how we will feel we take into account both our mental representation of the future event and our current feeling. In the last decade, new research has led to a raft of new and surprising discoveries about "affective forecasting" or our predictions about how we will feel in the future, given various events or choices. For example, people imagining what it would be like to win the lottery or lose the use of their legs are far too optimistic and pessimistic (respectively) in estimating how it will leave them feeling. Recent experimental research reveals that people make four kinds of errors along these lines by:

- using unrepresentative memories to simulate future events,
- leaving out details in imagining future situations,
- failing to account for their ability to adapt to new conditions over time, and

- failing to account for the effect that their present feelings have on their predictions about future feelings.

Unrepresentative Memories

We imagine going to the dentist based not on *all* visits but on our most recent ones. We imagine how painful it would be to miss a train based disproportionately on our worst train-missing experience rather than *all* such experiences. As Dan Gilbert and Tim Wilson (2007: 1353) have noted, it seems that everyone "remembers their best day, their worst day, and their yesterday."

Missing Details

We tend to imagine a baseball game in terms of the players on the field, the hot dogs we will eat, and the smiles on our friends' faces. We forget about the people around us, the search for a parking space, and the cost of the hot dog, which can also affect our mood. Consequently, the experience is more mixed than we might imagine.

Moreover, the farther in the future an imagined event will be, the fewer cues and details we incorporate when imagining it. In one study, students were asked to choose between attending a boring lecture in a convenient location or an interesting lecture in an inconvenient one. If the lecture was a year off, students tended to predict they would attend the more interesting lecture (forgetting to factor in the hassle of getting there). If the lecture was happening the next day, the reality of having to get there made a bigger difference, and they predicted they would attend the more convenient lecture.

Far-future events are less well imagined (or more "essentialized") and therefore we more often find ourselves regretting far-future commitments when it finally comes time to fulfill them (Trope and Liberman 2003). Buyers and negotiators may be more vulnerable than they know to adjustable-rate mortgages, low upfront payments, and other "pay later" terms that require obligations down the line. As Max Bazerman and Michael Watkins (2004) wrote, we pay insufficient attention to events that are not imminent or specifiable but that are likely to occur in some form over the life of an agreement, such as key parties changing jobs, technologies changing, changes to laws or regulations, and changes in local and/or macroeconomic conditions.

Adaptability

When we imagine being paralyzed from the waist down or winning the lottery, we imagine the first day of that experience but not the many days that follow; therefore, we overrepresent the moments of greatest pleasure and pain. Researchers have found that people who undergo such extreme events largely return to their previous levels of happiness more quickly than they anticipate (Gilbert and Wilson 2007). Indeed, in one series of

studies, Deborah Kermer and colleagues (2006) showed that loss aversion, the tendency to weigh losses more heavily than corresponding gains, is, in fact, an affective forecasting error: people *predicted* that they would weigh losses more than gains, but they did not actually do so once they experienced the loss. The reason for this is that people adapted to the negative feelings that the loss provoked more quickly than they imagined.

Such evidence suggests that negotiators are likely to rationalize or explain away current outcomes in ways that preserve both their self-esteem and cognitive consistency (perceived consistency in beliefs or attitudes). As Jeff Goldblum's character asks his friend in the movie *The Big Chill*, "Ever make it through a week without a rationalization?" Even if we are not as happy as we thought we would be with a given agreement or outcome, we may adjust by deciding, sometimes with little or no awareness, that we had never been very sanguine about it. Or, we may rationalize by adjusting our evaluative criteria (e.g., "when we really thought about it, we realized that profitability was less important than maintaining the relationship").

As Richard Larrick and George Wu (2007) have shown, negotiators tend to underestimate the size of the bargaining zone in negotiations and to estimate that they claimed a larger share of what was possible than they actually did because they do not always receive disconfirming evidence about their initial assumptions. When we have been through a tough negotiation, the most self-serving or self-protective story we can tell is one in which we were in a difficult situation with few good options and came away with a "pretty good" deal that was at least better than our perceived alternative. The absence of corrective feedback makes rationalizing easier.

Present Feelings

Hungry people imagine liking food the next day more than satiated people. Hungry people imagine that they will enjoy eating spaghetti for breakfast the next day, and sated people mistakenly believe they will dislike eating it for dinner the next day (Gilbert, Gill, and Wilson 2002). Euphoric feelings during early dates may lead to inaccurate predictions about how we will feel a year later about the same person.

When negotiating a joint partnership, parties may rely on imagined future profits or cash flow, believing that these future events will deliver them into a state of elation and make all of the hard work up front worthwhile. But by the time they have achieved that cash flow target, many other concerns are likely to have become part of the picture. Among other things, this suggests the importance of developing a good relationship with partners over time rather than assuming that a promising financial present-value analysis will necessarily create a great relationship in the future. Again, interests and intentions may not be as stable as we imagine over the life of an agreement.

Assumption Three: People Can Accurately Recall How They Felt in the Past

Previous research has shown that people "misremember" past feelings, traits, and behaviors in predictable ways (Vaillant 1977, 2000; Ross 1989). When thinking of feelings we had in the past, we rely, to a much greater degree than one might think, on our feelings in the moment. For example, in one study (Wilson, Meyers, and Gilbert 2003), supporters of presidential candidates George W. Bush and Al Gore were asked to recall how they felt when the 2000 election had finally been determined, and they either overestimated their degree of happiness (Bush supporters) or unhappiness (Gore supporters).

Whether recalling feelings toward a current dating partner, past attitudes about hygienic practices, past political beliefs and attitudes, or past substance use, people tend to make unconscious inferences through the lens of their current beliefs, attitudes, feelings, and behaviors. Moreover, we use *implicit theories of change* to estimate how we felt in the past. If a person's theory is that her attitudes have been stable, she will assume that she has always felt the way she does now, even when her feelings have, in fact, evolved over time. If a person's theory is that his feelings have evolved over time, he will assume that they have changed, even if they have not (Ross 1989).

The errors we make in misremembering past feelings and predicting future ones have serious implications in the realm of negotiation and negotiation scholarship. Because we rationalize the past through the lens of the present, negotiators may not be able to accurately describe their past feelings and interests, their past attitudes about specific alternatives and options, or their past attitudes about the agreements they reach. Most conflict and negotiation situations already have a "feeling the elephant" problem, in the sense that participants have different perceptions based on their (limited) experiences; we are suggesting that, in the case of retrospective reporting, a secondary problem is akin to asking someone what the elephant felt like back then — a "remembering the elephant" problem.

Researchers should therefore avoid relying solely on the veracity of retrospective subjective reports and seek wherever possible to rely on materials from the time of the event and on concurrent reports from contemporaries about behaviors and statements they observed. They should also be wary of relying on negotiator satisfaction immediately *after* a negotiation as the sole measure of subjective value. Negotiators may have rationalized the outcome in terms of the effort involved and the hoped-for feeling that would arrive at its conclusion. Allowing more time to pass after a deal and asking participants to consider the deal in the context of other, similar deals may help them arrive at more valid conclusions about their feelings toward it.

Final Thoughts

Beyond the prescriptive implications we have discussed throughout this article, we offer a few final suggestions. It would seem fruitful to test and extend the current theory of prospection to the domain of negotiation by experimentally manipulating (among other things) time horizons, the imagined hedonic value of future earnings, and current mood.

As mentioned earlier, conjoint analysis should be used more often to test the conditions under which negotiator interests and utilities may be nonadditive. And both negotiators and scholars ought to predict that some interests may *emerge* from the options or packages that are put forward, particularly given our fallibility in gauging our reactions to future events and situations.

Finally, more prospective studies in our field are clearly needed. Researchers who follow attitudes, interests, and success criteria over time and in response to multiple and sometimes evolving sets of issues may discover reliable patterns with respect to the mistakes negotiators make in "prefeeling," in estimating resultant costs and benefits, and in remembering how negotiations and agreements unfolded. Such studies are more difficult to conduct than one-time experimental studies, but may yield surprising new insights about how we approach, experience, evaluate, justify, and look back on negotiation and conflict outcomes.

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