Stereotype and Perception Change in Intercultural Negotiation

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Abstract

Stereotypes are cognitive schemas that influence our perception, beliefs and behavior toward members of a social group [12]. While culture is a salient social group characteristic and an important contextual cue for schema activation [27], there is limited research on cultural stereotypes and perception change in international negotiations. Thus, we examined perception formation and perception change across stages of negotiation. North American observers viewed a negotiation (videos) between North American and Middle Eastern business men, with different stages and one of three negotiation outcomes: (a) negotiators did not reach agreement, or (b) reached an agreement by compromising, or (c) by employing an “expanding the pie” problem solving approach. After viewing the videos, participants rated negotiators on positive and negative attributes as a measure of perception. We found in-group bias across all observers, change in perceptions across different stages, and variation of initial stereotypes as a function of negotiation outcome.

1. Introduction

The increasing global and regional economic integration through trade, foreign investments, capital flows, migration, and spread of technology, has vastly increased interactions between agents, managers and employees across cultures [15, 4]. From multinational mergers and acquisitions, to the buying and selling of goods and services or the management of a multicultural workforce, cross-cultural negotiation has become a fundamental component of business today. In cross-cultural negotiation though, cultural differences often give rise to complex and challenging processes, making it difficult for parties to reach an agreement. Prior research has demonstrated that intercultural negotiations tend to be significantly less successful than intra-cultural negotiations [2, 16]. The poor negotiating outcomes of international negotiations have been attributed to cultural differences in communication styles and cognitive schemas [2, 6].

One form of cognitive schema that interferes with successful intercultural negotiation is a stereotype. Stereotypes are cognitive structures that encompass knowledge, beliefs, and expectations about a particular social group [17]. Stereotypes affect perception, restrict individuation, direct behavior, and elicit positive or negative emotions toward a social group [13]. For example, research illustrates that negotiators from U.S. and Japan have distinct expectations and strategic repertoires when negotiating domestically or with someone from the other culture, and their intercultural schemas are based on the stereotypes they hold of negotiators from the other culture [1]. A fundamental component of stereotype is social categorization, a natural process that occurs spontaneously in our everyday perception [35, 37]. We tend to categorize people whom we know little about and we come to understand who we are by the groups in which we belong to [34]. We are more likely to categorize people using perceptually salient cues such as sex, race, age, and physical attractiveness [8]. Hence, culture is a salient category, and automatic social categorization is often based on prominent, culturally relevant feature such as race [9, 11].

Yet, there is limited research on the influence of cultural stereotypes in cross-cultural negotiation. Given that culture is a very prominent social category, and that stereotypes are part of our everyday life and influence our judgments and behavior toward others [40], cultural stereotypes that negotiators hold can greatly influence their decisions and behavior, and ultimately negotiation process and outcomes. Stereotypes can inform us of a person’s perception and a person’s perception can inform us of the stereotypes a person holds [35]. Prior studies have examined gender stereotypes in negotiation and illustrate that stereotypes can influence negotiation process and outcomes [20]. Consequently, cultural stereotypes may also significantly influence intercultural negotiations. Furthermore, stereotype beliefs are not rigid and they change across social contexts [29].
Thus in our study we investigate the role of stereotypes in perception formation and perception change across stages of an intercultural negotiation between Middle Eastern and American businessmen. We examined Middle Eastern sample since research on Middle Eastern negotiation is minimal. Due to globalization, Middle Eastern and North American markets have come to rely on each other more heavily for various resources [10]. Moreover, given that countries of these regions have suffered from recent conflicts, there may be higher employment of negative bias and stereotypes in the negotiation context.

To examine negotiator perception and stereotypes, observer ratings were measured as opposed to self-report ratings of negotiators since observer ratings have been shown to have higher validity and be better predictors of behavioral outcomes [28, 30]. Additionally, negotiation is a complex process where parties interdependently make decisions about how to distribute resources and/or resolve conflicts [38]. It involves a combination of different stages, such as deciding on how to distribute and divide resources, activities pertaining to relationships and climate between parties, use of various influence tactics, and power balance between parties [25]. Accordingly, negotiation is cognitively taxing, and requesting negotiators to constantly rate their opponent on various attributes would be problematic. So, in order to capture a more accurate understanding of stereotype bias in intercultural negotiation, we gathered perception ratings from “neutral” observers. We captured observer perception through their attribute (trait) ratings, where North American observers rated North American and Middle Eastern negotiators on a series of positive and negative attributes. Therefore, in this study participants act as observers, watch intercultural negotiation between the businessmen, and rate North American and Middle Eastern businessmen on various traits. We examine changes in observer ratings over various stages of the negotiation process, and when faced with different negotiation outcomes.

2. Role of Stereotypes in Cross-cultural Negotiation

Culture can be defined as the unique nature of a social group with regard to values, norms, practices, and institutions [24]. Culture is a visible social categorization and is an important contextual cue for schema activation [14, 27]. It influences people’s cognitive schemas and the behaviors they engage in [19]. Aside from influencing intercultural negotiators’ assumptions about their counterpart’s character and negotiation tactics [1], we propose that stereotypes also elicit a negativity bias towards negotiators from a dissimilar culture and an in-group preference for negotiators from a similar culture.

Although stereotypes can elicit positive or negative emotions toward a social group, negative attitudes towards an out-group are most common [13]. According to prior research, negative attitudes or stereotypes toward an out-group occur because of “illusionary correlation” [18]. People tend to pay more attention to things (people or events) that are novel and unique, or deviant. Since interactions with out-group members are generally rare and that undesirable behaviors occur infrequently, people tend to overestimate the association between out-group membership and negative behaviors. This results in an illusionary correlation between the out-group and the undesirable behaviors [18], increasing dislike and negative perception toward a member of the other group. Thus, due to in-group bias and illusionary correlation, intercultural negotiators are more likely to hold a negative perception of each other than intra-cultural negotiators, and this negative stereotype should consist of attributes including self-interested, competitive, and not trustworthy. Moreover, a stronger negativity bias toward the out-group (negotiator of a different culture) may be evident when negotiators engage in a more distributive and competitive approach, in which information sharing, realization of trade-offs, and value-creation opportunities are diminished. We capture the negativity bias of intercultural negotiators via observer ratings, since these ratings are thought to have higher validity than self-report ratings of negotiators [28, 30]. More specifically, we predict that a North American observer will hold negative perception of the out-group, Middle Eastern negotiator, and this negative bias will be evident in higher ratings of the Middle Eastern negotiator on negative attributes, and lower rating on the positive attributes.

**Hypothesis 1a:** North American observers will illustrate negativity bias toward the out-group by rating the Middle Eastern negotiator lower on positive traits, and higher on negative traits compared to the negotiator from the in-group (North American negotiator).

A common product of stereotypes and social categorization is ethnocentrism, placing one’s social group (or cultural group) at the center of the universe [22]. In this case, people are inclined to suppose that their own group’s values, beliefs, behaviors, and organizing principles are superior to other groups’ [33]. In fact, prior research shows that people tend to judge members of their in-group more favorably such as considering them to be smarter, more attractive,
more cooperative, fairer, more trustworthy, and more hard working than members of out-groups [7, 36]. So, intracultural negotiators (parties are of the same culture) are more likely to trust, share information, and hold positive perception of their counterpart, in comparison to intercultural negotiators (parties are of different cultures). Consequently, we predict that a North American observer will illustrate an in-group preference by ratings the North American negotiator higher on positive attributes, and lower on negative attributes.

Hypothesis 1b: North American observers will illustrate in-group preference by rating the negotiator from their own culture higher on positive traits compared to the negotiator from the out-group (Middle Eastern negotiator).

Stereotype beliefs however, are not rigid and they are subject to change across different situations and with the increase of inter-group (inter-cultural) interactions [29]. Thus, culturally held stereotypes can change with positive intergroup contact (lowering negativity bias); however a negative intergroup contact can escalate the negativity bias toward the out-group [32, 35]. Transactional negotiation, pertaining to trading or exchanging ideas and positions, is a mixed motive, complex and dynamic interplay of cooperation and competition [3, 21]. From the cooperative perspective, negotiators tend to take the problem solving approach where they share information, realize common goals, and work interdependently to reach a mutual agreement. In this case, negotiators can “expand the pie” through realization of trade-offs, and value-creation opportunities. From the competitive perspective, negotiators instead perceive the negotiation as a distributive "win-lose" bargaining process, view each other as distinct entities (with no common ground) and tend to focus on individual gain [39]. Given that negotiation is a dynamic social interaction with multiple phases, it is likely that negotiator’s perceptions toward each other may change from one stage to another depending on level of cooperativeness (corresponding to positive intergroup contact) and competitiveness (corresponding to negative intergroup contact) employed by their counterpart.

Adair & Brett (2005) report four negotiation phases observed in international negotiations. The first phase is characterized by “affective posturing”, where negotiators exhibit affective persuasion and influence tactics based on status, relationships, and normative or other contextual factors, to establish their position (posturing). The second phase is characterized by reciprocal “priority information” in which negotiators engage in a detailed discussion of the issues and exchange relevant information. The third phase consists of both “priority information and rational persuasion”. At this point, negotiators have a general understanding of their counterpart’s preferences, however, negotiators are not necessarily cooperative since they engage in value claiming (competitive) and value creating (cooperative) behaviors [31]. Reciprocal sequence of offers occurs in the fourth phase, where parties reduce alternatives and move to a final decision [26]. Our research uses a stage approach to examine whether in-group bias and negative stereotypes change during the course of a negotiation. We included the first and second phase of the negotiation, and a third phase that incorporated the final outcome. We expect that negativity bias will increase in the first stage (which is more competitive) and decrease in the second stage (which is more cooperative) [3].

Hypothesis 2a: North American observers will illustrate high levels of negativity bias toward the Middle Eastern negotiator in the first stage of the negotiation, and low negativity bias in the second stage.

Furthermore, we examine the extent to which positive or negative intercultural interactions (through final negotiation outcomes) influence perceptions of observer participants. We manipulate negotiation outcomes into three different possible scenarios: 1) Blow-up, in which negotiators employ a distributive stance, are competitive, and do not reach an agreement. 2) Compromise, where negotiators are still distributive but are more cooperative and end the negotiation by meeting each other’s demands halfway. 3) Pie-expansion, in which negotiators are cooperative and employ a problem solving approach by focusing on common interests. We expect the negotiator’s negative perceptions toward the out-group will be exaggerated in the Blow-up condition, which is highly competitive and distributive. We predict lower negativity bias in the other conditions, since they are more cooperative; however negotiator’s positive perceptions toward the in-group will be exaggerated, especially the Pie-expansion condition, which employs a cooperative, problem solving approach.

Hypothesis 2b: The negativity bias toward the Middle Eastern negotiator will be exaggerated in the blow-up outcome, compared to the other outcomes.

Hypothesis 2c: The positivity bias toward the North American negotiators will be higher in the
more cooperative conditions, especially in the pie-expansion condition.

3. Method

Participants and Procedure. One hundred and twenty North American students (N: Blow-up = 36; Compromise= 41; Pie-expansion= 43) from University of Waterloo and Carnegie Mellon University participated in the current study in exchange for $15 (CAD or USD). All North American participants were Canadian or American-Caucasians, and primarily associated with the North American culture (Canadian or American). 56% of participants were men, and the average age of participants was 22.9. The study took place online and all participants watched video-clips of the negotiation and rated the negotiators online. Upon reading and granting consent to participation, participants responded to demographic questions about their nationality, culture, and religion. Then participants viewed a photograph of two negotiators and watched three videos of an intercultural negotiation between the negotiators from the photograph (see Fig.1). After viewing the photograph and each of the video clips, participants responded to the perception questionnaire where they rated the negotiators on various attributes. Hence, participants acted as observers and we examined how they perceived the negotiators before negotiation and during the course of the negotiation interaction.

Fig. 1. Static photograph of the negotiators, Nabil (left) and Paul (right).

Negotiation Simulation. Before viewing the photograph of the negotiators, participants were informed that the Middle Eastern merchant, Nabil, owns a textile mill and produces rugs for both domestic and foreign markets. The Western merchant, Paul, buys rugs from different parts of the world to sell to department stores. During Nabil and Paul’s first transaction Paul claims that the initial product shipped was of inferior quality. After viewing the photograph and responding to the first set of questions, participants were presented with three video clips of the negotiation. The photograph and the first two video clips were standard across all conditions. In the first video, the conflict is introduced where the North American merchant claims that the initial rugs shipped were of inferior quality, contrary to his initial agreement with the Middle Eastern merchant. The Middle Eastern merchant on the other hand, claims that high quality rugs were shipped. In the second video, both negotiators share more information about the situation, and explain their position. We had three versions/conditions for the third (final) video, each capturing a different negotiation outcome. For the blow-up condition, in the final video, the conflict escalates and negotiators engage in distributive and competitive tactics via threats and arguments. In the compromise condition, the negotiators are more cooperative and reach an agreement by involving a third party to propose a fair market price on the rugs. In the pie-expansion condition, the merchants are more cooperative and engage in the problem solving approach, by adding issues to the table. In this video, the Middle Eastern merchant agrees to ship free samples of Egyptian towels, to help cover losses the North American merchant incurred from the rugs.

Perception Questionnaire. Participants responded to the perception questionnaire on a 7-point scale (1= Strongly Disagree; 7= Strongly Agree) four times; one after the photograph, and one after each video clip. We carried out an exploratory factor analysis to group the items into different categories, and included items with a factor loading of .7 or higher. Based on the analysis, we categorized the items pertaining to the photograph into five traits: Respect, Cooperative, Trust, Competitive, and Dishonest. A sixth trait of Fairness emerged from the questionnaire pertaining to the video clips (see Appendix A). The summary of intercorrelations of the trait components for both Paul and Nabil are included below.

Table 1. Summary of intercorrelations of traits – Paul

<table>
<thead>
<tr>
<th>Attributes</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Respect</td>
<td></td>
<td>-.146</td>
<td>-.174</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Cooperative</td>
<td>.596**</td>
<td></td>
<td></td>
<td>-.52**</td>
<td>-.215*</td>
<td></td>
</tr>
<tr>
<td>3. Fair</td>
<td>.610**</td>
<td>.639**</td>
<td></td>
<td>.667**</td>
<td>-.34**</td>
<td>-.068</td>
</tr>
<tr>
<td>4. Trust</td>
<td>.755**</td>
<td>.700**</td>
<td>.667**</td>
<td></td>
<td>-.47**</td>
<td>-.083</td>
</tr>
<tr>
<td>5. Competitive</td>
<td>-.435**</td>
<td>-.55**</td>
<td>-.34**</td>
<td>-.47**</td>
<td></td>
<td>-.268**</td>
</tr>
<tr>
<td>6. Dishonest</td>
<td>-.0172</td>
<td>-.188*</td>
<td>-.0068</td>
<td>-.083</td>
<td>.268**</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Summary of intercorrelations of traits – Paul (continued)

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<tr>
<th>Attributes</th>
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<th>3</th>
<th>4</th>
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</tr>
</thead>
<tbody>
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<td>1. Respect</td>
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<td>.359**</td>
<td>.657**</td>
<td>.809**</td>
<td>-.52**</td>
<td>-.215*</td>
</tr>
<tr>
<td>2. Cooperative</td>
<td>.359**</td>
<td></td>
<td>.242**</td>
<td>.293**</td>
<td>-.14</td>
<td>-.174</td>
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<tr>
<td>3. Fair</td>
<td>.657**</td>
<td>.242**</td>
<td></td>
<td>.678**</td>
<td>-.43**</td>
<td>-.146</td>
</tr>
<tr>
<td>4. Trust</td>
<td>.809**</td>
<td>.293**</td>
<td>.678**</td>
<td></td>
<td>.53**</td>
<td>-.195*</td>
</tr>
<tr>
<td>5. Competitive</td>
<td>-.52**</td>
<td>-.14</td>
<td>-.43**</td>
<td>-.53**</td>
<td></td>
<td>-.184*</td>
</tr>
<tr>
<td>6. Dishonest</td>
<td>-.215*</td>
<td>-.174</td>
<td>-.0146</td>
<td>-.195*</td>
<td>.184*</td>
<td></td>
</tr>
</tbody>
</table>
Table 2. Summary of intercorrelations of traits – Nabil

| **Correlation is significant at the 0.01 level** |
| **Correlation is significant at the 0.05 level** |

4. Results

Before examining participants’ perception ratings, we averaged observer scores in each trait category that emerged from the factor analysis. Then, we carried out a series of repeated measures ANOVA to examine overall perception and perception change within stages of the negotiation, and between the different negotiation outcomes. We conducted two sets of analyses: 1) examining changes from initial perception/ stereotype (static picture) and first video clip, 2) examining perception change across all three videos.

**Hypothesis 1.** We postulated that we would observe negativity bias toward out-group such that North American observers would rate the Middle Eastern negotiator lower on positive traits (Respect, Cooperative, Trust, Fair), and higher on negative traits (Competitive, Dishonest). We also predicted a positivity bias toward in-group where North American observers would rate the North American merchant higher on positive traits and lower on negative traits. Overall, there was no significant difference between the three conditions \( F (2, 118) = 1.43, p > .05 \). The results illustrate a significant difference between the initial ratings for the static picture and the first video \( F (1, 118) = 3.69, \ p = .057 \), where overall negotiators had higher ratings in the static picture \( M = 4.22, SE = 0.04 \) than the first video clip \( M = 4.15, SE = 0.04 \). A marginally significant interaction emerge for the Time x Negotiator interaction \( F (1, 118) = 3, p = .086 \), where the North American negotiator received higher ratings than the Middle Eastern merchant especially in the static picture. When examining ratings on the different traits for each negotiator, we observed a significant difference \( F (4, 472) = 14.79, p \leq .01 \). Contrary to our predictions, North American observers perceived the North American negotiator as more competitive \( M = 4.65, SE = 0.08 \) and less cooperative \( M = 4.02, SE = 0.07 \) than his Middle Eastern counterpart \( M = 4.36, SE = 0.09 \), \( M = 4.57, SE = 0.09 \). Hence, the initial perception toward the out-group was more positive.

When examining perception change across the three videos (different stages of negotiation), we observed significant differences in ratings between the three conditions (blow-up, compromise, pie-expansion) \( F (2, 118) = 3.7, p = .028 \), across the three stages of the negotiation \( F (2, 236) = 26.52, p \leq .01 \), and ratings between the two negotiators \( F (1, 118) = 46.14, p \leq .01 \). Overall, the North American negotiator received higher ratings on the positive traits such as Respect \( M = 4.52, SE = 0.08 \), Cooperative \( M = 4.32, SE = 0.08 \), Fairness \( M = 4.55, SE = 0.07 \), and Trust \( M = 4.32, SE = 0.09 \), while receiving lower ratings on the negative traits: Competitive \( M = 4.24, SE = 0.09 \), and Dishonest \( M = 3.62, SE = 0.09 \). Thus, we observed positivity bias toward the in-group. We also observed negativity bias toward the out-group, where the Middle Eastern merchant received lower ratings on the positive attributes; Respect \( M = 3.87, SE = 0.08 \), Cooperative \( M = 3.9, SE = 0.07 \), Fairness \( M = 3.83, SE = 0.08 \), and Trust \( M = 3.4, SE = 0.08 \), and received higher ratings on the negative traits: Competitive \( M = 4.6, SE = 0.09 \), and Dishonest \( M = 3.93, SE = 0.09 \). Thus, we find partial support of hypothesis 1.

**Hypothesis 2.** We postulated that North American observers will illustrate high levels of negativity bias toward the Middle Eastern negotiator in the first stage of the negotiation (more competitive), and low negativity bias in the second stage (more cooperative). Across the first two stages of the negotiation (video 1 and video 2 ratings), we did not find significant differences across the three conditions \( F (2, 118) = 1.01, p > .05 \), however we found significant differences in the ratings of the two stages of the negotiation \( F (1, 118) = 24, p \leq .01 \), and ratings given to the two negotiators \( F (1, 118) = 37.4, p \leq .01 \). Significant interactions of Time x Trait x Negotiator \( F (5, 590) = 36.83, p \leq .01 \) and Time x Trait x Negotiator x Condition \( F (10, 590) = 3.46, p \leq .01 \) also emerged. Although in the initial stage of the negotiation, the North American merchant was viewed as more Respectable \( M = 4.3, SE = 0.16 \), Fair \( M = 4.13, SE = 0.18 \), Trustworthy \( M = 4.1, SE = 0.18 \), and less Dishonest \( M = 3.8, SE = 0.19 \), he was also perceived as less Competitive \( M = 3.93, SE = 0.17 \), and more Competitive \( M = 4.53, SE = 0.17 \). In contrast, the Middle Eastern opponent was perceived as more Cooperative \( M = 4.57, SE = 0.15 \), and less Competitive \( M = 4.3, SE = 0.18 \). Yet, the Middle Eastern merchant was judged to be less Respectable \( M = 4.19, SE = 0.17 \), Fair \( M = 3.95, SE = 0.19 \), and Trustworthy \( M = 3.86, SE = 0.16 \), and more Dishonest \( M = 3.97, SE = 0.19 \). Hence, overall we observed negativity bias toward the Middle Eastern merchant in the first phase of the negotiation, where the problem and conflict is introduced.

Interestingly and contrary to our predictions, this negativity bias escalated in the second phase, where the problem was further discussed and the negotiators engaged in information sharing. In this stage, observers rated the Middle Eastern negotiator lower on Respect \( M = 3.37, SE = 0.18 \), Cooperativeness \( M = 3.97, SE = 0.19 \), and Fairness \( M = 3.86, SE = 0.18 \). However, we observed a positivity bias toward the in-group. We also observed negativity bias toward the out-group.
=3.05, \text{SE}=0.2), Fairness (M =3.26, \text{SE}=0.19), Trustworthiness (M =2.95, \text{SE}=0.17); they rated the Middle Eastern negotiator higher on Competitiveness (M =4.97, \text{SE}=0.17), and Dishonesty (M =4.18, \text{SE}=0.19). Positivity bias toward the in-group also increased, as per observers’ higher ratings of the North American merchant on Respect (M =4.61, \text{SE}=0.16), Cooperativeness (M =4.27, \text{SE}=0.18), Fairness (M =4.55, \text{SE}=0.16), Trustworthiness (M =4.42, \text{SE}=0.2), and lower ratings on Competitiveness (M =4.164, \text{SE}=0.19), and Dishonesty (M =3.63, \text{SE}=0.18). Thus, we found an opposite pattern to our predictions for H2a.

We also predicted that the negativity bias toward the Middle Eastern negotiator will be exaggerated in the blow-up condition, while the positivity bias toward the North American negotiators will be exaggerated in the pie-expansion condition. Although we did not find differences between the conditions for the first, and second stages of the negotiation, we did find significant differences in attribution ratings for the third stage (F (2, 118) = 11.16, p < .01), where the negotiation outcomes (third video) varied across the conditions. We observed a significant Trait x Negotiator x Condition interaction (F (10, 590) = 5.44, p < .01). We averaged ratings on the positive traits (respect, cooperative, fair, trust) and on the negative traits (competitive, dishonest) to examine differences in negativity bias across the conditions (see Fig. 2). The findings illustrate negativity bias toward the Middle Eastern merchant where his ratings on the positive traits were lower in all conditions (Compromise: M =4.26, \text{SE}=0.19) (Pie-expansion: M =4.57, \text{SE}=0.19), especially the blow-up condition (M =3.12, \text{SE}=0.2). The ratings on positive traits for the North American merchant in contrast, were higher (Blow-up: M =3.8, \text{SE}=0.2) (Pie-expansion: M =4.9, \text{SE}=0.18), especially in the compromise condition (M =5.4, \text{SE}=0.19). Also, the Middle Eastern merchant’s ratings on negative traits for the compromise (M =4, \text{SE}=0.22), and pie-expansion (M =3.8, \text{SE}=0.2) conditions were higher than the North American negotiator (Compromise: M =3.2, \text{SE}=0.22) (Pie-expansion: M =3.53, \text{SE}=0.22). Interestingly, the ratings on negative attributes for the Middle Eastern negotiator (M =4.31, \text{SE}=0.22) did not vary from the North American negotiator (M =4.4, \text{SE}=0.23) for the blow-up condition.

Overall, compared to the North American merchant, the Middle Eastern negotiator received a higher rating on competitiveness, and lower ratings on positive attributes (respectable, cooperativeness, fairness, trustworthiness), especially for the blow-up condition (see Table 1). Interestingly, the Middle Eastern negotiator received lower rating on dishonestly compared to the North American negotiator, especially in the blow-up condition. On the other hand, the North American negotiator received higher ratings on the positive attributes compared to the Middle Eastern negotiator, and was viewed as less competitive compared to the Middle Eastern merchant. Moreover, this positivity bias toward the in-group was exaggerated in the compromise condition.
5. Discussion

We investigated how initial perceptions and stereotypes toward a negotiating partner of another culture are formed, how these perceptions change across the different stages of the negotiation, and how perception change occurs when faced with different negotiation outcomes. North American observer ratings on positive and negative traits of a North American and Middle Eastern business man were gathered, after viewing three phases of an intercultural negotiation. Also, three possible negotiation outcomes were presented to the observers, where negotiators were competitive and did not reach an agreement, negotiators were cooperative and reached a mutual agreement, negotiators were cooperative and employed a problem solving approach, and expanded the pie of resources to be distributed.

Overall as predicted, our results indicate in-group bias (i.e. positive in-group stereotype) across all observers, where they rated the negotiator of their own culture higher on positive attributes than the negotiator of the other culture. Negativity bias (i.e. negative out-group stereotype) was also found, where observers rated the negotiator from the other culture higher on competitiveness. Participants’ initial ratings were used to capture their initial stereotypes. Interestingly, observer’s initial perceptions were positive toward the negotiators of the other culture, where the Middle Eastern merchant was viewed as more cooperative and less competitive compared to the North American negotiator. This may be due to higher exposure to diversity and multiculturalism in the North American society. Domestic workforces are becoming more diverse, ethnically and culturally, particularly in countries such as Canada and United States [23]. This increase in diversity and opportunity of interacting with members of various cultures may have lowered negativity bias toward out-groups [32].

The initial positive perception toward the Middle Eastern negotiator however, quickly changed where as soon as the negotiation began (initial stage), the observers showed negativity bias. Contrary to what we expected, this negativity bias escalated in the second stage of the negotiation, where more information sharing took place. According to past research [3]; although the second stage is still competitive, the mere act of information exchange creates a more cooperative setting. Thus, we should expect a more positive perception of the counterpart to be generated in this phase. Yet, the findings illustrated the opposite pattern. One reason for this maybe because these are observer ratings and perceptions as opposed to the perception of the actual negotiator involved in the interaction. Although observer ratings are claimed to be better predictors of behavioral outcomes [29], observer perceptions (positive or negative) may be exacerbated or diminished, depending on the context. For example, prior research on procedural justice illustrate that under some conditions the treatment of others (third-party, observer) relate to justice judgments as is one’s own treatment [5]. Hence in some situations, observer judgment may vary from one’s own judgment and perception.

The findings also showed perceptions change, for the better or for the worse, when presented with different negotiation outcomes. Although negativity bias toward the negotiator of another culture still persists, this bias declines when both negotiators are more cooperative and reach an agreement through compromise. On the other hand, when negotiators are competitive and employ distributive tactics, negativity bias toward the out-group escalates. For future research, we plan to examine rating of the two negotiators by Middle Eastern observers, as well as examine and compare observer ratings with the ratings of the actual actor or agent involved in an intercultural negotiation. We also plan to investigate to what extent observer perceptions are predictive of negotiator perception and judgment.

Our study contributes to the cross-cultural negotiation literature by defining stereotypes that North Americans have of negotiators from the other culture. In addition, we show that exposure to different negotiation strategies and outcomes can shift stereotypes in both a positive or negative direction.

Acknowledgment

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10. References


Appendix A:

1. Perception Questionnaire: Trait Categories

   **Respect** (2 items)
   Paul/Nabil is honourable
   I respect Paul/Nabil

   **Cooperative** (3 items)
   Paul/Nabil’s goal is to meet the other merchant half way on issues
   Paul/Nabil is interested to work out a solution that serves both of merchants' interests as much as
   Paul/Nabil would do what he can to help the other merchant

   **Fair** (2 items)
   Paul/Nabil is giving the other merchant's perspective fair consideration.-Paul
   Paul/Nabil is a fair negotiator

   **Trust** (2 items)
   Paul/Nabil is trustworthy.
   I would consider doing business with Paul/Nabil.

   **Competitive** (2 items)
   Paul/Nabil is trying to maximize his own gain regardless of the outcome for the other merchant
   Paul/Nabil would do what he can to increase his own outcome, especially at the expense of the other...

   **Dishonest** (2 items)
   I believe Nabil would ship a low quality product if he knew that Paul would not find out; OR I believe Paul would falsely complain about the quality of the product if he knew that it would result…
   Paul/Nabil cheats