

The effect of Emotions on Business Negotiations

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Abstract

Negotiations have penetrated individual and public life in various aspects and degrees, influencing both personal and professional level. Diversity including different cultures, ages and genders has infiltrated the corporate world, changing the game and adding new players. In a quick-paced, more global however regional-focused environment than ever before, business negotiations constitute of an effective, high-risk and high-reward tool into achieving one's targets. The role of emotions and their effect on business negotiations will be analysed in the present Thesis. Thought process, emotional state, interaction and behavior will be decomposed with relation to genders, leadership styles, strategies and communication tactics. Methods used are literature, frameworks, personal and shared experience as well statistics. Findings of this Thesis include direct psychosomatic differentiations based on gender and situation, as well their effect on negotiation strategies. Conclusion biological indicators influencing behaviour, their use and implementation at the negotiation table as part of an integrated strategy into achieving required outcome.

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List of Abbreviations

NGO: Non-Governmental Organisation

TPJ: Temporoparietal Junction System

MNS: Mirror Neuron System

X: Chromosome X

Y: Chromosome Y

DNA: Deoxyribonucleic Acid

Chapter 1: Introduction

Business negotiations occur among individuals, corporations, NGO's, Chambers of Commerce, Organisations, and Associations and among all professional sectors. Effectiveness in business negotiations constitutes of a key factor for the establishment of a successful agreement which will enable growth, risk normalisation, financial security and prosperity. Variations in emotions, differences between genders with regard to their approach in communication, confrontation and cooperation, comprising therefore of their strengths and weaknesses, will be deployed and examined in the present thesis.

Focalising at the business part of negotiations, it is noticeable that though negotiations have practically been occurring since antiquity, business sectors have predominantly been occupied by males; establishing a given hierarchy and negotiation philosophy process. During the last fifty years, women have entered the business world changing stereotypes and creating new balances. How gender affects business negotiations will be examined; referring to biological and biochemical processes, business facts and figures, management strategies and demonstrating the pros and cons of the two genders when negotiating.

Business negotiation is the implementation of effective communication using potent personal traits and professional skills into achieving set targets. Effective negotiation skills are recognised as a core element of professional skills in the business environment. Referred to one of the most reputable think tanks globally, "A core leadership and management skill is the ability to negotiate effectively in a wide range of business contexts, including deal-making, employment discussions,

corporate team building, labor/management talks, contracts, and handling disputes”.
(Harvard Law School, 2012)

Many definitions have been given to negotiations designating different techniques and games employed. Theorists and practitioners debate over including or excluding emotions in the negotiating process, use of information openly or in an escalating process, having intent of agreement or disagreement. Different theories have been developed, designated to create specific reactions, generating emotions to the opposite side helping the negotiator to win. One act of negotiation however is only a part of a continuous negotiation process; every win, every loss, every compromise will affect the next steps of an established cooperation, a business relation or by previous reputation, a new negotiation. “The trouble about bargaining... is that when one loses in a particular competitive negotiation, one’s chances of winning the next negotiation are frequently diminished” (Zeldin, 1994)

Personal qualities of integrity and compassion, professional characteristics of reliability and morality influence one’s actions and therefore reputation, which comprise of a cornerstone when negotiating. Past greatly influences the present and future; “my good opinion once lost is lost forever” (Austen, 1813) is said by Mr. Darcy, a fictional character in Austen’s book *Pride and Prejudice*, two centuries ago. Reputation therefore along with individual characteristics when communicating can prove to be detrimental in the negotiation process and its outcome.

The intent of reaching the negotiation table may comprise of an agenda to agree or disagree, cooperate or confront, being agreeable in the process or aggressive. The process in which intention guides own, counterpart and group tactics to reach an objective in a subtle manner is a diplomatic negotiation where “He who has learned to

disagree without being disagreeable has discovered the most valuable secret of a diplomat” (Estabrook, 2013)

Negotiations can be subtle or direct, diplomatic or confrontational, typical or loose, hierarchical or team based. Prior to negotiate, during the process and after the outcome plethora of emotions capture the stakeholders and influence the individual as well as the group performance. Game theories and techniques argue over handling emotions, either completely removing them from the process or manipulating them for own benefit. Taking an impersonal approach, evaluating facts and not emotions, can lead to a more pragmatic realisation of opportunities and threats. Identifying own stake may lead to an emotional hyperbole, possibly generating fear which can potentially induce aggressiveness, submission, stress, anger and a series of negative emotional reactions. However acknowledging emotions as an integral part of oneself and others can produce benefits when used not reactively but on the contrary as a premeditated act. As per McCormack “Anger can be an effective negotiating tool, but only as a calculated act, never as a reaction”. (McCormack, 1986)

The method one perceives others and environment, selecting the most appropriate tactics, often prerequisites observation of both pragmatical and psychological background of stakeholders. Behind expressed targets, there are aims and agendas not easily recognisable to the common eye: motives. “Place a higher priority to discover what a win looks to the other person”. (Robbins & Finley, 1998) Indeed, understanding motives, use and satisfy them can often comprise of a powerful tool in achieving a positive outcome in a negotiation.

Different schools and theories contradict and complement each other with regard to agreement, emotions, techniques and perception; the implementation of

which in demonstration of power, leadership styles and strategies comprises of a differentiating element which can potentially become a competitive advantage. The role of emotions, their perception and employment, constitutes of a catalytic role in the further development of business negotiations.

In the specific professional negotiations' context it will be argued, both theoretically and practically, how the effect of emotions in communication, can constitute of an important element when planning strategy as well tactics of negotiating. The purpose of the current Thesis is to understand the extent of this effect and to identify what type of characteristics, individual and group parameters are the main levers of emotional expressions and reactions. The answers to this question are grounded in theories of economics (Smith, 1759) (Gul, 2008); Game Theory (Myerson, 1991), Nash Equilibrium (Nash, 1950), Biology and then evidence is evaluated related to these answers by analysing data and statistics about prospective current business stakeholders.

This Thesis proceeds as follows: In chapter two the theoretical development of the Economics (Smith, 1759), Game Theory (Myerson, 1991), Nash Equilibrium (Nash, 1950), Industrial Organisation (Tirole, 1988) and their implication to Reputation (Morris, 2012) is deployed. In chapter three the methodology employed to analyse the data and information is described. Chapter four consists of the evidence supporting the theoretical development and methodology, including biological information (Brizendine M.D., 2007) of stakeholders. Chapter five refers to the implication of the argumentation and in chapter six the conclusion of the effect of emotions on business negotiations is deployed.

Chapter 2: Theoretical Development

Effective communication and therefore negotiation has the ability to influence business development, individually and collectively. Classical and neoclassical Economics theory combined with Game theory (Myerson, 1991), Rational choice (Blume & Easley, 2008), Behavioural Economics and their impact on reputational curve, support the aforementioned impact. Individual choice and its manifestation may direct group decisions and affect business environment in both a narrow and wider circle.

Classical economics theory (Smith, 1759, pp. 153-154), underlines the subsistence of the “invisible hand” concept regulating commercial parameters. "By preferring the support of domestic to that of foreign industry, [an individual] intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." The importance of individual choice and its consequences in their environment is identified as foundation in the development of economics.

Neoclassical economics argue that “utility of supply and demand can be influenced by the Rational Choice Theory (Blume & Easley, 2008), where the individual makes a decision based on methodological individualism”, (Elster, 1989). The role of the individual in the development of economic theories is emphasised, leading to an environment where entities, them being individuals or groups led by individuals, have the capacity to induce change based on decision making process directed by occupational identification. The factors preceding mechanisms of decision

making are of unique importance, representing a cornerstone of choice, impacting business environment on wide scale.

“Aiming at understanding how the behaviour of the individual is influenced and grounding argumentation to psychology, economics have evolved to Behavioural Economics (Gul, 2008), where social factors are considered when examining economic decisions of individuals or groups. Social and psychological factors are examined in understanding the decision making process”, (Ploumaki, 2013) which then attributes to Game Theory (Myerson, 1991), “the study of mathematical models of conflict and cooperation between intelligent rational decision makers.”

“When individual choice is in position to influence both directly and indirectly the economy, the importance of identifying the behavioural influential levers and characteristics of those decisions deems critical” (Ploumaki, 2013). Emotions, them being a significant influential bar, are the accelerating mechanisms controlling the biochemical processes of behaviour. It remains then to be examined how emotions can be triggered, shifted, influenced in a way where the overall decision making process is redirected.

“The word emotion dates back to 1759, when it was adapted from the French word *émouvoir*, which means "to stir up"” (Webster, 2004). Emotions then by definition appear to be conditions that allocate mental stages and existential status. Emotions can be triggered both consciously and subconsciously, therefore their existence can become a cognitive or unperceivable experience and their expressions vary among psychosomataical, biological and mental states.

“Behavioural economics and Game Theory Behavioural economics, broadly defined, refers to the research program that investigates the relationship between

psychology and economic behaviour.” (Gul, 2008). Within this context, Industrial Organisation (Tirole, 1988), that being “the field of economics that builds on the theory of the firm in examining the structure of, and boundaries between, firms and markets” (Archibald, 1987), analyses the directions of the competition among firms in the market and a “strategic firm interaction, non-cooperative game theory” (Tirole, 1988).

Negotiators, them being individuals or groups led by individuals, conditionally being cognisant of their negotiation partners’ strategies and deciding under simultaneous time frame, comprise of players in “Nash equilibrium” (Nash, 1950). “In Game theory (Myerson, 1991), the Nash Equilibrium is a solution concept of a non-cooperative game involving two or more players, in which each player is assumed to know the equilibrium strategies of the other players, and no player has anything to gain by changing only his own strategy unilaterally”. (Osborne & Rubinstein, 1994) “The Nash equilibrium concept can be used to analyse the outcome of the strategic interaction of several decision makers”. (Osborne & Rubinstein, 1994)

“The returns to reputation are asymmetric, since reputation causes more reputation.” (Morris, 2012) The players then are influenced not only by the strategies of their counterparts but also by their reputation. “The trouble about bargaining... is that when one loses in a particular competitive negotiation, one’s chances of winning the next negotiation are frequently diminished”. (Zeldin, 1994) Reputation can then constitute a form of soft power, leading others to act based on prevailed outcome, without the presence of tangible facts, inducement or coercion.

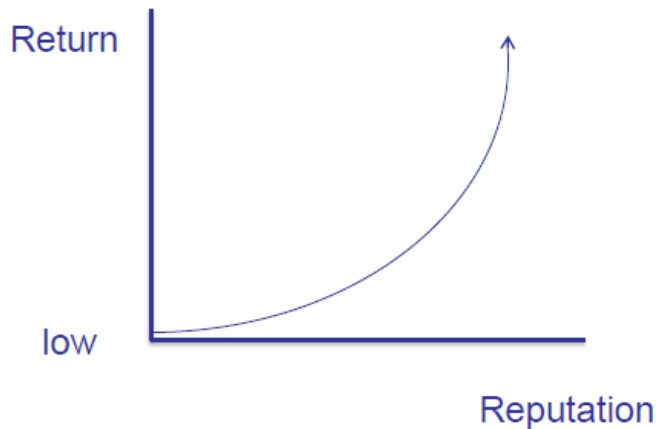


Figure 1: Reputation J Curve. Reputation behaves like a Parabola, the quadratic form of the exponential curve. Reproduced from [Figure 1]. (Morris, 2012)

Soft power however goes beyond the effect of reputation. The influential presence of the “invisible hand” in classic economics (Smith, 1759, pp. 153-154) is also evident in Soft Power (Nye, 2004, p. 7) where “if my behaviour is determined by an observable but intangible attraction – soft power is at work”. “This soft power – getting others to want the outcomes that you want co-opts people rather than coerces them.” (Nye, 2004, p. 5) The effect of soft power inducing emotions will be deployed on their effect on business negotiations.

Chapter 3: Research Methodology

3.1. Meta Review of Pertinent Literature

For the purpose of the present Thesis, relevant theories and concepts have been deployed, investigating the effect of emotions on business negotiations, the main of which are presented: Classic economics (Smith, 1759), Neoclassical and Behavioural economics (Gul, 2008), Rational Choice (Blume & Easley, 2008), Game Theory (Myerson, 1991), Industrial Organisation (Tirole, 1988), Nash Equilibrium (Nash, 1950), Soft Power (Nye, 2004), Reputation J Curve (Morris, 2012).

Analysing biological factors influencing individual behaviour,

Leadership and communication theories of sociologists and philosophers Weber, Arendt and Buber will be analysed with regard to the effect of different emotional states and characteristics.

The competitive forces that force strategy (Porter, 1979) will be used to analyse the levers which create rivalry based on the negotiation positioning. The Triangle AAA framework (Ghemawat, 2007) will be used in categorising data and information.

3.2. Methodological Approaches

3.2.1. Categorisation

Business world has significantly changed its balances during the last century in three main dimensions: space, time and people, stakeholders. In 3.2.1.a. will be presented how space wise it has aggregated with an upward globalisation trend, however industry in developing regions has resulted in another upward trend, that of

arbitrage. In 3.2.1.b. will be shown how time wise the pace in which decisions are made has increased and in 3.2.1.c. will include facts showing how male and female proportion has changed, significantly altering the scenery and background of doing business. All the above support three different trends and categories, which influence and are influenced by emotions; hence consist of critical levers when examining the use and effect on business negotiations.

3.2.1.a. Space

“The main goal of any global strategy must be to manage the large differences that arise at borders, whether those borders are defined geographically or otherwise... Adaptation seeks to boost revenues and market share by maximising a firm’s local relevance... Aggregation attempts to deliver economies of scale by creating regional or sometimes global operations; it involves standardising the product or service offering and grouping together the development and production processes... Arbitrage is the exploitation of differences between national or regional markets, often by locating separate parts of the supply chain in different places”. (Ghemawat, 2007)

Aggregation and the rise of corporations substituting the power of States has become a reason of the importance of negotiation power balancing power. Adaptation relies adjusting negotiation to the specific context to maximise benefit. Arbitrage enforces the power of negotiations in developing countries, where “cultural, economic, geographical and administrative distances” (Ghemawat & Siegel, 2011) constitute of barriers of entry.

3.2.1.b. Time

The pace in which business and economy is proceeding has increased significantly in the latest century and keeps increasing year after year. Technological progress enables real time communication and therefore negotiation is based on rapid interaction. Quick paced negotiations offer advantages to those who specialise in them, however consist of major disadvantages to those who practice negotiations without the required expertise, as the necessity of prompt decision making can lead to pressure and therefore hasty and incorrect decision making.

3.2.1.c. People – Stakeholders.

Women have penetrated business, changing balances and altering stereotypes. Their introduction and active involvement has induced changes which require different management and behaviours. Principle 20 of the Johannesburg Declaration of the World Summit on Sustainable Development (2002) reads: “We are committed to ensure that women’s empowerment and emancipation, and gender equality are integrated in all activities encompassed within Agenda 21, the Millennium Development Goals, and the Johannesburg Plan of Implementation.”

Statistics about women in business, some partially paraphrased, are presented below with regard to changes in corporate, economy and business trends. (Kenigsberg, 2011)

“Corporate:

1. In 2005, there were 7 CEO’s in Fortune 500. As of May 2011, there were 12 CEO’s in Fortune 500 companies.

2. An estimated \$546 billion is spent annually on salaries and benefits by women-owned businesses.
3. The number of women-owned companies with 100 or more employees has increased at nearly twice the growth rate of all other companies.
4. The vast majority (83%) of women business owners are personally involved in selecting and purchasing technology for their businesses.
5. The workforces of women-owned firms show more gender equity. Women business owners overall employ a roughly balanced workforce (52% women, 48% men), while men business owners employ 38% women and 62% men, on average.
6. 3% of all women-owned firms have revenues of \$1 million or more compared with 6% of men-owned firms.
7. Female-owned family businesses are 1.7 times more productive than male-owned family firms.
8. Between 1997 and 2002, women-owned firms increased their employment by 70,000, whereas firms owned by men lost 1 million employees.
9. Women and men business owners have different management styles. Women are less hierarchical, may take more time when making decisions, seek more information, and are more likely to draw upon input from others – including fellow business owners, employees and subject-matter experts.

Economy:

10. Almost all income growth in the United States over the past 15-20 years came from women.
11. There are an estimated 10.6 million women-owned businesses – up from 6.4 million almost twenty years ago.
12. One in five firms with revenue of \$1 million or more is woman-owned.

Business Trends:

13. Women business owners are philanthropically active: seven in 10 volunteer at least once per month; 31% contribute \$5,000 or more to charity annually; 15% give \$10,000 or more. Women business owners are more likely than men to serve in leadership positions in their volunteer pursuits.

14. Women-owned firms in the U.S. are more likely than all firms to offer flex-time, tuition reimbursement and, at a smaller size, profit sharing to their workers.

15. High net worth women business owners and executives are active and generous philanthropists. Over half contribute in excess of \$25,000 annually to charity; including 19% who give \$100,000 or more.

16. 86% of women entrepreneurs say they use the same products and services at home that they do in their business, for familiarity and convenience.

17. Nearly 3/4 (72%) of women business owners have investments in stocks, bonds or mutual funds, compared to 58% of working women.” (Kenigsberg, 2011)

The data above demonstrate the shift of gender allocation in business and thus in business negotiations. There is a factual increasing trend of women participating in professional environment, which changes the already established balances and shifts to new ground of understanding, cooperating, competing and agreeing, bringing a new era to doing business, winning and losing.

3.2.2. Focalisation

This Thesis focuses on chapters two “Theoretical development”: where theory to support the effect of emotions on business negotiations is presented starting from

individual decision making process resulting to the levers that influence choice; chapter four “Data Analysis and Evidence”: presenting the data supporting the aforementioned theory, grounding evidence to biology; and last chapter six: “Conclusions and Recommendations” where findings of this Thesis are presented.

3.2.3. Methodological Implications

As negotiations, emotions and their relation remain substantially subjective, assumptions have been made to support the theory. Biological and biochemical evidence have been collected and presented, providing factual argumentation of the aforementioned theoretical assumptions; however given the intuitive, biased and prejudiced conditions of oneself, a clear, pragmatic and accurate conclusion, concordant with facts and applicable to all situations and circumstances cannot be guaranteed.

3.3. Data Overview

Main data and information analysing the effect of emotions on business negotiations can be found on chapter four “Data Analysis and Evidence”, where references in biology and biochemistry support the theoretical concept of this Thesis.

3.4. Bibliography Sampling

The methods used to analyse the effect of emotions on business negotiations consist of research in literature, - theories, concepts of Classic economics (Smith, 1759), Neoclassical and Behavioural economics (Gul, 2008), Rational Choice (Blume & Easley, 2008), Game Theory (Myerson, 1991), Industrial Organisation (Tirole, 1988), Nash Equilibrium (Nash, 1950), Soft Power (Nye, 2004), Reputation J Curve (Morris, 2012).

To the best of the writer's knowledge sampling of bibliography is unbiased and fair representation of the current research.

Chapter 4: Data Analysis and Evidence

Emotions comprise of an integral powerful component in communication and therefore in the negotiation process. Emotions can be induced, influenced, redirected, suppressed or exaggerated; their existence however and their effect is undeniable. The mechanism in which emotions are processed is different among individuals, between genders, among ages, cultures and circumstances.

Use of emotions in business has been debated, argued, denied, supported; if one thing: it has definitely raised interest. Those pro to emotions refer to empathy, soft power (Nye, 2004), influence; those with a rather emotion-less approach refer to facts, figures, logic. Both logic and sentiment are existent and therefore active within a human being; consequently by definition emotions cannot be excluded in individual sphere of influence. The level of their effect however differs significantly on levels of cognition, external parameters, age, culture, power of influencers, personal status, academic education, social circle and further parameters.

In a model of processing emotions (Scherer, 2005) five compartments are identified: “Cognitive appraisal: provides an evaluation of events and objects, Bodily symptoms: the physiological component of emotional experience, Action tendencies: a motivational component for the preparation and direction of motor responses, Expression: facial and vocal expression almost always accompanies an emotional state to communicate reaction and intention of actions and Feelings: the subjective experience of emotional state once it has occurred”. (Scherer, 2005)

Lövheim (2011) introduced a correlation among combinations of dopamine, noradrenaline and serotonin with regard to eight emotion stages. According to this model, a cube of emotions is comprised of the three aforementioned hormones based

on differentiated analogous levels: serotonin producing positive emotions, noradrenaline negative and dopamine intense ones. The proportion of substances and their combination induce a mix of emotions leading to different levels and feelings, ranging from rage and terror to surprise and excitement.

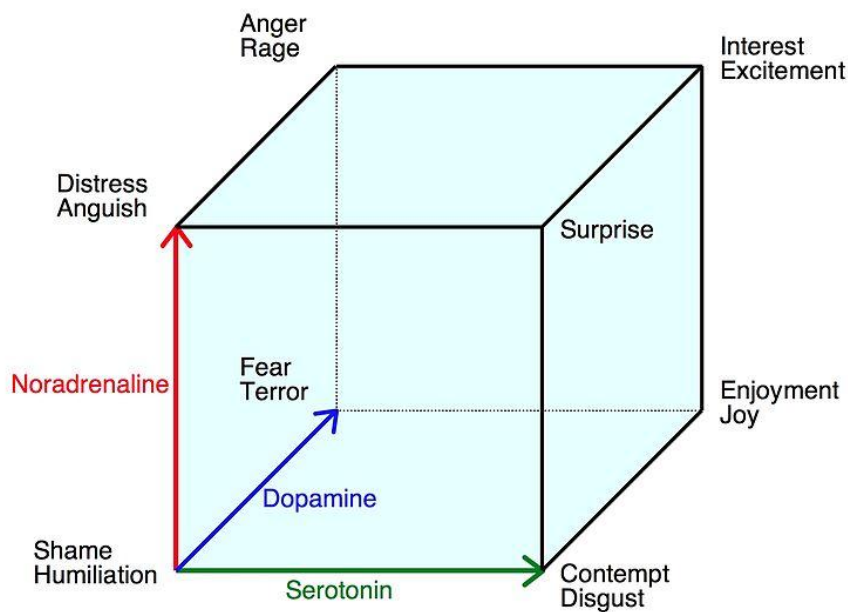


Figure 2: Lövheim Cube of Emotion. Reproduced from [Figure 2]. (Lövheim, 2011)

Hormones and their combination induce emotions, their effect of which varies greatly among individuals. Differentiation in gender is a hormonal indicator of distinction on its own, responsible for the effect on behaviour in the communication process. Gender based communication characteristics have similarities and differences which contribute to the evolvment of stereotypes but also to individual identification.

Plethora of stereotypes and classifications exist in the operation, performance and aftereffects of the male and female brain functions. Males are believed to obtain more characteristics of rationality, realism and competition whilst females are more

known for intuition, interpersonal skills and non-competitive behavior. To those characteristics, communication approaches for both genders indicate behaviour associated to using direct versus indirect speech, body language and voice tone, emotional disclosure or ostensible apathy and psychosomatic approaches.

Differences in gender characteristics and their expression mold stereotypes which consequently influence interaction between men and women. “Men often expect women to act like “ladies” during their bargaining interactions. Overt aggressiveness that would be considered vigorous advocacy if employed by men may be characterised as offensive and threatening when employed by women. This is especially true when females use foul language and loud voices. Male negotiators, who would immediately counter such tactics by other men with quid pro quo responses, frequently find it difficult to adopt retaliatory approaches against women. Some men also find it difficult to act as competitively toward female opponents as they would toward male opponents.” (Craver)

Genders share common characteristics however individuals have unique traits, hormonal disposition and behaviour influenced by background, present situation, future aims and objectives. Classifying emotional characteristics of an individual by gender can adduce to expectations; however can also lead to misinterpretation. Anticipating expectations is predictable; expecting predictions adjusts anticipation and anticipation adjustment levers expectations.

Emotional directions in the forms of strengths and weakness abide in genders; however their prevalence is to be evaluated on specific baseline context. Baseline can be assessed by natural disposition, intelligence and emotional quotient, cognition,

education, training and experience. Gender characteristics can then be evaluated in the context of environing them to the individuals' attributes.

More common in theory and rarer in practice, emotions and behaviours can be curbed. In real circumstances routine, aggregation of events, previous incidents, emotions trigger and their escalation can create a chain reaction of incidents where maintaining composure can prove to be rather an impractical task. Cognition therefore and training can assert particularly useful; when collectedness is not feasible, detachment deems necessary.

Consideration of gender, character, situation, experience from previous reconciliation consist of major indicators when evaluating individual and group's emotions, their function and consequently their near or long term redirection. A step further from consideration of the aforementioned indicators is the perceptive extent of their negotiation counterparts. The more probability increases about the influential indicators' notion, the further resistance is realised. Contrariwise the more natural, actions appear, the more uninhibited the negotiation ecosystem remains.

Understanding the level of emotional cognition indicates the baseline of individual characteristics - them being gender, culture, age, education – and their countenance. Cognition however relies on subjective perception about oneself, therefore is not equal on all levels. This constitutes of a valuable asset when assessing points of emotional cognition not developed to the same extent as others. These points are most vulnerable emotionally since they are the ones most easily accessed and therefore influenced.

Biochemical parameters are strong, archetypal keys in the way genders are wired. "Males and females share more than ninety nine percent genetic code in a total

of thirty thousand genes in the human genome. However this small differentiated percentage is what influences different types of behavior between the two genders from the nerves that register pleasure and pain to the neurons that transmit perception, thoughts, feelings and emotions” (Brizendine M.D., 2007)

In the brain centers for language and thinking women have eleven per cent more neurons than men do. On the other hand men react more physically to their environment than women do. Their muscles are practically twitching in response to everything they see going on around them. That difference may mean that men use their muscles and nervous systems more than women to think and express themselves as well. (Brizendine M.D., *The Male Brain*, 2010)

Feelings are a word that has been associated to weaknesses. In general terms women have a tendency to associate themselves more to their feelings whilst men incline towards avoiding them. The way people feel however remains common, differentiating in their reaction. A reaction embracing feelings can be an empathetic one, and a reaction rejecting feelings an indifferent one.

“Shamay-Tsoory (2009) found two systems for empathy, a cognitive and an emotional one. Schulte-Ruther (2008) found gender differences in brain networks for empathy. The Temporoparietal Junction System, or TPJ, is a hub where man circuits for attributing mental states to others converge and diverge. The Mirror Neuron System, or MNS, which is spread out through many different regions in humans, help understand how others feel, how they act, and what they will do. Structures within the human mirror neuron system are found to be involved in sharing gestures and facial expressions. Zaki (2009) found that using these two sets of brain regions help to accurately track the attributions we make about another’s internal emotional state.

Yuan (2009) found that men make less accurate judgments than women when subtle or moderately negative emotions are expressed, but are similar in accuracy when highly negative emotions are expressed” (Brizendine M.D., 2010)

“Schulte-Ruther (2008) found increased neural activity in the TPJ, temporal-parietal junction, in males; and found that females showed increased activation of the MNS, specifically the inferior frontal mirror neurons. Thus, females recruited areas containing mirror neurons to a higher degree than males during emotional processing in empathetic face-to-face interactions. Witelson (1991a) found that the temporal-parietal region, TPJ, of the brain is larger in males. Cheng (2009) found that females perform better in empathy, interpersonal sensitivity, and emotional recognition than do males, perhaps since the mirror neuron system, MNS, plays an important role in these processes. The researchers found that young adult females had significantly larger grey matter volume in the mirror neuron system than did males. Yuan (2009) hypothesises that the larger female MNS may result in more emotional contagion – or infectious feelings – and empathy in the average female than in the average male”. (Brizendine M.D., 2010)

Expression represents a dichotomy, as it does not only differentiate between genders but also within cultures, environments and is greatly associated to upbringing. There is however noticeable expression differences greatly associated to the different X and Y chromosomes of our genetic code. Our DNA has genetic characteristics encrypted in our cells and therefore preconceives perception and reactions within a specific context.

“Taking a closer look at a man’s face we will notice that it does not appear to be as expressive as one of a woman. Emotional reactions such as fear, stress,

overwhelming are less apparent. Facial muscles are controlled by the brain's emotional circuits and by measuring these muscles scientists are able to understand more about the emotions and their expression. Men, after seeing an emotional face for just one fifth of a second – so briefly that it is still unconscious – are more emotionally reactive than women. However at 2.5 seconds, when in conscious processing, men's facial muscles are less emotionally responsive than women's. Men consciously, or semiconsciously, suppress showing their emotions on their faces.” (Brizendine M.D., 2010)

Transitioning from understanding emotions to effectively use them in the negotiation process requires perception, knowledge and experience into evaluating them, choosing the appropriate approach and implementing the right techniques. A classic differentiation method by personality types is between the fight or flight category (Schranner, 2008). Fight types get emotionally engaged easier and talk more whilst flight types avoid confrontation and are less responsive. This indicates that being a fight type, when tension escalates, the person will jump in starting talking in an effort to accommodate their inconvenience and potentially hurting own position. Identification of a fight type personality can lead to characteristics used against them in the negotiating process, taking exactly advantage of the related attributes. On the contrary however a less trained flight type, due to their reluctance in engaging themselves in a confrontation, may appear weaker, not take a lead role and claim own benefits.

J. Nye (2004) argues the lead role of exercising soft power into achieving the expected goals. He describes a power so subtle that can influence without being influential. Starting from a declaration of the raw face of “Power is the ability to influence the behavior of others to get the outcomes one wants” (Nye, 2004), adds

that “Power always depends on the context in which the relationship exists”. (Nye, 2004)

Hard power requires tangible promises, processes and their implementation. It represents a coercive tool meant to shape the outcome and not the preference; hence it can be considered as reactive power. This force limits itself exactly to the point of reacting; hence losing a significant amount of control.

On the opposite side, if another form of power is able to go from reactive to proactive; it will provide insight on the outcomes and improve the controlling mechanism without the imposing effect, shaping preferences. Balances are defined differently in various situations. A classic example is the one of David and Goliath, where the weaker opponent won over his larger, stronger counterpart. In earth’s atmosphere a piano falling from the sky can squash upon impact, however in moon’s atmosphere it will float due to zero gravity. When evaluating power, circumstances and balances are to be carefully examined, as they do not necessarily correspond to the obvious ones.

A controversial power, attraction, does not necessarily reside with the larger or stronger individual. (Nye, 2004) Attraction is the cornerstone of soft power and its influential approach can be lucid but yielding as water over a hard rock. “If I am persuaded to go along with your purposes without any explicit threat or exchange taking place – in short, if my behavior is determined by an observable but intangible attraction – soft power is at work.” (Nye, 2004)

Power and leadership have always been closely related; it is the context in which power manifests itself that leadership schemes are formulated. Leadership styles related to interconnection with others can be defined in the three different

models of Weber (Weber, 1919), Arendt (Arendt, 1958) and Buber (Buber, 1923). Sociologist Weber (Weber, 1919) claimed a “charismatic authority”, a leader whose exceptional qualities and accomplishments inspire the followers in a developed version of leading by example. Idealistic views of individualism strengthening personal impact creating an aura of respect, admiration and molding the person in an authoritative figure whose presence comprises of a catalyst. The leadership style described focuses on the person as core element of the theory, representing a figure which dominates the play, the leadership style of a linguistically and pragmatically leader.

Agreement or disagreement with the aforementioned leadership style, should not restrain from the importance to recognise and understand it, as it influences relations and communication significantly when encountered in a negotiation table and moreover in cultures and groups with strong hierarchical structure. Authoritarian leadership styles and hierarchies contain of more rules where roles are given and non-negotiable. Failure to recognize this leadership method will lead to lack of understanding of the rules; hence potentially playing a different game or using wrong cards.

Moving from authority to freedom, political theorist Arendt emphasises in “Relation” as being a fundamental in leadership; exercising a form of power absent of force and violence (Arendt, 1958). Power is seen more as dialogue rather than a monologue where leaders and followers have interdependencies creating a supportive mechanism that enables leading through connecting. It is connection then that constitutes of a fundamental element of exercising power and leading.

Understanding the negotiating partners, motives, vague clues and maintaining a connecting balance is a different way of leading when negotiating. A subtle form of power, not necessarily the Soft Power of Ney (2004) described earlier, but a balanced respect enhancing cooperation as a lever to move forward. Balance, respect, mutual understanding remain basic characteristics building a long-term relational foundation.

Advancing Arendt's relationship's "dialogue", theory philosopher Buber (1923) introduces a "dialogical existence" where "There is no *I* as such only the *I* of the primary word *I-Thou* and the *I* of the primary word *I-It*." A subjective and objective connection for an equal yet dually defined relation. Buber argues the relation, not only with others, but with the object or subject itself "Between you and it there is mutual giving: you say *Thou* to it and give yourself to it, it says *Thou* to you and gives itself to you." (Buber, 1923)

All three leadership styles relate to each other with unique connecting traits. In all three cases there are leaders and followers with weighted interdependencies. Leaders lead, followers enable leading or leaders and followers connect through leading. Encountering of leadership theories practically in a negotiating table, may lead to identification of different patterns and combinations, as individuals and groups do not necessarily agree on a leading scheme and often contradicting personalities confine alignment. Interdependencies weigh on the weight of the personalities, their hierarchical position, their role in leadership and their relationship through connecting with their peers as well as with the negotiation partners.

Negotiation depends on communication and the latter builds on relationships. The negotiation development can be described as a gradual building process, considering in advance the performance targets and identifying in the process the specification criteria and stakeholder management. In achieving one's goals

arguments are to be built as bricks on the foundation of communication. Depending on the foundation, different techniques are to be selected, so that stability is ascertained as well as future development.

Chapter 5: Data Analysis and Implications

Power, personal or organisational, soft or hard, reputational or functional, affects business negotiations on a large scale inducing the negotiation partners and influencing the negotiation game. "...negotiation... is...a means of achieving one's goals in every relationship regardless of the circumstances" (Nierenberg, 1995). To achieving own goals, power, in various forms and through different techniques is indispensable. Such power can be translated into reputation and how it precedes the person or the group, under or overestimating the negotiation partners, influencing perception, emotions, strategies and tactics.

A rather subtle power in the form of speaking many languages can improve the level of understanding delicate clues; whilst speaking one's mother tongue can help understand the emotions when structuring one's thoughts. Hierarchical power or strength in the organisational structure can prove to either be a confidence boost or a vitrine, depending on the personality traits and the circumstances under which the negotiation proceeds.

Empathy, a strong personality trait of understanding subtle clues of other's behavior, is valuable when interacting with people, as understanding their emotions, needs, influential exogenous circumstances and weaknesses can weigh with their perception and define a new course of action on both a long and short term interval. Angelou has quoted one of the most important, significant ascertainment on this emotional sector of personal interaction "People will forget what you said. People will forget what you did. But people will never forget how you made them feel" (Angelou, 2003).

Power in all its forms can be present, either outspoken or tactful. “Before you judge who is holding the high cards, you need to understand what game you are playing and how the value of the cards may be changing.” (Nye, 2004) Power however is present at all times and the ones understanding its consequences and knowing how to use it hold a competitive advantage towards their counterparts. It remains then to be evaluated to what extent this competitive benefit can influence competitiveness and rivalry within an industry.

Reviewing the competitive forces that shape strategy (Porter, 1979) we view the bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitutes. Two of the competitive forces lie on bargaining power, which has its groundwork on hard facts of product, market share, market retention, customer perception, but also to the power of the individuals, organisation or corporation when negotiating. Strength or weakness in negotiation can comprise of a strong advantage influencing competitiveness positively or an unfortunate disadvantage degrading competitiveness and therefore favouring rivalry.

An opportunity for a new service of negotiating is subsequently subtly presented: NPO – Negotiation Process Outsourcing. Knowing what the desired output is, with a calculated input one can receive world class output, without the need to actively monitor or be aware of the process. In other words, suggestion of outsourcing of what is traditionally considered the inner sanctum of professional or personal relations, professional cooperation and networking. Allocation of the process of attaining a set output with a given input to an outside organisation, in the same or different geographic location, without any interference, efforts or monitoring of how the process will be attained.

Considering that professional relations essentially direct the essence of a business it is easy to see how distrust might arise at such a suggestion. Yet this is already happening in numerous pivotal sectors. Nations, countries, institutions used to have their own ambassadors and diplomats with freedom to negotiate truces or wars unmonitored. When media entered this world, actors, singers, athletes obtained agents negotiating their career. And even in the everyday human, mind is trusted for all functions without individuals being aware of the majority of them. In the corporate world subcontracting, arbitrage, Business Process Outsourcing, Knowledge Process Outsourcing as well as Public relations emerged and Social Corporate Responsibility was given birth to. Such scheme can be used for essentially all applications subject to demands for high focus and efficiency. The concentration of ever effective communication skills backed up with the knowledge of the targeted field taking over a specific function of a company or institution is not a new idea in the world but one which seems to be strangely absent from the world of business negotiation.

Until now there were ghost negotiators, personal coaches, consultants with services available to demystify and teach methods and techniques. However it remains questionable whether everyone is ready to learn, willing to understand or capable of delivering. Even further, it is not certain whether this is the most efficient way to proceed in order to achieve a targeted outcome. With a Negotiation Outsourcing Process individuals would be ready to negotiate on one's behalf and to an agreed output, taking into advantage another one's excellence, skills and mindset into achieving set goals and more importantly, without having to concern oneself with how this is achieved. The key word here is building trust between the team taking over the area that is assigned to them.

The development of this trust might seem questionable but again it is no different from the faith that a phone will continue working to its assured output by the company which produced it. And with information on performance of specific companies easier than ever to obtain, truly competent groups can shine: individuals with exceptional communication skills, effective networking abilities, determination, high plasticity in the workplace and overall outstanding performance. The Negotiation Process Outsourcing approach is a step further in the specialisation process in the business environment and can potentially constitute of a significant advantage to the individuals or groups that will decide to use their service.

Chapter 6: Conclusions and Recommendations

Plethora of formal and informal sources can teach one how to effectively negotiate. When scaled is the objective part of using the right techniques stronger, or the subjective one of understanding and connecting to the negotiating partner? Creating a bond, likeness and commonalities is more difficult to achieve and to subsequently measure. Success cannot be adequately described by a set of equations but rather as a leveraged process overarching logical assumptions.

In a constantly changing business environment where power of countries has been substituted to a certain extent by power of corporations and individuals, leadership styles have succeeded one another and gender allocation has redefined strategies and communication techniques, it is considered a prerequisite to re-identify negotiating methods - taking into consideration the effect of emotions - in an effort to improve individual and organisational performance.

“Biological instincts are the keys to understanding how we are wired, and they are the keys to our success today. If you’re aware of the fact that a biological brain state is guiding your impulses, you can choose not to act or to act differently than you might feel compelled” (Brizendine M.D., 2010). Adequately, besides of the self-awareness stage, understanding the biological brain state of the negotiating partners provides a unique aptitude in adjusting behavior according to expectations. Perceiving and influencing emotions in the negotiation process of professional transactions can comprise of an advantage in achieving one’s targets whilst handling the relationship within the specific context.

Companies emphasizing on the relationship part of business and its impact to both the organization and the broader social and professional network have made their presence known already. Negotiation Intelligence in the United Kingdom refers to itself as “a niche training and consultancy company, helping a wide variety of clients train to negotiate better” (Negotiation Intelligence, Raising your negotiation IQ, 2013). Schraner Negotiation Institute refers to “... a leading institute supporting difficult negotiations. Our experts are negotiators with vast practical experience – from the FBI, the UN, or former CEOs from international corporations. With our global network we can support international negotiation processes during the most difficult phases”. (Schraner Negotiation Institute, 2013)

Both organizations mentioned above focus on preparing individuals with the required knowledge on emotional intelligence, strategy, psychology, body language and the tactics in which the method to succeed works on respective scenarios on negotiations. Another organization focusing on human behaviour in business but not directly with the negotiation part of it is Krauthammer. As per their corporate web page “Everything starts and ends with people. We focus on guiding leaders, managers and (sales) professionals to increase their own vitality. And, via them, the vitality of their organizations. Our core contribution to this end lies in the mastery of behaviour and its conditions. In other words, human interaction and performance. And we are convinced that the future belongs to those businesses who deeply integrate so-called ‘soft’ imperatives (health) with ‘hard’ imperatives (wealth). Our vision: ‘Bringing out the best in people’, summarises this dream.” (Krauthammer, 2013)

It is therefore evident that organizations, corporations, management consultants and the broader professional environment has realized the importance of behavioural and emotional interaction with a strategic concept in the individual’s and

corporation's professional life. Methods to increase one's potential and impact are evaluated and tactics to enhance relevant skills are employed. Professionals who hold or master such skills are exceptionally well situated in a rather competitive global business environment and their cooperation is considered an asset. Techniques and consulting companies are present to help improve those who aim to become more competitive. All however realize the importance of soft skills when communicating, cooperating, leading, exercising power and influence; hence the effect of emotions on business negotiations is a sector which has started to attract much attention and will continue to develop, developing along the individuals and corporations who realize its impact.

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