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The Fulfillment of “Unfulfilled Wish”: Predecessor Regulatory

Failure and Successor Negotiation Performance

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Negotiation outcomes depend heavily on which goals are made salient before the negotiation, and how negotiators self-regulate toward desired end states (Galinsky, Leonardelli, Okhuysen & Mussweiler, 2005). Among the literatures on the widespread influence of regulatory focus (for a review, see Higgins, 1998), one of the goal determinants, significant other’s regulatory focus, has been identified by Shah (2003). Focused specifically on others’ non-fulfillment of goals, the positive effect of others’ promotion vs. prevention failure on focal individuals’ additive vs. subtractive counterfactuals was extensively verified (Catellani & Milesi, 1999; Landman, 1987; Roese and Olson, 1993; Roese, Hur & Pennington, 1999; Spranca, Minsk, & Baron, 1991). These literatures have enriched our knowledge on how significant other’s regulatory focus and regulatory failure may influence focal individual’s cognition, affect and goal. Further studies are needed to examine the behavioral results of the goal-taking and negative role modeling mechanisms, and to test these conclusions in the negotiation context. These studies not only can extend the understanding on how regulatory focus is “inherited” from significant others in the actual interactive social context, but more importantly, they can shed light on the improvement of negotiation performance through manipulating the perception of significant others’ failure. The present study examines how the perception of predecessor regulatory failure influences successor behavior and performance in re-negotiation context.

Specifically, in the present research, an experimental study is conducted to test both the form and magnitude of successors’ behavior as well as their performance outcome. I predict that, compared to those in a predecessor prevention failure (PREF) situation, successors in a predecessor promotion failure (PROF) situation make more offers in the renegotiation context. In

addition, compared to those in the predecessor PREF situation, the successors in the PROF situation are less likely to reach an agreement in general due to the small motivation intensity of negative role model in non-gain situations. However, when they reach an agreement, the agreement is less likely to be a compromise solution due to the additive trend of their behavior. Therefore, although the overall profits of the PROF and PREF situation are not different, the profit of the single agreement is higher in the predecessor PROF situation.

This article starts with a review on the literature about goals that pertain to significant others' influence, and based on this, the influence of the predecessor on the focal successor's goal-taking is discussed. I proceed to the research on regulatory focus that pertains to regulatory failure, among which I first review how others' regulatory failure would activate focal individual's momentary regulatory focus, and then I review the literature on regulatory failure and its additive and subtractive cognitive outcomes. With regard to the behavioral outcomes and performance of renegotiation, the literature linking self regulation to integrative negotiation is reviewed. Furthermore, I review the principle of loss aversion (LA), and examine the magnitude of the two types of behavior (i.e. additive vs. subtractive). Based on the above, negotiator performance is examined.

#### *“Inherited” Goal from the Predecessor*

The goals that are implied under socially acceptable circumstances would be put into motion in the absence of conscious intent or awareness of the inferred goal and its pursuit (Aarts, Hassin & Gollwitzer, 2004). There are several examinations of the various ways people are momentarily or chronically influenced by their representations of significant others, whether they be family, friends, or more general authority figures (see, e.g., Kelley, 1952; Sherif, 1948). All of these

examinations suggest that a successor can easily take the predecessor’s goal as his/her own goal, especially when it is a socially acceptable goal of his/her ingroup or organization.

However, after taking the predecessor’s goal as his/her own goal, how does the successor achieve the goal? This depends, to a certain extent, on the successor’s perception of the predecessor’s goal, goal-related behaviors and performance. Particularly, in a negotiation context, the way the successor continues to negotiate for the same issues is heavily influenced by how the story of the predecessor is told. Generally, individuals tend to avoid negative outcomes and regulate themselves toward desired end states. To achieve the unfulfilled goal “inherited” from the predecessor is a “short-cut” to differentiate the successor him/her-self from the failed predecessor, and to avoid the undesired outcome. Therefore, the influence of the predecessor’s non-fulfillment is the focus of the present study.

#### *Predecessor Failure and Successor Regulatory Focus Activation*

One way to describe the failure of the predecessor is to frame it according to the regulatory focus of the predecessor. The predecessor can be perceived as either failing to achieve the promotion goal or failing to achieve the prevention goal. Regulatory focus theory (Higgins, 1997, 1998) posits that self regulation operates differently when serving fundamentally different needs. The theory distinguishes between two major classes of regulatory focus. A promotion focus centers on acquisition of positive goals—a concern with advancement, accomplishment, and realization of desired end states. It involves a sensitivity to the presence or absence of a positive end. A prevention focus, by contrast, centers on preserving an absence of unwanted occurrences. It involves a sensitivity to the presence or absence of negative ends and hence a concern with security, protection, and maintenance of the status quo (Roesse et al., 1999). A promotion or a prevention focus can be a chronic predisposition of individuals, or it can be

momentarily induced by a situation. Like Roese et al. (1999) I treat both the foci as momentarily induced processing styles or foci of attention that may be temporarily activated according to situational demands. Therefore the predecessor’s failure can be framed and thus perceived as either the absence of a positive outcome or the presence of a negative outcome, when actually the outcomes are the same.

Regulatory focus prescribed by a significant other automatically affects participant’s own regulatory focus with regards to a task goal (Shah, 2003). As two types of goal non-fulfillment, others’ PROF or PREF can activate focal subjects’ additive (mutations of inactions) or subtractive (mutations of actions) counterfactual thinking (Roese et al., 1999), which are the fitted cognitive means to the two types of regulatory goals (for the fit between means and ends, see Higgins, 2000). Taken together, I would assert that regulatory failure manipulations, which include descriptions of the predecessor’s regulatory focus, allow the successor to take the predecessor’s goal as his/her own goal, and activate the promotion or prevention regulatory focus as well as relevant cognitive means in the successor’s mind. The cognition outcomes are replicated in the present study.

H1. Negotiators carry out more additive counterfactual thinking in predecessor PROF situations than in predecessor PREF situations.

H2. Negotiators carry out more subtractive counterfactual thinking in predecessor PREF situations than in predecessor PROF situations.

#### *Successor Regulatory Focus and Behavior in Renegotiation*

Further, I argue that the predecessor’s regulatory failure has influence on the behavior of the successor. Individuals pursuing promotion-related goals tend to do so by engaging in “approach-related” behaviors, whereas participants pursuing prevention-related goals tend to

engage in “avoidance-related” behaviors (Shah, Higgins & Friedman, 1998). If the predecessor implicitly affects the regulatory focus the successor adopts in pursuing a specific goal (e.g., meeting the net profit limit of own company), he/she can ultimately affect the type of behaviors used by the successor in this pursuit (e.g., achieving certain gross profit or avoiding extra expenses). Besides, promotion focused individuals feel guiltier after no commission (omission), whereas prevention focused individuals feel guiltier after commission (Camacho, Higgins & Luger, 2003). Regulatory fit and violation can transfer the feeling right or wrong of manner to moral evaluation. Therefore, to avoid the morally negative feeling and to answer to the momentary regulatory focus, it is reasonable to expect the successor in the predecessor PROF situation to behaviorally carry out promotion means to achieve gain and subjects in the predecessor PREF situation to employ prevention means to avoid loss.

In addition, promotion focus enhances performance by increasing persistence (Crowe & Higgins (1997; Roney, Higgins, & Shah, 1995), and negotiators with a promotion regulatory focus achieve superior outcomes than negotiators with prevention regulatory focus. Specifically, a promotion focus leads negotiators to claim more resources and to create more resources that benefit both parties (Galinsky, Leonardelli, Okhuysen and Mussweiler, 2005). Therefore, I propose that, compared to the individuals in the predecessor PREF situation, successors make more offers and create more sources in the predecessor PROF situation, and they are less likely to accept the compromise solution in the renegotiation context. To the contrary, successors in the predecessor PREF situation make fewer offers, and are more likely to settle on compromising solutions. Hence, the below hypotheses:

H3. Negotiators make more offers in predecessor PROF situations than in predecessor PREF situations.

H4. Negotiators are less likely to settle for compromise agreement in predecessor PROF situations than in predecessor PREF situations.

*Motivational Intensity Difference & Additive vs. Subtractive Behavior Magnitude*

Antecedent and outcome tend to correspond in terms of normality, valence, and magnitude (cf. Bouts, Spears, & van der Pligt, 1992; Einhorn & Hogarth, 1986; Gavanski & Wells, 1989; Klauer, Jacobsen, & Migulla, 1995; Sim & Morris, 1998). To compare successor performance in predecessor PROF and PREF situations, I need to first examine the magnitude of the behaviors. Additive or subtractive behavior is associated with predecessor PROF or PREF, but to examine the behavior magnitude, the related affect and the motivation intensity of PROF and PREF perceptions have to be discussed in terms of the non-gain and loss perceptions of the failure.

If the organization’s financial welfare related profit or expense is treated as the reference point for perceived gain or loss, then profit higher than the financially vital profit is a gain, whereas expense higher than the financially detrimental expense is a loss. In the predecessor PROF situation, the predecessor failed to achieve gain, which can be perceived as non-gain; in the predecessor PREF situation, the predecessor failed to avoid loss, which can be perceived as loss. The principle of loss aversion (LA) claimed that “the disutility associated with an outcome that is coded as a loss may be greater than the disutility of the same objective outcome when coded as the elimination of a gain. Thus, there may be less resistance to the cancellation of a discount or bonus than to an equivalent price increase or wage cut.” (Kahneman, Knetsch, & Thaler, 1986, p. 732). This assertion was verified by research on the endowment effect (Kahneman, Knetsch, & Thaler, 1990; Kahneman, Knetsch, & Thaler, 1991). Consistently, participants anticipated more intense negative feelings after losing points than after failing to gain points in a game context (Idson, Liberman, & Higgins, 2000), and promotion primed

participants rated a prospective negative outcome as less intense than prevention primed participants (Idson, Liberman & Higgins, 2004). In a negotiation context, loss is perceived to be more painful and aversive than non-gain, because loss is represented in terms of the steeper loss part of the value curve, whereas non-gain is the negative events represented in terms of the positive, shallower part of the value curve (Liberman, Idson, & Higgins, 2005). Therefore, the below hypotheses:

H5. Predecessor failure is perceived to be less intense by negotiators in predecessor PROF situations than in predecessor PREF situations.

H6. Negotiators feel less painful about the predecessor failure in predecessor PROF situations than in predecessor PREF situations.

In addition to the subjective evaluation of intensity and painfulness, the predictions of regulatory focus theory also concern strategic approach and avoidance motivation (Higgins, 1997; Idson et al., 2004). It was proposed by regulatory focus theory (Higgins, 1997, 1998) that thinking about losses and non-losses involves a prevention focus, whereas thinking about gains and non-gains involves a promotion focus. Research testing regulatory focus theory found that negative outcomes (loss or non-gain) are more motivating in a prevention focus than in a promotion focus (Förster, Grant, Idson, & Higgins, 2001; Idson et al., 2000, 2004). Consistently, prevention-focused individuals were especially likely to prefer negative role models when contemplating subtractive behaviors, whereas, on the other hand, promotion-focused individuals were especially likely to prefer positive role models when contemplating additive behaviors (Lockwood, et al., 2004). In other words, the failure role model provided by the predecessor is more motivating to prevention-focused individuals than to promotion-focused individuals. Along this mechanism, I argue that the failure role model is effective at enhancing subtractive

behaviors, but it is not very effective at enhancing additive behavior. Although the negative outcome associated with regulatory failure activates promotion focus and motivates additive behavior in predecessor PROF situations (non-gain situations), its motivation intensity is smaller than its motivation intensity on subtractive behavior in predecessor PREF situations (loss situations). Therefore, assertions are made that the strongly motivated subtractive behavior (i.e. compromise more easily) in predecessor PREF situations leads to more agreements, but lower profit for each agreement in the renegotiation, whereas the weakly motivated additive behavior (i.e. make more offers) in predecessor PROF situation leads to fewer overall agreements, but higher profit for each agreement in renegotiation. However, the sum of profit for all dyads in the PROF and PREF situations is not significantly different due to the extenuating effect of the negative role model on the magnitude of additive behavior. Hence the below hypotheses:

H7. Overall, the negotiators are less likely to reach an agreement in predecessor PROF situations than in predecessor PREF situations.

H8. Negotiators who can reach an agreement make higher profit in predecessor PROF situations than in predecessor PREF situations.

## Methods

### *Research Participants*

A total of 60 undergraduates are recruited from Northwestern University to participate in this experiment.

### *Experimental design*

This research has a single factor design (see Table 1), and the unit of analysis is the dyad. After random pairing, each dyad first participates in a single trial trade negotiation. Before they proceed to the major task, subjects are randomly paired again, and the predecessor regulatory

failure manipulations are provided. The major task is another single trial of “renegotiation” on the same issues.

Counterfactual thinking and feelings about predecessor failure are measured with surveys before the major task. Other dependent variables, including total number of offers, agreement (dummy variable), compromise (dummy variable), and profit, are recorded after the major task.

### *Operationalization*

The regulatory failure is manipulated by scenarios. The scenario contains either a predecessor PROF situation (i.e. failed to achieve gain) or a predecessor PREF situation (i.e. failed to avoid loss), when actually the predecessor performances are the same.

The measure of counterfactual thinking is taken immediately after each scenario. The measure, adapted from Kahneman and Tversky (1982), was the completion of a counterfactual sentence. The sentence began “If only” and was followed by a blank line, which was then followed by the counterfactual outcome: “then things would have been better for the ex-buyer (or seller)” (promotion condition) or “then things would not be so bad for the ex-buyer (or the seller)” (prevention condition). This question was structured so as to ensure that participants recorded antecedents (as opposed to outcomes) and that they focused on upward possibilities. Upward counterfactuals refer to how events might have been better, whereas downward counterfactuals specify how events might have been worse (Markman Gavanski, Sherman, & McMullen, 1993). This distinction clearly has implications for motivation (Sanna, Turley-Ames, & Meier, 1999). The present research spotlights upward counterfactual thinking exclusively, largely because content analyses of spontaneously recorded thoughts indicate that upward rather than downward counterfactuals constitute by far the majority of everyday counterfactual thinking

(Roese & Olson, 1997). These counterfactuals were coded as additive or subtractive by two raters familiar with the definition of counterfactual thinking but blind to the hypotheses.

Subjects also answer several questions regarding their feelings before proceeding to the major negotiation task. The first question assesses feelings about the intensity of failure on a scale ranging from 0 (not at all intense) to 9 (very intense). Subjects are asked “How intense do you think the predecessor’s failure is?” The second question assesses intensity of pain.

Specifically, subjects answer the question “How painful is it, failing to achieve the gain (failing to avoid the loss)” on a scale ranging from 0 (not at all painful) to 9 (very painful).

#### *Manipulation Check*

A manipulation check is conducted to see if regulatory failure is successfully manipulated. The scale is provided at the end of the major task after the dependent measures. Specifically, subjects answer the question, “Some situations involve pursuing something we want; whereas others involve trying to avoid something we don’t want. How would you describe your predecessor’s situation?” on a scale ranging from 1 (avoiding) to 9 (pursuing).

#### *Procedure*

Upon arrival, the subjects are welcomed by the experimenter and seated in a classroom. Two subjects are randomly assigned to desk 1, desk 2, desk 3, desk 4, etc. in the room, and each subject of the dyads is randomly assigned with either a seller role or a buyer role. Sellers and buyers are asked to participate in a multi-issue negotiation.

The negotiation schedule (see Appendix) is similar to the one used by Bazerman & et al., (1985), except that table (a) and table (c) are combined together and provided to sellers in both PROF and PREF situations, and table (b) and table (d) are combined together and provided to buyers in both PROF and PREF situations. Also, the figures in table (a) and table (b) represent

the gross profit instead of net profit of seller and buyer. The negotiation is a multi-issue negotiation, and the three issues are delivery time, discount terms, and financial terms. Solution E-E-E is a compromise, by which both seller and buyer achieve \$0 gross profit and \$0 expenses.

First, each subject is given five minutes to negotiate for a single trial with the opponent. The below instruction is provided together with the negotiation schedule table before this trial:

“You are the seller for a TV manufacturer (or the buyer for a retail store). You are going to negotiate on the potential trade for the year 2000 for five minutes with a buyer (or seller) who was randomly paired with you. You must make deals which specify all three factors on the below negotiation schedule. That is you must propose three letter deals in your negotiation until you reach an agreement. Overall, the net profit will be determined by subtracting the expenses from the gross profits.”

The experimenters record the negotiation results after the first trial (i.e. the three letters), and then the sellers are led out by the experimenters. Each of them is randomly paired again with another buyer. One scenario is provided to each new dyad (i.e. the seller and the buyer are given the same type of predecessor failure, but each of them has his/her own instruction sheet) in the PROF or the PREF situation.

In the PROF situation, the subjects read, “You are employed as the buyer (or seller) of another retail store (or TV manufacturer). Any deal that results in a net profit of more than \$0, which is vital to the company’s overall financial welfare, is considered a gain by the company. The ex-buyer (or ex-seller) of this company tried very hard to achieve a gain in the negotiation in 2000, but due to certain reasons, he/she failed to do so. This year (2001) you will go through the same multiple-issue bargaining with the same TV manufacturer (or retail store) from last year.”

In the PREF situation, the subjects read, “You are employed as the buyer (or seller) of another retail store (or TV manufacturer). Any deal that results in a net profit of equal or less than \$0, which is detrimental to the company’s overall financial welfare, is considered a loss by the company. The ex-buyer (or ex-seller) of this company tried very hard to avoid this loss in the negotiation in 2000, but due to certain reasons, he/she failed to do so. This year (2001) you will go through the same multiple-issue bargaining with the same TV manufacturer (or retail store) from last year.”

The process measures of counterfactual thinking, intensity, and painfulness are also provided. The subjects are allowed to read the scenario and to finish the survey in 5 minutes. Afterward they are asked to start the “renegotiation” with the below instruction:

“Please go talk to the seller/buyer for 5 minutes. You can make deals which specify all the three factors in the same negotiation schedule. That is you can propose three letter deals in your negotiation until you reach an agreement, or you can stop at where you are when time is out. Overall, the net profit will be determined by subtracting the expenses from the gross profits.”

All the dyads are asked to either report the negotiation break or record their three letter solutions, and they are also asked to report how many offers they have made together on one record sheet (see Table 2). After the manipulation check, the subjects are debriefed and dismissed.

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Appendix: Negotiation Schedule for Sellers and Buyers

	Delivery time	Discount terms	Financial terms		Delivery time	Discount terms	Financial terms	Net profit
	(a) Seller gross profit schedule				(c) Seller expense schedule			Seller
A	0	0	0	A	-1600	-2400	-4000	-8000
B	200	300	500	B	-1400	-2100	-3500	-6000
C	400	600	1000	C	-1200	-1800	-3000	-3000
D	600	900	1500	D	-1000	-1500	-2500	-2000
E	800	1200	2000	E	-800	-1200	-2000	0
F	1000	1500	2500	F	-600	-900	-1500	2000
G	1200	1800	3000	G	-400	-600	-1000	3000
H	1400	2100	3500	H	-200	-300	-500	6000
I	1600	2400	4000	I	0	0	0	8000
	(b) Buyer gross profit schedule				(d) Buyer expense schedule			Buyer
A	4000	2400	1600	A	0	0	0	8000
B	3500	2100	1400	B	-500	-300	-200	6000
C	3000	1800	1200	C	-1000	-600	-400	3000
D	2500	1500	1000	D	-1500	-900	-600	2000
E	2000	1200	800	E	-2000	-1200	-800	0
F	1500	900	600	F	-2500	-1500	-1000	-2000
G	1000	600	400	G	-3000	-1800	-1200	-3000
H	500	300	200	H	-3500	-2100	-1400	-6000

I 0 0 0 I -4000 -2400 -1600 -8000

Table 1

*Research Design*

Predecessor Regulatory Failure Manipulation

Predecessor Promotion Failure (PROF)

Predecessor Prevention Failure (PREF)

Table 2

*Record Table for Renegotiation*

Have you reached an agreement?                      Yes                                             No

What is your three-letter solution?                      \_\_\_\_\_

How many offers have you and your opponent made in total in the renegotiation?  
\_\_\_\_\_