
MULTIPLE-CHOICE QUESTIONS

1. With regard to 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 (p. 13)**
 - C. the counterparty demonstrates retaliative behavior
 - D. no one can be trusted

2. A type of 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 (p. 14)**
 - 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

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. walk away from the negotiation table (p. 15)**
 - D. identify the counterparty's alternatives

4. One strategy for improving one's BATNA in negotiation is to:
 - A. discuss it in explicit terms with the counterparty
 - B. improve your alternative options before going to the negotiation table (p. 15)**
 - C. replace it with an aspiration point
 - D. revise it in reaction to progress of the negotiation

5. A negotiator's reservation point is a quantification of the negotiator's:
 - A. target point
 - B. BATNA (p. 16)**
 - C. bargaining zone (ZOPA)
 - D. opening offer

6. 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 (p. 20)**
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. The endowment effect 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 (p. 23)**
 - C. the intrinsic value we associate with a certain outcome
 - D. saving money instead of purchasing goods
8. A dispute is best defined as a situation in which:
- A. parties have to resort to their BATNA's
 - B. parties fail to exchange resources
 - C. a claim is made by one party and rejected by the other party (p. 29)**
 - D. negotiators turn down favors and rewards from others
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. It is generally wise to reveal it (p. 15)**
 - C. It is determined by the negotiator's available options
 - D. It influences a negotiator's reservation price
10. In negotiation, the fixed-pie perception is defined as:
- A. the assumption that attacking the other party is the best way to get most of the pie
 - B. the assumption that capitulating to the other negotiating party's demands is the best way to a win-win agreement
 - C. the belief that concessions are necessary by one or both parties in order to reach an agreement (p.13)**
 - D. the assumption that sticking to your demands and refusing anything but the majority of the pie is the best way to get most of the pie
11. Negotiation 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 (p.13)

12. Effective negotiation preparation encompasses three general abilities: situation assessment, other-party assessment, and _____.

- A. financial assessment
- B. location assessment
- C. team assessment

D. self-assessment (p. 13)

13. 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 (p. 13)**
- C. BATNA
- D. reservation point

14. 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 (p. 15)**

15. The term used to represent the quantification of a negotiator's BATNA with respect to other alternatives is known as:

- A. **the reservation point (p. 16)**
- B. the target point
- C. the focal point
- D. a sunk cost

16. Negotiators who make the mistake of not developing a reservation point before they negotiate often focus on:

- A. personal grudges
- B. **arbitrary values (p.16)**
- C. their reputation
- D. time constraints

17. 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 (p.16)**
- 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
18. 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(p. 19)**
19. 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 (p.19)**
 - D. a potentially illegal negotiation situation
20. When you are asked about your desired salary in a job interview, what is the best response to use with the prospective employer?
- 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. Identify a variety of different combinations of highly attractive offer packages and present those packages to the employer (p. 19)**
21. Negotiators can focus on gains or losses during a negotiation. Most negotiators are _____ when it comes to losses, and _____ when it comes to gains.
- A. risk-averse ; risk-seeking
 - B. risk-seeking ; risk-averse (p. 20)**
 - C. rational ; irrational
 - D. irrational ; rational
22. What factors can lead a negotiator to be 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 arrive sequentially, rather than all at the same time (p. 21)**
23. 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 (p. 21)**
 - D. accept a sure thing
24. The more _____ the negotiator, the more likely it is that she or he will make greater concessions.
- A. vigilant
 - B. **risk-averse (p. 22)**
 - C. risk-seeking
 - D. confident
25. What is meant by counterfactual thinking in negotiation?
- A. A negotiator who focuses intensely on what outcome he or she wants
 - B. **A negotiator who thinks about what might have been but did not occur (p. 24)**
 - 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
26. In negotiation, having your first offer immediately accepted by the counterparty is likely to lead to feelings of what might have been different, also known as _____?
- A. linkage effects
 - B. **counterfactual thinking (p.24)**
 - C. hindsight bias
 - D. gambler's fallacy
27. What is meant by the hidden table in a negotiation?
- 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 (p. 26)**
 - D. The undisclosed offers that could have been made

DISCUSSION QUESTIONS

1. What is the fixed-pie perception, and how does it affect a person's preparation for negotiation?
2. What are some of the problems that arise in the determination of one's target or aspiration point in a negotiation?

3. What is the difference between a target point and reservation point, and why is it important not to confuse the two?
4. Why should negotiators unbundle the issues in a negotiation into multiple issues, rather than engage in a single-issue negotiation?
5. Why is it advisable to assess the self, the counterparty, and the negotiation situation before commencing negotiations? What are some of the questions a negotiator needs to address when assessing the negotiation situation?
6. What questions should a negotiator find answers to when assessing a negotiation situation?
7. Why do negotiators incorrectly predict the consequences of final deadlines in a negotiation?
8. Why is a lengthy amount of time between the negotiation and the consequences of the negotiated agreement positive or negative?
9. Explain the difference between a “gain-frame” and a “loss-frame” when it comes to making decisions in negotiation.

Suggested answers:

1. 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. (p. 12)
2. 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. (pp.13-14)
3. A target point relates to an ideal situation, but a reservation point relates to what represents as one’s BATNA. Using one’s target point as a reservation point can result in 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. (p.19)

4. In most negotiation situations, more than one issue is at stake but they may remain “hidden” unless negotiators unbundle them. 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. (p.19)
5. The negotiator who has identified a BATNA and set a reservation price and a target point, knows when to walk away, and how much is reasonable to concede. The negotiator who has researched the counterparty’s BATNA and interests is less likely to be tricked or confused. 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?; Is agreement required? (pp. 13-36)
6. Questions such as: Is the negotiation one-shot, long term or repetitive? Do the negotiations involve scarce resources, ideologies, or both? Is the negotiation a transaction or a dispute? Is the negotiation one of necessity or opportunity? Are linkage effects present? Is agreement required? 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? Is third-party intervention a possibility? What conventions guide the process of the negotiation? Do the negotiations involve more than one offer? (pp. 27-36)
7. 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. (p. 32)
8. 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. (p.33)
9. Under most circumstances, negotiators who are told to “maximize their gains” are in a “gain-frame” 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” 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 BATNA's.(p.21-22)