

The Mind and Heart of the Negotiator, 5e (Thompson)
Chapter 1: Negotiation: The Mind and the Heart

1) Negotiations occur only at the topmost hierarchical levels in the business world.

Answer: FALSE

Explanation: In the business world, people negotiate on multiple levels: within departmental or business units, between departments, between companies, and even across industries. For this reason, managers must understand enough about negotiations to be effective negotiating within, between, up, and across all of these organizational environments.

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Difficulty: Easy

Classification: Conceptual

2) Managers need to develop negotiation skills that are general enough to be used across different contexts but specialized enough to provide meaningful behavioral strategies in a given situation. Most managers do not consider this an uphill task.

Answer: FALSE

Explanation: It is a challenge to develop negotiation skills general enough to be used across different contexts, groups, and continents but specialized enough to provide meaningful behavioral strategies in a given situation.

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Difficulty: Easy

Classification: Conceptual

3) People who had taken time to focus on values that were not important to them were less likely to focus on valid threats. Hence, their assessments of correlations in the data eventually proved to be erroneous and inaccurate.

Answer: FALSE

Explanation: People who had taken time to focus on values that were not important to them were more likely to focus on valid threats and assess correlations more accurately in data.

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Difficulty: Easy

Classification: Conceptual

4) Satisficing, if done thoughtfully, can be beneficial both for individuals and companies as negotiation strategies and skills can be cheaply employed to dramatically increase profit.

Answer: FALSE

Explanation: Over the long run, satisficing (or the acceptance of mediocrity) can be detrimental to both individuals and companies, especially when a variety of effective negotiation strategies and skills can be cheaply employed to dramatically increase profit.

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Difficulty: Easy

Classification: Conceptual

5) CEOs overly attribute their influence when deals are successful and this trait often leads CEOs to make more deals that are successful.

Answer: FALSE

Explanation: CEOs overly attribute their influence when deals are successful. This leads CEOs to make more deals that are not successful.

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Difficulty: Easy

Classification: Conceptual

6) Managers tend to be enthusiastic when it comes to experimenting with change since going off the beaten track is very likely to render fruitful results to negotiations.

Answer: FALSE

Explanation: Related to the principle of self-reinforcing incompetence is the fact that people are reluctant to change their behavior and experiment with new courses of action because of the risks associated with experimentation. In short, the fear of losing keeps people from experimenting with change. Negotiators instead rationalize their behavior in a self-perpetuating fashion. The fear of making mistakes may result in a manager's inability to improve his or her negotiation skills.

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Difficulty: Easy

Classification: Conceptual

7) Effective negotiators consider partial trust as being detrimental to negotiations.

Answer: FALSE

Explanation: Negotiators realize that they cannot be purely trusting because any value that is created must ultimately be claimed by someone at the table.

Page Ref: 8

Difficulty: Easy

Classification: Conceptual

8) The truly effective negotiator is either tough as nails or soft as pudding.

Answer: FALSE

Explanation: Most negotiators believe they must choose between either behaving in a tough (and sometimes punitive fashion) or being "reasonable" to the point of soft and concessionary. However, the truly effective negotiator is neither tough as nails nor soft as pudding but, rather, principled.

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Difficulty: Easy

Classification: Conceptual

9) One of the biggest myths is that effective negotiation skills are something that people are born with.

Answer: TRUE

Explanation: A pervasive belief is that effective negotiation skills are something that people are born with, not something that can be readily learned. This notion is false because most excellent negotiators are self-made.

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Difficulty: Easy

Classification: Conceptual

10) Experience improves our confidence and accuracy.

Answer: FALSE

Explanation: Experience improves our confidence, but not necessarily our accuracy.

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Difficulty: Easy

Classification: Conceptual

11) Which of the following is considered a key communication and influence tool inside and outside the company?

A) negotiation

B) delegation

C) compensation

D) motivation

Answer: A

Explanation: A) Negotiation is your key communication and influence tool inside and outside the company.

Page Ref: 2

Difficulty: Easy

Classification: Conceptual

12) Which of the following statements comes closest to defining negotiation?

A) Negotiation is a process of assessing the correctness of a decision or a plan.

B) Negotiation is a means of interchanging thoughts, opinions, and information.

C) Negotiation is a means of achieving one's objectives through interpersonal relationships.

D) Negotiation is the process of distorting something so it appears to be something entirely different.

Answer: C

Explanation: C) Negotiation is an interpersonal decision-making process necessary whenever we cannot achieve our objectives single-handedly.

Page Ref: 2

Difficulty: Moderate

Classification: Conceptual

13) What do negotiations essentially boil down to?

- A) people, communication, influence
- B) communication, profits, advertising
- C) influence, advertising, design
- D) design, communication, profits

Answer: A

Explanation: A) Whether simple or complex, negotiations boil down to people, communication, and influence. Even the most complex of business deals can be analyzed as a system of one-on-one relationships.

Page Ref: 2

Difficulty: Easy

Classification: Conceptual

14) What makes it necessary for people to renegotiate their existence in organizations throughout their careers?

- A) the static nature of business
- B) hierarchical decision making
- C) the existence of centralized business structures
- D) the dynamic nature of business

Answer: D

Explanation: D) The dynamic, changing nature of business means that people must renegotiate their existence in organizations throughout their careers.

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Difficulty: Easy

Classification: Conceptual

15) "Most people do not stay in the same job that they take upon graduating from college or receiving their MBA degree. Sixty percent of younger workers said it is not very likely or not likely at all that they will stay with their current employers for the remainder of their working life." Which of the following best supports this statement?

- A) People are fickle and get bored easily.
- B) Negotiating with higher ups is not encouraged with most organizations.
- C) People's interests are not always in alignment with the interests of the organizations.
- D) Working for more companies provides more financial incentives than working for one.

Answer: C

Explanation: C) People must continually create possibilities, integrate their interests with others, and recognize the inevitability of competition both within and between companies. Managers must be in a near-constant mode of negotiating opportunities.

Page Ref: 3

Difficulty: Easy

Classification: Conceptual

16) What does the increasing interdependence of people, both laterally and hierarchically, within organizations imply?

- A) that people need to know how to communicate well in different languages
- B) that people need to know how to play different organizational roles
- C) that people need to know how to further their interests independently
- D) that people need to know how to integrate their interests and work across business units and functional areas

Answer: D

Explanation: D) The increasing interdependence of people within organizations, both laterally and hierarchically, implies that people need to know how to integrate their interests and work across business units and functional areas.

Page Ref: 3

Difficulty: Easy

Classification: Conceptual

17) What change in the business world has necessitated that people be more and more dependent on others?

- A) increased labor requirement
- B) increasing specialization
- C) rise in unemployment
- D) centralized business structures

Answer: B

Explanation: B) The increasing degree of specialization and expertise in the business world indicates that people are more and more dependent on others.

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Difficulty: Moderate

Classification: Conceptual

18) Which of the following factors has created a culture of 24/7 availability?

- A) information technology
- B) marketing tools
- C) economic infrastructure
- D) product diversification

Answer: A

Explanation: A) Information technology can provide special opportunities and challenges for negotiators. Information technology has created a culture of 24/7 availability. With technology that makes it possible to communicate with people anywhere in the world, managers are expected to negotiate at a moment's notice.

Page Ref: 4

Difficulty: Easy

Classification: Conceptual

19) Does globalization present a challenge in negotiation?

A) No, it does not as globalization has eliminated the challenges pertaining to norms of communication while conducting negotiations.

B) Yes, it does as there can be challenges pertaining to norms of communication while conducting negotiations.

C) Yes, it does as most managers are not required to effectively cross cultural boundaries to do their jobs.

D) No, as most negotiators have developed a bargaining style that works only within a narrow subset of the business world.

Answer: B

Explanation: B) Most managers must effectively cross cultural boundaries to do their jobs.

Setting aside obvious language and currency issues, globalization presents challenges in terms of different norms of communication.

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Difficulty: Easy

Classification: Conceptual

20) Which of the following best describes one of the major shortcomings in negotiation: leaving money on the table?

A) making large concessions that result in a small share of the bargaining pie

B) failing to recognize and capitalize on their win-win potential

C) rejecting terms of offer that are better than other options available

D) feeling obligated to accept an agreement despite better alternatives being available

Answer: B

Explanation: B) Leaving money on the table (also known as "lose-lose" negotiation) occurs when negotiators fail to recognize and capitalize on their win-win potential.

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Difficulty: Easy

Classification: Conceptual

21) The negotiation process of two corporate giants ends with both leaving money on the table. This situation is known as a _____.

A) win-lose situation

B) lose-lose situation

C) win-win situation

D) no win situation

Answer: B

Explanation: B) Leaving money on the table (also known as "lose-lose" negotiation) occurs when negotiators fail to recognize and capitalize on their win-win potential.

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Difficulty: Easy

Classification: Conceptual

22) While finalizing the deal, the negotiators end up making big concessions that leave one of them with a paltry share of the bargaining pie. What situation is being referred to here?

- A) the winner's curse
- B) the win-lose situation
- C) the no-win situation
- D) the Dutch auction situation

Answer: A

Explanation: A) Settling for too little (also known as "the winner's curse") occurs when negotiators make too-large concessions, resulting in a too-small share of the bargaining pie. It occurs when a negotiator sets a target that is too low at the outset of a negotiation and is granted an immediate agreement by the negotiating counterpart. Therefore, it is highly likely that the winner overpaid.

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Difficulty: Easy

Classification: Conceptual

23) What does the term "winner's curse" imply?

- A) negotiators optimistically settling for an undervalued deal
- B) negotiators knowingly settling for an undervalued deal
- C) negotiators settling for all the terms laid down by the other party
- D) negotiators settling for none of the terms laid down by the other party

Answer: A

Explanation: A) Settling for too little (also known as "the winner's curse") occurs when negotiators make too-large concessions, resulting in a too-small share of the bargaining pie. It occurs when the other party immediately accepts the offer. The term implies that although the offer was accepted, the person making the offer failed to get as good a deal as possible.

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Difficulty: Easy

Classification: Conceptual

24) Unable to arrive at common ground, the negotiators end up rejecting the terms offered by the other although the option offered is demonstrably better than any other option available to them. What is this shortcoming better known as?

- A) turning away from the table
- B) turning one's back from the table
- C) walking away from the table
- D) running away from the table

Answer: C

Explanation: C) Walking away from the table occurs when negotiators reject terms offered by the other party that are demonstrably better than any other option available to them. (Sometimes this shortcoming is traceable to hubris or pride; other times it results from gross miscalculation.)

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Difficulty: Easy

Classification: Conceptual

25) What are the four kinds of negotiation traps?

- A) agreement bias, loser's curse, walking away from the table, Dutch auction situation
- B) winner's curse, Dutch auction situation, win-lose situation, disagreement bias
- C) walking away from the table, disagreement bias, loser's curse, lose-lose negotiation
- D) lose-lose negotiation, winner's curse, agreement bias, walking away from the table

Answer: D

Explanation: D) There are four major types of traps documented in negotiation. They are: lose-lose negotiation, winner's curse, agreement bias and walking away from the table.

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Difficulty: Easy

Classification: Conceptual

26) Santor Hydroelectric Corporation engages in the acquisition, development, and operation of hydroelectric power projects in China. In order to perform large scale annual maintenance works at one of its facilities, the company initiates discussions with Albama Associates, a large maintenance company. The associates of both the companies are unable to arrive at a consensus on the pricing and other terms. Albama finally decides to decline the offer although it is an extremely profitable one. Which of the following traps of negation has occurred here?

- A) leaving money on the table
- B) settling for too little
- C) walking away from the table
- D) agreement bias

Answer: A

Explanation: A) Leaving money on the table (also known as "lose-lose" negotiation) occurs when negotiators fail to recognize and capitalize on their win-win potential.

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AACSB: Analytic skills

Difficulty: Moderate

Classification: Application

27) Identify an instance where the second statement explains the reason for the first statement.

A) Statement 1: Negotiations ended in a "walking away from the table" situation.

Statement 2: The negotiator was driven by hubris.

B) Statement 1: Negotiators failed to recognize and capitalize on their win-win potential.

Statement 2: Negotiation was conducted in a protected environment.

C) Statement 1: One of the negotiators made large concessions, resulting in a too-small share of the bargaining pie.

Statement 2: The negotiator was driven by pride and ego.

D) Statement 1: The best alternative was not chosen in a negotiation.

Statement 2: Both the parties were not interested in the outcome of the negotiation.

Answer: A

Explanation: A) Walking away from the table occurs when negotiators reject terms offered by the other party that are demonstrably better than any other option available to them. (Sometimes this shortcoming is traceable to hubris or pride.)

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AACSB: Reflective thinking skills

Difficulty: Moderate

Classification: Critical Thinking

28) Abraham, the CEO of a consulting firm, leads the employees of the firm. He is involved in almost all of the critical negotiations that the company engages in. He is also involved in a variety of activities such as HR planning, marketing communication etc. Which of the following tasks, if performed by Abraham, would increase the chances of a confirmation bias?

A) Abraham is allowed to appraise his own performance when reviews are conducted.

B) Abraham is the ultimate authority who decides the allocation of the company's funds.

C) Abraham is often involved in the recruitment and selection of managers.

D) Abraham, being a finance graduate, also functions as the CFO of the firm.

Answer: A

Explanation: A) Confirmation bias is the tendency of people to see what they want to see when appraising their own performance. The confirmation bias leads individuals to selectively seek information that confirms what they believe is true.

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AACSB: Reflective thinking skills

Difficulty: Moderate

Classification: Critical Thinking

29) An experienced negotiator of a company manages to convince his counterpart about the terms and conditions that are being put forward. Though this puts the other negotiator at a distinct disadvantage, he or she feels compelled to accept the resolution. What is this situation known as?

- A) agreement bias
- B) lose situation
- C) loser's curse
- D) winners curse

Answer: A

Explanation: A) Settling for terms that are worse than the alternative (also known as the "agreement bias") occurs when negotiators feel obligated to reach agreement even when the settlement terms are not as good as their other alternatives.

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Difficulty: Easy

Classification: Conceptual

30) Florotron Corporation, a manufacturer of electronic appliances, invites tenders for placement systems and screen printers. The company shortlists two companies, after screening the tenders received. After negotiating with the representatives of both the companies, Florotron enters a contract with Company 1. They later realize that they had miscalculated the offers from Company 2 and it offered better terms. Which of the following shortcomings of negotiation is evident from this?

- A) leaving money on the table
- B) settling for too little
- C) walking away from the table
- D) agreement bias

Answer: C

Explanation: C) Walking away from the table occurs when negotiators reject terms offered by the other party that are demonstrably better than any other option available to them. Sometimes this shortcoming is traceable to hubris or pride; other times it results from gross miscalculation.

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AACSB: Analytic skills

Difficulty: Moderate

Classification: Application

31) What does the agreement bias refer to?

- A) agreeing to something desirable
- B) agreeing to all offered conditions
- C) agreeing to something worse than the alternative
- D) agreeing to nothing

Answer: C

Explanation: C) Settling for terms that are worse than the alternative (also known as the "agreement bias") occurs when negotiators feel obligated to reach agreement even when the settlement terms are not as good as their other alternatives.

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Difficulty: Easy

Classification: Conceptual

32) A failure in the process of negotiation can be attributed to certain factors. Identify the four fundamental problems associated with negotiations.

- A) egocentrism, confirmatory information processing, satisficing, and self-reinforcing incompetence
- B) over expectation, egocentrism, optimizing, and self-reinforcing incompetence
- C) satisficing, confirmatory information processing, cynicism, and optimization
- D) over expectation, egocentrism, self-reinforcing incompetence, optimizing

Answer: A

Explanation: A) The dramatic instances of lose-lose outcomes, the winner's curse, walking away from the table, and the agreement bias raise the question of why people are not more effective at the bargaining table. The problem is rooted in four fundamental problems: egocentrism, confirmatory information processing, satisficing, and self-reinforcing incompetence.

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Difficulty: Easy

Classification: Conceptual

33) People who are self-absorbed in terms of reflecting upon their own values are more likely to exhibit decision-making biases, such as the _____.

- A) experience bias
- B) confirmation bias
- C) self bias
- D) analysis bias

Answer: B

Explanation: B) People who are self-absorbed in terms of reflecting upon their own values are more likely to exhibit decision-making biases, such as the confirmation bias.

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Difficulty: Easy

Classification: Conceptual

34) Two-thirds of MBA students rank their decision-making abilities as above average. What are they said to exhibit?

- A) selfishness
- B) egomania
- C) self-serving tendencies
- D) egocentrism

Answer: D

Explanation: D) Egocentrism is the tendency for people to view their experiences in a way that is flattering or fulfilling for them. Two-thirds of MBA students rank their decision-making abilities as above average.

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Difficulty: Easy

Classification: Conceptual

35) Three weeks into the 2010 BP Deepwater Horizon oil disaster, the former chief executive of BP, Tony Hayward, downplayed the looming environmental disaster despite mounting evidence to the contrary. Hayward claimed the spill in Gulf of Mexico was "relatively tiny" compared with the "very big ocean." This is an example of a(n) _____.

- A) personal bias
- B) analysis bias
- C) confirmation bias
- D) experience bias

Answer: C

Explanation: C) Confirmation bias is the tendency of people to see what they want to see when appraising their own performance. This leads individuals to selectively seek information that confirms what they believe is true. Three weeks into the 2010 BP Deepwater Horizon oil disaster, the former chief executive of BP, Tony Hayward, downplayed the looming environmental disaster despite mounting evidence to the contrary. Oil continued to leak at a rapid rate for nearly two months until the well was finally capped, and the total amount of oil poured into the Gulf surpassed the 1989 Exxon Valdez disaster as the largest spill in US history.

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AACSB: Analytic skills

Difficulty: Easy

Classification: Conceptual

36) Which term has Herb Simon been credited with?

- A) greenwashing
- B) cocooning
- C) satisficing
- D) social loafing

Answer: C

Explanation: C) Another reason why people often fall short in negotiation is the human tendency to satisfice. According to Nobel Laureate Herb Simon, satisficing is the opposite of optimizing. Simon dovetailed 'satisfy' and 'suffice' to create this term in 1956.

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Difficulty: Easy

Classification: Conceptual

37) Albert, sales representative of an FMCG company, is calling on one of the distributors. The distributor asks for a credit term of ninety days. Albert knows the maximum credit period offered by his company is 75 days although 50 days is the preferred norm. Without much effort, he convinces the distributor to agree to 75 days of credit. Albert is not bothered to attempt a lower credit term, although it is worth trying. Albert's inefficiency in bargaining can be attributed to _____.

- A) satisficing
- B) optimizing
- C) confirmation bias
- D) self-reinforcing incompetence

Answer: A

Explanation: A) In a negotiation situation, it is important to optimize one's strategies by setting high aspirations and attempting to achieve as much as possible; in contrast, when people satisfice, they settle for something less than they could otherwise have.

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AACSB: Analytic skills

Difficulty: Moderate

Classification: Application

38) What is meant by satisficing?

- A) setting high aspirations and attempting to achieve as much as possible
- B) achieving the same as what one had settled for
- C) achieving effectively the same but getting something entirely different from what one had settled for
- D) settling for something less than what one could otherwise have

Answer: D

Explanation: D) When people satisfice, they settle for something less than they could otherwise have.

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Difficulty: Easy

Classification: Conceptual

39) Mr. Smith, manager of ABC Corp., plans to acquire another company. He is on the verge of negotiating with the other company's manager. Mr. Smith is predisposed to attribute successful outcomes to his own skill while holding bad luck or others squarely responsible for all unsuccessful outcomes. This tendency has unfortunately led him to make deals that have not been successful. What is his problem known as in business negotiation terms?

- A) confirmation bias
- B) egocentrism
- C) self-reinforcing incompetence
- D) satisficing

Answer: C

Explanation: C) Most people are "blissfully unaware of their own incompetence." This is known as self-reinforcing incompetence in negotiation. The lack of skill deprives them not only of the ability to produce correct responses but also of the expertise necessary to surmise that they are not producing them. A study of CEOs' merger and acquisition decisions revealed that CEOs develop overconfidence through a self-attribution bias when making deals. CEOs overly attribute their influence when deals are successful. This leads them to make more deals that are not successful.

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AACSB: Analytic skills

Difficulty: Easy

Classification: Conceptual

40) The negotiators working on a deal have come to the conclusion that whatever is good for one person must ipso facto be bad for the other party. What myth can be attributed to this conclusion?

- A) myth of fixed nature
- B) myth of self-perpetuation
- C) myth of innate negotiation skills
- D) myth of fixed sum

Answer: D

Explanation: D) The most common myth is that most negotiations are fixed-sum, or fixed-pie, in nature, such that whatever is good for one person must ipso facto be bad for the other party.

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Difficulty: Easy

Classification: Conceptual

41) According to the negotiation myth of fixed-pie, _____.

- A) what is settled for must be achieved by hook or by crook
- B) the party with a distinct advantage can throw its weight around
- C) the very fact that causes one to lose ground causes the other to gain ground
- D) negotiators are born and cannot be made

Answer: C

Explanation: C) The most common myth is that most negotiations are fixed-sum, or fixed-pie, in nature, such that whatever is good for one person must ipso facto be bad for the other party. The truth is that most negotiations are not purely fixed-sum; in fact, most negotiations are variable-sum in nature, meaning that if parties work together, they can create more joint value than if they are purely combative.

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Difficulty: Easy

Classification: Conceptual

42) According to Walton and McKersie's conceptualization, negotiation is a _____.

- A) single-motive enterprise
- B) mixed-motive enterprise
- C) purely cooperative enterprise
- D) purely competitive enterprise

Answer: B

Explanation: B) Walton and McKersie's conceptualization of negotiation considers negotiation as a mixed-motive enterprise, such that parties have incentives to cooperate as well as compete.

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Difficulty: Easy

Classification: Conceptual

43) In a desperate bid to see the negotiation through, a manager concedes to all of the demands and requests of the other party. However, there is nothing asked for on a quid pro quo basis. He deems the negotiation a success, having finally clinched the deal. What negotiation myth has the manager succumbed to?

- A) negotiators need to be trusting of the other party
- B) negotiators just need to get the deal through, irrespective of other factors
- C) negotiators need to be either tough or soft
- D) negotiators need to work independently to make the process a success

Answer: C

Explanation: C) Most negotiators believe they must choose between either behaving in a tough (and sometimes punitive) fashion or being "reasonable" to the point of soft and concessionary. The truly effective negotiator is neither tough as nails nor soft as pudding but, rather, principled. Effective negotiators follow an "enlightened" view of negotiation and correctly recognize that to achieve their own outcomes they must work effectively with the other party (and hence, cooperate) but must also leverage their own power and strengths.

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AACSB: Analytic skills

Difficulty: Easy

Classification: Conceptual

44) Effective negotiation requires _____ and _____.

- A) inherent skills; feedback
- B) practice; feedback
- C) practice; performance
- D) inherent skills; practice

Answer: B

Explanation: B) Effective negotiation requires practice and feedback. The problem is that most of us do not get an opportunity to develop effective negotiation skills in a disciplined fashion; rather, most of us learn by doing. Experience is helpful but not sufficient.

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Difficulty: Easy

Classification: Conceptual

45) Which of the following statements is true?

- A) Feedback can be largely ineffective in improving negotiation skills.
- B) People tend to remember their failures.
- C) Success adds to experience which always improves our ability to negotiate.
- D) Experienced people can have inaccurate judgment.

Answer: D

Explanation: D) Experience improves our confidence, but not necessarily our accuracy. People with more experience grow more confident, but the accuracy of their judgment and the effectiveness of their behavior do not increase in a commensurate fashion. Overconfidence can be dangerous because it may lead people to take unwise risks.

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Difficulty: Easy

Classification: Conceptual

46) Negotiators with a string of successful acquisitions and very few failures develop great confidence in the accuracy of their skills. This is an illustration of the myth that _____.

- A) negotiators need to believe in their gut feelings
- B) experience improves confidence, but not necessarily accuracy
- C) negotiators always have astute judgment
- D) negotiators are innately gifted

Answer: B

Explanation: B) Our memories tend to be selective, meaning that people are more likely to remember their successes and forget their failures or shortcomings. This tendency is, of course, comforting to our ego but it does not improve our ability to negotiate. Additionally, experience improves our confidence, but not necessarily our accuracy. It is only partly true that experience can improve negotiation skills as experience in the absence of feedback is largely ineffective in improving negotiation skill.

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Difficulty: Easy

Classification: Conceptual

47) The negotiators of a company use a "tough" style of negotiation in the hope that the other party will capitulate. The negotiators of the company can be said to exhibit the myth that _____.

- A) negotiators end up settling for too little or too much
- B) aggressive negotiators have a history of successful deals
- C) negotiators consider whatever good as bad for the other party
- D) good negotiators take grave risks

Answer: D

Explanation: D) A pervasive myth is that effective negotiation necessitates taking risks and gambles. In negotiation, this approach may mean saying things like "This is my final offer" or "Take it or leave it" or using threats and bluffs. This is what we call a "tough" style of negotiation. It is advisable that negotiators take risks only when the benefits appear to outweigh the costs.

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Difficulty: Easy

Classification: Conceptual

48) A highly experienced negotiator credits his successes solely to his spontaneous gut feeling. His attitude pertains to the myth that _____.

- A) negotiations are fixed sum
- B) negotiation skills are god-gifted
- C) good negotiators rely on intuition
- D) experienced negotiators have accuracy

Answer: C

Explanation: C) Many seasoned negotiators believe that their negotiation style involves a lot of "gut feeling," or intuition. Intuition does not serve people if it does not involve a clinical approach, deliberate thought and a meticulous preparation.

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Difficulty: Easy

Classification: Conceptual

49) What are the major shortcomings in negotiations?

Answer: Many people regard themselves to be effective at negotiation. However, most people often fall extremely short of their potential at the negotiation table. Some of the shortcomings witnessed in negotiations are:

Leaving money on the table (or "lose-lose" negotiation) □ negotiators failing to recognize and capitalize on their win-win potential.

Settling for too little (or "the winner's curse") □ negotiators making too-large concessions, resulting in a too-small share of the bargaining pie.

Walking away from the table □ negotiators rejecting terms offered by the other party that are demonstrably better than any other option available to them.

Settling for terms that are worse than the alternative (or "agreement bias") □ negotiators feeling obligated to reach agreement despite settlement terms being worse than alternative.

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Difficulty: Easy

Classification: Conceptual

50) Can egocentrism be considered the same as self-reinforcing incompetence? Why or why not?

Answer: Egocentrism is the tendency for people to view their experiences in a way that is flattering or fulfilling for them. This is because we tend to overrate our own abilities and think that we are better than our average counterparts. Self-reinforcing incompetence, on the other hand, implies that being blissfully unaware of their own incompetence makes people overlook their limitations. This creates a cycle in which the lack of skill deprives them not only of the ability to produce correct responses but also of the expertise necessary to surmise that they are not producing them.

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AACSB: Analytic skills

Difficulty: Moderate

Classification: Application