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**COGNITIVE BIASES IN BUSINESS NEGOTIATION**

**Bachelor's thesis**

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**Hugo Šebestian**

**UNIVERSITY OF ECONOMICS IN BRATISLAVA**  
**FACULTY OF APPLIED LANGUAGES**

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**Study programme:** Foreign Languages and Intercultural Communication  
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**Supervisor:** Mgr. Jaroslav Jorík

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**Hugo Šebestian**



## **Declaration**

I hereby declare that the submitted bachelor's thesis is based on my own work and research, and that I have not used any sources other than those listed in the bibliography section.

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Date

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Signature

## **Acknowledgement**

I wish to express my sincere gratitude and thank my supervisor Mgr. Jaroslav Jorík for all his advice, guidance, and valuable comments. I am grateful for his help in the process of writing this bachelor's thesis.

## **Abstrakt**

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Cieľom tejto bakalárskej práce je priblížiť čo sú kognitívne skreslenia a ako sa prejavujú počas obchodného rokovania pomocou manuálu, ktorý má slúžiť ako nástroj pre budúcich ale aj súčasných rokovačov. Skreslenia sú systematické a pravidelné chyby v procese rozhodovania. Táto práca pozostáva z troch častí. V prvej časti sa venujeme obchodným rokovaniam, kde definujeme, kategorizujeme a uvádzame niekoľko faktorov, ktoré ich ovplyvňujú. V druhej časti sme definovali čo sú kognitívne skreslenia, ako ich rozdeľujeme a ako ich vieme nejakým spôsobom prekonať. Tretia časť má formu príručky ktorá má byť nápomocná pri príprave na obchodné rokovanie a počas neho. Výsledkom tejto práce je krátka tabuľka, v ktorej uvádzame popisy kognitívnych skreslení, ktoré sme v praktickej časti podrobnejšie analyzovali. V tabuľke sa ďalej nachádza stručný popis riešenia a možného scenára, s ktorými sa počas rokovania môžeme stretnúť. Je to pomôcka ktorú môžu rokovatelia mať počas prípravy ale aj počas samotného rokovania vždy pri sebe.

**Kľúčové slová:** kognitívne skreslenia, obchodné rokovanie, rozhodovanie

## **Abstract**

ŠEBESTIAN, Hugo: Cognitive biases in business negotiation. [Bachelor's thesis] – University of Economics in Bratislava. Faculty of Applied Languages; Department of Intercultural Communication. – Supervisor: Mgr. Jaroslav Jorík. Bratislava: FAJ, 2022, 49p.

The aim of this bachelor thesis is to present what cognitive biases are and how they manifest themselves during business negotiations using a manual that is intended to serve as a tool for both future and current negotiators. Biases are systematic and regular errors in the decision-making process. This thesis consists of three parts. In the first part, we discuss business negotiations, where we define, categorize, and list several factors that influence them. In the second part, we define what cognitive biases are, how we classify them, and how we can overcome them. The third part is in the form of a handbook to be helpful in preparing for and during a business negotiation. The result of this thesis is a brief list where we can find the name of the bias we have described in the practical part. The list further contains a brief description of the biases along with a solution or possible scenario that we may encounter during the negotiation. It is a list that negotiators can always keep with them during preparation and during the negotiation itself.

**Key words:** cognitive biases, business negotiation, decision-making

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# 1 Introduction

Decision making is a process of choosing an option that we have to do countless times during the day. Whether it is something simple like what to cook for lunch or choosing a suit or dress for a business negotiation which we are going to attend that day. To make these decision-making processes takes as little time and costs us as little energy as possible because our brain uses mental shortcuts called ‘cognitive biases’. These are systematic and regular mistakes we make during the decision-making processes without even realizing it. We make these mistakes even though we have been taught about them, that is, we make them even though we are aware of them, and it is almost impossible to avoid them completely.

In this bachelor thesis we will look at cognitive biases in business negotiations. Negotiation is a process that, like any other decision making, is inevitable in day-to-day life. Even the simplest haggling with the other party is considered a negotiation. In the business world, it involves negotiating with a partner company, for example, about further cooperation on a common project. Next, we will look at preparation, which is one of the most important phases of negotiation in this topic, in order to prepare for cognitive biases, which we may encounter in the later stages. Following this, we will look at the factors that affect business negotiations. In the next section, the thesis will describe cognitive biases, how we categorize them, and possible strategies to overcome them.

The practical part of this thesis focuses on individual biases and is intended to serve as a certain ‘handbook’ for negotiators. In particular, it is intended to help them prepare for the negotiation in the preparatory phase of a negotiation, to familiarize themselves with the biases that may affect either them or the interlocutors with whom they will be negotiating. There are descriptions of each bias, together with an example of how they can manifest themselves during a business negotiation. Preparing for a negotiation should never be underestimated as we never know what we may encounter during a negotiation process.

## 2 Business Negotiations

Before we take a look at business negotiations, let's define what negotiation is on its own. It is a process where two or more parties interact with each other with the goal of satisfying their respective interests and needs. The typical form of this interaction is conversation. During this communication, the partners seek to convince each other with arguments and clarifications, and to reach a solution, that would satisfy them both. When negotiating, it is important to consider not only satisfying our own interests, but also the interests of the other party involved (Ondrušek, 2004).

We engage in negotiations on a daily basis with a goal of achieving something. For example, kids negotiate with their parents to get the toy they want, adult couples negotiate the place for their date, a buyer may intend to negotiate a price of a car they want to buy, or students try to negotiate their final evaluation with their professor. The negotiation can occur between two or more people, teams, or parties; hence, we always need a second party, and the negotiation cannot take place with only one of the parties present.

We can also understand the negotiation as bargaining. In this case, the negotiation can be considered as the communication process itself, that is the dialogue in which each of the present parties attempts to convince the opponent by various means. (Mikuláštník, 2010)

Business negotiation is a type of negotiation with the goal to reach a common ground with the partner business and reasonable deal that is accepted by all the involved parties. Sometimes the parties have a different goal in their mind. The primary role of negotiation is to find a resolution to a conflicting goal and achieve a win-win situation for everyone. According to Shell (2006), financial gains and benefits are the main purpose of business negotiation. The negotiation can be divided by the number of people involved into individual negotiation, when each party is represented by one negotiator, and team negotiations, when the companies involved are represented by a group of people that negotiate.

According to Khelerová (2010), business negotiation can also be defined as complex social interaction aimed at forming a relationship between the present parties whose goal is to form a deal that is acceptable to both sides. After reaching the agreement, the parties will follow the deal and will continue to strengthen their business relationship. One may look at the business

negotiation as a form of art because it can be challenging to be able to respond quickly, actively listen to the other party without interrupting, persuading them or improvising professionally. (Vetráková, Klincková, 2013)

## **2.1 The process of business negotiation**

A successful negotiation consists of several steps that we ought to follow. These steps are vital parts that should not be ignored if we want to maximize the value of the negotiation. In this part, we are going to list the steps of business negotiation and characterize them.

### **2.1.1 Preparation**

Preparation is arguably the most important, and very first step to every business negotiation. Even the most skilled negotiator cannot afford to come to a negotiation unprepared. The amount of research before a negotiation can vary depending on the case. Sometimes only a quick encounter with the problem is sufficient, other times, we require far more time for our preparation. (Knapik, 2010) Preparation and its phases are largely connected to the economic importance of the business negotiation. When it comes to arrangement, organizational preparation includes:

- Time and place of the negotiation
- Arrival and accommodation
- Duration of the negotiation
- Seating plan of the business partners
- Program of the negotiation
- Departure (Carnegie, 2011)

In this part, we also set our goals for the negotiation. We may consider what we want to achieve, what are we willing to give up so all the parties can benefit from the negotiation, what are the benefits we want to gain, or we have to offer to the other party. In this part we also do research about the partner we are negotiating with. As different cultures have different styles of negotiation, we should gather as much information about them as we can. Depending on the negotiation,

preparation may take longer, especially when we are about to negotiate with a new partner. On the other hand, if we are negotiating with a business partner that we have already negotiated with, the time needed for preparation can be considerably lower, as we already have some information about them. It is wise to define our strengths and weakness.

During the process of negotiation, we will not be able to evade making some decisions. When setting our goals, deciding on the strategy, picking our partners, we rely on our judgement. However, our judgement is not bulletproof, and our mind is occasionally subject to the effect of the so-called ‘cognitive biases’. These subtle errors in our thinking and processing the world around us can cloud our judgement and mislead us from the path we wanted to take. Not only during the preparation, but biases can also have effect on us during the negotiation itself as well. Cognitive biases will be further discussed in the latter chapter.

### **2.1.2 Opening the negotiation**

This is the phase that occurs before the negotiation itself. When everyone is ready, we start by introducing the present parties, teams as well as the company they are representing. It is part of an informal conversation when representatives can exchange information about themselves. The main idea is to have everyone relaxed and in a good mood and lower the chances of conflicts. The representatives may exchange some personal information in this part. In this phase, we want to make a good impression on the others, which increases our chances of a successful negotiation. Finally, we may agree on main points of the negotiation that we want to discuss.

This part is also referred to as informal stage of negotiation. Parties investigate the stands on the given topic of others, investigate the strengths and weaknesses of the representative individuals, sometimes even try to exploit them. Methods such as questioning, and listening are often used to inspect the behaviour of our negotiating partners. (Plamínek, 2012)

If the negotiation is more formal, this part consists of official introduction of the parties, opening speeches and declaring rules of the negotiation. Time of the negotiation and a potential break is also discussed here.

### **2.1.3 The negotiation**

After we are done with the introduction, we can move on to the next stage, and that is the negotiation itself. To avoid any early arguments and inconveniences, we should pick a topic that

was already discussed and is familiar, or that is likely to be agreed on by both parties. An early argument can significantly lower the chances of successful negotiation and can hinder the trust between the negotiating parties. We should regularly remind the other party of the benefits we provide in case they decide to make a deal with us. It can also be used as a counterargument to argument of the opposing party. We should always try to formulate our sentences and questions positively, as it may have an impact on the answers we receive. However, we should not give everything for free and look for advantages for our benefits from the other parties. Using all of our offers in the beginning can potentially weaken us, as we will not have anything to offer later on. To avoid this, start by offering smaller benefits as you build them up during the negotiation, and ask for approximately equal value of advantages from the other party. The benefit we consider to be the most attractive for our opponent should be left for the very end of the conversation. (Khelerová, 2012).

#### **2.1.4 Handling objections**

In the process of negotiation, it becomes quite common to disagree on the topics and ideas with the different parties involved. For this reason, it is important to be able to handle objections that might be brought up by our negotiating partners. This does not necessarily mean a bad thing as it potentially shows the interests of the other side about the topic. Objections are not exclusive to appear during the main stage of the negotiation. Some of them may occur in the opening phase, or by the end of the negotiation. We may have objections, too. Objections can be used as a reassurance if the team is making the right decision. It is important to be prepared for any kind of objections, in which case we should focus on our strengths and benefits we can provide to the other side. In some cases, it is possible to entirely prevent an objection by being prepared and being proactive during the negotiation.

If the objection is still brought up, in this part, we will cover a four-step method to handle objections (Schultz, 2021):

1. Listen to the objection: After hearing an objection, many negotiators think that the case is closed, and the other party lost all the interest to negotiate with us. In this situation, it is better to stay calm and let your negotiating partner finish their objections. This way we lower the risk of making assumptions about the objection and therefore reacting defensively, which can damage their opinion

about us. Stay focused, listen to the whole objection, and start preparing your response.

2. Understand the objection completely: sometimes the objections that rise are hiding a bigger problem. We must make sure to get to the root of the objection and to entirely grasp it. After we listen to the whole objection, we then repeat it as we understood it. This lets us get closer to the heart of the issue and as a result, you come closer to the underlying source of the objection. Confirmation questions may be used to ensure we are on the same page with the other side.
3. Respond: After making sure we understand the objection, we can give our response according with our company's policy. The primary objection should be addressed as first. It is important to resolve the objections as fast as possible due to the limited time we have, that we do not want to be inefficient with it. The goal of the negotiation is to come to reach a common ground, so the less time we waste, the better. Your responses should be clear and to the point.
4. Make sure the objection is dealt with: Confirming with the other side that the objection is solved is very important. Verify that you have satisfied their objection and move on with the negotiation.

### **2.1.5 Concluding the negotiation**

In the last phase of the negotiation, we may briefly summarize the topics that were discussed, and we then proceed to the final statement. If we are satisfied with the conditions provided by the other side, we agree to the terms and make the deal. According to (Knapik, 2010) there are several types of agreement:

- a. Good deal – considers the short-term and long-term interests of the partners and inspires them to perform diligently.
- b. Breakdown – the negotiation is interrupted by a resignation of one of the participants. It can cause withdrawal of one of the parties, persistent ignoring of a partner, or a lawsuit.
- c. Disagreement – the negotiation is concluded without abandoning its formal procedural framework. A return to the negotiating table is not out of the question.

- d. Agreement to suspend or postpone the negotiation – the participants agree to resume the negotiation later, without exactly deciding on the time and place of reopening the negotiation.
- e. Incomplete agreement – the negotiation will only resolve some parts of the issue, creating the so-called ‘non-binding agreement’.
- f. Bad deal – the process of negotiation has not been reached. Everyone understood the agreement at the moment of negotiation differently than at the moment of implementation.

## 2.2 Influential factors in a negotiation

There are various factors that affect negotiation in business. These factors can either have a positive, or a negative impact on the negotiation. In this section, we will be covering some of the important ones.

- a.) Culture – Culture is a broad topic and deserves its own chapter, but that is not the aim of this thesis. Therefore, we will only look at culture from a narrow point of view so that it is still relevant to our issue. Cultural variations can greatly influence negotiations in a positive, or a negative way. There are just a few people that exactly portray their culture’s characteristics and behaviour. (Morrison & Conaway, 2006) If there is a country that values relationships above all else, it does not necessarily guarantee that every single negotiator from that country we encounter will do business with us with relationships as their priority. Nevertheless, many negotiators attempt to adapt to the habits and behaviour of the countries with which they do business. The authors of the book *Kiss, Bow, or Shake Hands* (Morrison & Conaway, 2006) explain why adapting to the behaviour of different cultures can be advantageous. If we wish to start a business in a foreign market in the future without learning at least a little about their culture, there may be unpleasant consequences. The author uses an example of the company *Nike* when they started selling shoes in a Muslim nation with a flame picture on their back. Muslims, however, read from right to left, and the picture reminded them of the word *Allah*, which is not allowed to be put on shoes. As a result, Nike had to halt production and recall all the shoes, resulting in a significant financial loss.

b.) Negotiator's personality – There are over 100 definitions of the word personality in terms of psychology, and it depends on the area of study. When we talk about personality, it is perceived as a set of qualities, processes, attitudes and behaviours that form the individuality of one's character (Cherry, 2020) When negotiating, we recognize three important personalities (Voss, 2016):

1. Accommodator – Their strength is communication and building relationships. They will focus on the other party more, rather than focusing on the deal they are about to sign. They win people over easily, are charismatic and they want to be on great terms with everyone. They will prioritize the friendship they built over disagreeing with the other party. When negotiating with them, it is important not to fall under the effect of cognitive biases, such as 'liking bias', that will be discussed in later chapters. It is typical for them to agree to offer the other party something they cannot deliver. This can be due to the 'over-optimism bias', or the fact, they like to initiate the reciprocity cycle.
2. Assertive – Assertive negotiators are not afraid to sacrifice others for their own benefits. The price does not matter, as long as they feel like winners. Although strong-minded, they are often victims of 'confirmation bias', as they rarely let other others speak and they listen to their opinions only when it is beneficial. For them, closing the deal is more important than focusing on relationships. On the other hand, when they give you their approval, you can rest assured as they will not change it, especially if they gave you something. They will be expecting to get as much as they can in return.
3. Analyst – Nothing is more important to an analyst than being prepared. Collecting information, doing research on the problem they are about to face in the negotiation, and gathering data is typical for them. They want to avoid as many mistakes as they possibly can. Due to a lack of communication and interpersonal skills, they are misunderstood easily. Since they like to work on their own, and rarely ask for help, analysts can believe that they are above average. They may fall prey to this bias that only damages their interpersonal skills even more.

c.) Perception of time – Different cultures perceive time in different ways. For some, short-time periods are more important, such as minutes or seconds, while others emphasize long-time periods, years, or even decades. Time has an impact on both personal and professional activities, and it is an area where the visibility of different behaviour of cultures is the most evident. Researchers have divided time perception into two categories based on how cultures view it: (Halls, 1973)

1. Monochronic: This group is defined by almost being obsessed with time. People show up on time for scheduled meetings, stick to the agreed program, and the meetings are only disrupted on extraordinarily. On the other hand, they will not focus as much on the relationship between the partners. Monochronic people believe that time spent doing nothing equals time wasted. Some countries that belong to this group are: North America, most of Europe and Japan.
2. Polychronic: Polychronic culture is the opposite of monochronic culture, with less focus on punctuality and a high rate of non-compliance with agreed deadlines and timetables. Host from this group will prioritize finishing a negotiation that has already started than interrupting it for some other reasons. Human, or in this case business relationships are considered more important over time as a concept. It is common to interrupt a negotiation by a secondary element or negotiation, in form of sudden phone calls, paperwork or unrelated visits. Typical countries that represent this group are: Latin America, South and Southeast Asia.

d.) Place – this is understood as a place, or a ground, where the negotiation is taking place. Khelerová (1995) states that, there are three possible outcomes:

1. The negotiation is taking place on a *home ground*. It is advantageous for having everything we need within our reach and allowing us to call for help from colleagues if needed. An enjoyable atmosphere is easy to create if the company culture is well structured. Furthermore, a good impression will be made on the partner (Khelerová, 2010). The main idea is to have a personable staff that is in charge of presenting and welcoming everyone, aesthetics of the workplace, quality of the materials and so on. The drawback of this is that our negotiation partner may see more information than we want to show, which can be in favour

of them instead of us in some instances. For example, if one of our production lines is malfunctioning, but it will be repaired soon, it might leave a negative impression if our partner sees it, leaving their judgement open to biases. (Knapik, 2010)

2. The negotiation is taking place on a *partner's ground*. The same applies, only in reverse. Despite all this, negotiating on a partner's ground is still meaningful. For example, a Spanish car company was closely collaborating with another company from Finland, that was supplying engine parts. The Spanish company was convinced, that their Finnish partner was many times technically superior to them. The director of the Spanish company had a different meeting in Finland, during which he stopped at their company and found that they were facing similar problems as his company and that all the technical inventory were two old production lines. Their partnership was not cancelled but strengthened as it turned out they are two partners on equal footing. (Khelerová, 2010; Knapik, 2010)

3. The negotiation is taking place on a *neutral ground*. There are several possibilities with neutral ground. Naturally, we make contacts at different occasions, such as seminars, conferences, or exhibits. The main goal of such events is not to sign a deal or finish a transaction, rather build, and develop the relationship between companies, or partners. Inviting partners to a lunch or dinner is a common part of it. (Korda, 2011) In many cases, we may stumble across a dead end in a negotiation, as we have already exhausted all the arguments we have prepared, and our partner is still not convinced about the deal. The best advice in this situation would be to invite our partner to a lunch or a dinner, to try to change the place of the negotiation. (Mikuláštník, 2010) A change in environment might elicit a shift in behaviour, which can lead to breaking the barriers in a previous negotiation and, eventually lead to a favourable decision. (Khelerová, 2010)

e.) Cognitive biases – it is natural for humans to follow their instincts, conscience, the hidden voice in their head that whispers them the choice they are about to make is sketchy. And in many life-threatening situations it is the best thing we can do, because

our life is priority number one. In a business negotiation, the priorities slightly shift. It was revealed by Daniel Kahneman (2012) that following these signals and messages outside of the dangerous situation can be a source of biases that lead us to making bad business decisions and cloud our judgement. If we never test our intuition by going against it, and we always follow it, we cannot be certain that it is not misleading us. Biases can for example shift our focus on unimportant parts of the negotiation or look for information that is not important for us. The effects of biases are especially noticeable while under stress, fatigue, pressure, or doing multiple activities at the same time. It is when we are most mentally exhausted that we follow our instincts and less our logical thinking. Decision-making gets quicker and easier, but quality declines as a result. (Soll et al., 2015)

### 3 Cognitive biases

Decision-making is a cognitive process involving the selection of options. The aim of human activity, according to classical economic theories of decision making, is to maximize profits, minimize losses and make optimal use of knowledge received (Lisý et al., 2016). However, in practical life, the simple rules cannot be applied directly, and we find ourselves making decisions in unpredictable situations with unknown true probability. We are frequently facing danger rather than making our judgment rationally.

When thinking, evaluating, or during a conversation, we may come into contact with cognitive biases. They refer to our personal interpretation of a particular thing, elements we perceive, or situations in which we ignore what is truly happening – the objective reality. Most of the time, we are not aware that these flaws exist in our lives. Some of them are of minor importance and are simpler, while others can affect us and our decisions significantly as well as make us face consequences for our poor judgement. (Ruisel, 2011) People and their decision-making processes are influenced by variety of external factors, and so their ability to judge is affected as well. Since even thinking and decision-making processes are not flawless, individuals, not aware of the biases, make these errors and blunders, which lead to inaccuracy, disagreements, and distrust. (Ruisel, 2011)

When speaking of biases, there is an important link between them and heuristics (mental shortcuts to shorten decision-making time). Ashcraft (2006) states that, a heuristic is an informal technique or guideline rather than a fully defined rule. It is a method or strategy that works in some cases but does not ensure that the answers in other cases will be correct. In a similar sense, Baron (2000) describes heuristics as provisional principles that allow us to make rapid and efficient decisions and judgements. Kahneman and Tversky (2012), perhaps the most crucial scientists that did research in the field of biases and heuristics, devoted a significant time of their professional careers to this topic. They state that heuristics are generally beneficial, although they can lead to systematic and serious mistakes in particular situations. They also discovered that people make these errors in a systematic, reoccurring and regular manner. Heuristics lower the amount of thinking needed, but they do not always improve the quality or accuracy of the judgements made. (Kahneman et al., 1982)

Mistakes in thinking and in decision-making processes can be caused by a number of factors. We are frequently unaware of the effect that cognitive biases have on us. Even if one is reasonable and thinking rationally, they still might make errors. The presence of cognitive biases can be considered unwanted or inappropriate in a specific context when the emphasis is on decision-making or judgement. (Sternberg, 2002)

Kendra Cherry (2020) defines cognitive biases as a type of inaccuracy in thinking that happens as people receive and interpret information from the world around them, influencing their actions and judgements. Since our brain is not omnipotent, it sometimes makes a misjudgement when it tries to process and store information in a simple way. We may look at biases as a form of shortcuts for our brain when we need to make a quick decision. When our brain is in the position to make a decision, it uses these shortcuts and bends the way we perceive the world around us. On a similar note, cognitive bias is a mental mistake that causes us to misunderstand information from your surroundings affecting the logic and precision of our decisions and judgements. (Ruhl, 2021)

Cognitive biases do not have to have necessarily a negative impact on our judgement. As it was mentioned, our brain follows these biases to speed up and makes our decision-making simple and efficient, especially in a dangerous situation. However, if we realize that our judgement was affected by a bias, especially in a business negotiation, we can find ourselves in a position we did not want to be in. For example, if we encounter information that support our beliefs, take for granted that our viewpoint is shared by our negotiation partners, or assume that it is not our fault when we face a failure, these are important signs that our judgement was not objective, and was affected by a cognitive bias.

### 3.1 Cognitive biases Codex

Now that we have explained what cognitive biases are, how they work, and how they are interconnected with heuristics, it is time to categorize them. We will be using a Codex division made by Buster Benson, who divided them into four main categories, or quadrants. As said, biases are mental shortcuts that are meant to save time when we make decisions. If we need some aid to speed up the decision-making process, it means there is a problem. Therefore, Benson (2016) categorized biases according to the problem areas that the biases are trying to help us with. It could be one of the following problems: excessive amount of information, meaning deficit, the need to decide right away, and sorting out information to remember. Each main category is further subdivided into a more specific problem that the biases are helping us with, with twenty of them in total. In total we register over 180 biases in the current list, which is updated regularly, based on ongoing research in this area. However, this list does not distinguish between biases and heuristics. Let us describe the four main categories in more detail:

1. Excessive amount of information – there is a myriad of information to which we have access, and even more to which we do not have access despite modern technology. Our brain therefore selects which information to process and which to ignore. If our mind registers a stimulus, it has recently received, it is more likely to notice and process it. The same is true if the stimulus is ‘special’. We process much more easily when something is funny, or for example, when someone uses an expressive word. We also prefer information that matches with our existing information. (Important biases that fall into this quadrant: *confirmation bias, anchoring, framing effect, availability heuristic*).
2. Not enough meaning – since we cannot capture and process all the information and stimuli to which we are exposed, our mind combines the new information it has access to with past experiences we have had to create a whole picture. However, this process is prone to error and the result it offers us is often subjective and therefore not perfectly identical to the external world. If our knowledge of something is incomplete or slightly inaccurate, our brain easily fills in the missing blanks and forgets which one is original and which ones were added later. It is also easier for us to imagine something that we have already seen or had some experience with. (Significant biases that fall into this

quadrant: *gambler's fallacy, stereotyping, authority bias, cheerleader effect, money illusion, curse of knowledge*).

3. Need to act fast – if we wanted to make decisions based on all possible scenarios, we would find that we will not be able to make it in our lifetime. Benson (2017) shows this with a very common example, and that is the question “What should I have for lunch?”. If we were to choose from all the foods that exist (the ones we know but also the ones we don't know), we would spend too much time on it. In fact, we might not even make it. That is why our reason relies on mental shortcuts to make this decision-making process easier and faster. We prefer things that are current to those that are in the not-too-distant future or past, and thus we can focus more easily. For example, if we have a choice between an activity in which we have already invested some time and one that we have not even begun, we are more likely to choose the one in which we have already started. We like options that we consider simple, more than complex ones, that may have multiple ends. We do not pursue the more difficult and important task but do the easier ones, even if it is less profitable in terms of either time or energy. (Significant biases that belong in this quadrant: *overconfidence effect, optimism bias, sunk cost fallacy, IKEA effect*).
4. What should we remember? – it is unrealistic to remember everything. To save space, our mind divides information into data it remembers and data it forgets. It does this by generalizing what it can, thus relying on biases to help it remember. It is possible that as a result of this process we invent memories that are not real or forget real ones that have taken place. If we have a longer list, we try to reduce it to the basic elements. Depending on how we experience an activity, we store it in different ways. Our brain will only store information that is relevant to us during the experience of any given moment. (Significant biases that fall into this quadrant: *prejudice, false memory, stereotypical bias, fading affect bias*)

## 3.2 Overcoming biases

The human brain naturally makes decisions to save as much energy as possible. Therefore, it relies on biases to do as little work as possible. When we lived in caves in the ancient times, we needed to make decisions quickly in order to survive. Today, however, modern technology makes many aspects of life easier, and we make decisions in comfort. Normally, we are not concerned with life when making decisions, so biases can have negative effects, robbing us of new insights or opportunities. Some tasks may appear routine, yet they are critical to our success. Therefore, it may not be a bad idea to look for ways to overcome them. To be able to overcome our biases it is important to broaden our horizons and knowledge. Let's look at four ways that can help us overcome our cognitive biases: (Nortje, 2022)

1. Reflect on past decisions – situations we experience often repeat themselves, and we can take advantage of this. If we find ourselves in a situation that we have been in before, or one similar to it, we can look back on the course and outcome of that situation, and thus predict the course and outcome of the current situation with much greater accuracy. Nortje gives an example of budgeting. We rarely get it right in estimating the amount of money we need for different aspects of our lives. If we start marking our expenditures for the recent period of time, we will be able to estimate with greater accuracy what expenses we may be facing and thus include them in our budget.
2. Include external viewpoints – it is known that if we review the issue, we are addressing with a third party that is not involved in the issue, it will improve our decision-making abilities. The excluded party is not influenced by our biases and therefore the likelihood of seeing the whole situation and issue as it is – objectively, is higher. A third party can also help us notice the biases that affect us. We need not be afraid of challenging our own views.
3. Challenge your viewpoints – we should attempt to be our biggest critic. If we can subject our opinions, attitudes, decisions to constructive criticism and look at them from above, we can discover the gaps in them ourselves, even without an excluded party. If we can defend and withstand this criticism, we will be more confident in our decisions and less vulnerable to biases.

4. Do not make decisions under pressure – according to *cognitive miser theory* (human mind is limited in time, knowledge and attention) by Stanovich (2009), our brain prioritizes to save as much energy as possible in the decision-making process. It is an efficient use of time. It is only because of this fact that we have been able to survive difficult conditions and crisis situations in the past. Nowadays, there are few situations when an immediate decision is really necessary. Taking more time to review the ancillary aspects of our decision, making a list of the advantages and disadvantages of a given decision can help us to make a decision we are truly happy with.

### **3.3 Overcoming biases at a job interview**

In their book, authors Banaji and Greenwald (2013) state that in the 1870s there was a significant preponderance of men over women playing in the most prestigious orchestras in America. Similarly, men outnumbered women in the proportion of new soloists and instrumentalists hired. At the time, almost no one noticed. It was not until decades later, when the women's movement spread in the United States, that they began to question the fairness of the admissions process. Well-known American orchestras were able to deal with this in their own way. Admissions consisted of a short demonstration of playing a musical instrument. After this, they began to arrange the proceedings so that the jury would only be able to hear the candidates, not see them. Before this method was introduced, the possibility of men being preferred to women was not considered. However, they suspected that the selection process favoured students who came from well-known teachers. The results, however, revealed otherwise. In the years following the introduction of this method, the proportion of women admitted to the orchestra increased considerably. This meant that the jury was able to detect and reduce the impact of their biases.

### **3.4 Biases in detail**

#### **Confirmation bias**

All of us have been in a situation where we have been convinced of the truth of a statement, and then finding related information or experiencing a situation that has confirmed the truth of that statement. There is a strong possibility that this was confirmation bias. Nickerson (1998) defines this as seeking, understanding, and interpreting information that would confirm beliefs we already

held. In situations where we ignore knowledge that is disharmonized with our preferences and turn to that which confirms them, we can say that it is a manifestation of the confirmation bias. It also displays itself by distorting ambiguous information and reinterpreting it as confirming. If we are emotionally invested in the issue, for example, the effect gains strength. We can observe this bias very well in psychics. Often their goal is not to help us, but to make money. They will use commonly known facts, or people's most common problems, such as leg or back pain, to get our attention. They just have to watch how we react and will know what to say next. All of us have had leg pain at least once in our lives. Since we can relate to this information, we begin to 'find ourselves' in the fortune teller's interpretation and begin to trust him/her more.

### **Anchoring bias**

We commonly create some starting figure, also known as an anchor, which we can move up or down to, to reflect the subsequent information and analysis when we have to predict a value of unknown range. The final estimate is determined by the anchor, which is later altered. Numerous studies reveal that, regardless of how the original anchors were selected, people tend to under-adjust their anchors, resulting in inaccurate estimates (Pompian, 2006).

Anchoring happens when we are paying too much attention to the information, we receive first. Any information we receive after, is misrepresented, or influenced by the information we received initially. We are later unable to create a rational, objective prediction, which hinders our ability to plan and react to the new information. (Hayes, 2021)

Many salespeople use this technique to create an image in our mind. They will intentionally start with a high price, which we anchor in our mind, and then gradually lower it. It will seem to us that the price is more acceptable, and we are likely to proceed with the deal.

### **Authority bias**

Already during the period of the founding of the first towns and communities, people chose an authority from among themselves to govern them. This bias is actually submission to that authority and being influenced by its opinion. If we are subordinate to an authority figure, we automatically consider opinions, information, or perspectives to be more credible simply because we have received them from the person, we consider to be the authority figure. The chances that we will obey what we are told or that we will decide in favour of the authority figure are increased.

Different countries and cultures are subject to this bias more and some less. This bias is typical of Eastern cultures, here in Europe we rarely encounter it. One of the powerful tools of authority bias is the uniform. When we see someone in uniform, we automatically attach a certain importance to them. Just because someone is wearing a white coat in a hospital, we immediately place them in the staff and are more likely to obey their instructions. (Banaji & Greenwald, 2013)

## 4 Practical part

This section is intended to serve as a guide or tool to help each negotiator prepare for business negotiations. It is meant to be helpful by detecting cognitive biases, to be able to identify them in ourselves but also in our partners, to describe them for better understanding or for sharing with others, to overcome the possible effects they have on us in the decision-making process, but most importantly in knowing ourselves. In this section we will find a breakdown of several biases, what they mean, why they are important, how and where we can encounter them, and their most common form in business negotiations. For each bias we find an *Understanding the bias* section which serves as a definition for each bias. *Bias in a business negotiation* is a section in which we find a given example from the world of business negotiations, what to look out for, and hints and tips on how to manage them or minimize their impact. We can use this handbook to understand ourselves and find the most effective way to conduct a negotiation. It can also be helpful to anticipate mistakes and errors we may encounter during a business negotiation. If we can anticipate mistakes, we minimize the risk of being misunderstood by the other party. Further, we can, for example, uncover biases that prevent us from making objective decisions about an issue in our negotiation. This handbook can also serve as a guide on how to get a client or partner on your side and thus maximize the chances of signing a new contract. If we increase our skills in influencing and persuading others, we also increase our chances of success in a business negotiation. If we know the biases we may encounter during a negotiation, we are more likely to uncover them. Thus, the biases we uncover can be worked with, overcome, and in some cases eliminated, so that we can make the most objective decisions possible.

## 4.1 Present bias

### Understanding the bias

It is more natural for people to live in the present moment than to think and worry about what will happen in a few hours, days, months, or years. Given a choice between getting an item or benefit now or sometime in the future, we almost always choose the first option, even though the benefit we would get later is twice as large or otherwise qualitatively more advantageous (Szeto, 2020). This is because the immediate satisfaction of getting the benefit is substantially greater than wanting to get the benefit later even at the cost of it being more advantageous. It is possible that what we want in the future will be quite different from what we want now. (Young, 2020)

### Bias in a business negotiation

During negotiations, we should keep in mind that our partners will prefer the present to the future. If there is a situation where there are unresolved issues and problems after the negotiation, it is better to arrange another negotiation as soon as possible. The more we postpone it, the less chance there will be of a successful conclusion of the negotiation. When it comes to business, our customers will look for opportunities to spend money in the near future and avoid opportunities to spend it later (Young, 2020).

## 4.2 Liking Bias

### Understanding the bias

We have a tendency to tolerate missteps, acknowledge the truth, to side with people we like. Similarly, the chances increase that we will accommodate the liked party even when it may not be convenient for us. We can often observe this with parents and children. If a child is in a problematic situation because of their own bad, parents overlook the child's mistake and try to solve the problem. They rarely accept and admit that their child is really at fault. (Nantchev, 2016)

### Bias in a business negotiation

During every negotiation, we should think whether we really agree with the other party, or it is just an effect of liking bias. If we let our emotions get the better of us, it can lead to misjudgement during the decision-making process. Although the other party's goal may not be to

manipulate us, it is better to remain objective and minimize the sympathies we might have. Paying compliments is one strategy to gain someone's sympathies. We also tend to like people that are similar to us in one way or another. If we can create a mental image of being from the same group, or finding some similarities such as common hobbies, they will automatically be more willing to cooperate with us. By being hospitable to our partners, we show them respect that also strengthens their opinion about us. (Nantchev, 2016)

On the other hand, the opinions and decisions of our negotiation partner can be equally influenced by this bias. Asking questions is a powerful tool in this case. It will make our partner feel that they are involved in the negotiation and will be much more willing to cooperate and agree with our proposals. However, this does not mean that we should not also look out for their interests and take advantage of this. (Nantchev, 2016)

### **4.3 Disliking bias**

#### **Understanding the bias**

This bias is the exact opposite of the previous one. If liking bias meant a tendency to ignore someone's bad deeds, disliking bias would mean a tendency to ignore good deeds, accomplishments, or achievements. If we dislike someone, we will despise and doubt the quality of their ideas and suggestions, even though they may be beneficial to us. (Nantchev, 2016)

#### **Bias in a business negotiation**

Not everyone will be sympathetic to us during negotiations. It often happens that the other party for some reason will not agree with our proposals and offers. Most likely this is a disliking bias. No matter how hard we try, we will fail to reach a reasonable conclusion. (Nantchev, 2016)

Ignoring culture can be dangerous when it comes to this bias. The globalization is bigger than ever, and we cannot avoid a negotiation with eastern cultures if our company wants to get into to global market. Each culture has its traditions, habits and customs, and ignorance does not excuse. As an example, let's have a look at gifts in China. It is very sensitive topic for them, as it often violates the law. However, it is still acceptable to give a gift of small value to the representative of second party but should be done in private. If we were to ignore this tradition, we could deeply offend the other party, and the disliking bias afterwards could have a negative consequence for further negotiation. (Morrison & Conaway, 2006)

As in the previous case, the reverse is also true. Our decisions can also be influenced by this bias. Again, it is better to leave emotions and personal sympathies aside during the negotiation. Even if we don't like someone at first, we should still listen to them, and then we can decide whether or not to agree with their proposal.

#### **4.4 Framing effect**

##### **Understanding the bias**

In this bias, we are influenced by additional information that portrays the main information in a positive or negative light. Our decision making is thus influenced by whether we are given the information in the context of a loss or gain. (Plous, 1993) We tend to avoid risk if it is presented to us in a negative context and, conversely, to seek out risk if it is presented to us in a positive context. (Kahneman, Tversky, 1981)

##### **Bias in business negotiation**

We should always be careful about the form in which information is interpreted to us. Kahneman and Tversky (1981) in their research observed how people make decisions in the following issue. In an imaginary situation 600 people are seriously ill. However, there are two treatments. In the first treatment about 400 people die, and in the second treatment there is a 33% chance that all will survive, but a 66% chance that all will die. Subsequently, the participants could choose. The outcome of both treatments is in fact the same. However, an overwhelming majority of participants chose the first option when it was phrased positively, namely that 200 people would be saved, up to 72% of those surveyed. The pick rate of the first treatment dropped to 22% when the information was presented negatively, namely that 400 people would not be cured.

A similar situation can occur during a negotiation. For example, if we are negotiating with a new start-up, we can look at their expected chance of success from two perspectives. If the other party gives us information about the risk in the style of "Our start-up has a 90% chance of success", we are much more likely to agree than if they had told us "Our start-up has a 10% chance of failing", even if both cases are the same. We should not be fooled by this framing effect, and check everything before we make our final decision.

## 4.5 Loss aversion

### Understanding the bias

According to Kahneman & Tversky (1992), we perceive loss twice as badly as we perceive gain. If we were given a choice, we would rather choose to lose nothing than to gain something. Herzberg (1959) bases his theory of motivation and hygiene factors on similar principles. Losing something has a much greater impact on us than gaining something.

### Bias in a business negotiation

When we negotiate, loss aversion has several uses. One of them, for example, is to create a list of benefits that the other party may lose. If we find ourselves in a situation where we are representing a supplier's company and we are negotiating a price, and the partner company is asking for a lower price and is considering switching suppliers, we can create the list of benefits they stand to lose if they replace us with a competitor. They will want to avoid this loss and will be more open to negotiating that price. (Nantchev, 2016)

Another possible example is a limited-time offer. When we see that the other party is hesitating about signing a contract, we can 'nudge' them by giving them a time limit by which they have to decide. This will put them under pressure and make them feel that they must make a decision as soon as possible to avoid a possible loss if they do not sign the contract. (Nantchev, 2016)

## 4.6 Overconfidence effect

### Understanding the bias

We tend to consider our skills, abilities, abilities, to be better or stronger than they really are. Pallier et al. (2002) describe this as our subjective confidence in our decisions being greater than their objective accuracy. We also tend to make positive assumptions, in the sense that we will meet a given deadline, or that we will win a competition, rather than making negative assumptions, in the sense that we will not complete a given task on time. It is important to believe in ourselves but expecting our problems to solve themselves can put us in uncomfortable situations that are hard to get out of.

### **Bias in a business negotiation**

Many negotiators fall prey to this bias and thus underestimate the preparation for the negotiation. When we are unprepared, we can be caught off guard by any objection or question from our partners. If we cannot answer it, it can spoil the impression they had of us and delay the possible signing of a contract. In this case, it is better to admit the mistake and add that we will see through their question and give them an answer as soon as possible. (Nantchev, 2016)

Another scenario which is better to avoid is to promise more than our capabilities can handle. If we overestimate our capacities and are unable to fulfil the agreement, we may lose a client or a supplier. Let's suppose we are representing a successful distribution company that is ready to launch a new product to the market. We are sent to negotiate the order of our client, so we can set the production. Since the company had been successful with launching new products, we promise our clients that we can produce half a million units. Unfortunately, the production department can handle only so many units, and we are not able to fulfil the contract. If we didn't overestimate our production capabilities, agreed on a lower production, we wouldn't have lost our client.

## **4.7 Halo effect**

### **Understanding the bias**

This bias manifests itself when a positive characteristic of a person, brand or company influences our perception of their other characteristic, and thus we perceive that characteristic positively as well. (Ries, 2006) The same is true in reverse. If we observe a characteristic in which someone does not excel, we automatically assume that they will not excel in other activities either.

### **Bias in a business negotiation**

One of the best examples are first impressions. Although it is said that looks do not matter, this is not the case. The image in which we present ourselves is very important. If our partner sees that we are dressed appropriately, that we are on time, that we have put in enough preparation, they will attribute these positive characteristics to other aspects of our personality and sometimes also company we represent, even if they have not seen them yet, and they might be neutral. (Nantchev, 2016)

In this way, we can make associations about ourselves that are attributed to objects, places, or other people. Social media and celebrities are powerful tool to building these associations. For example, if a company produces perfumes, it can negotiate a contract with a celebrity to make their name a brand of the perfume. This way, people will see the famous name and face of the celebrity on the perfume and will attribute the celebrity's positive traits to the perfume.

## **4.8 Curse of knowledge**

### **Understanding the bias**

This is the inability to relate to the other side that does not understand the issue being discussed. Once we learn or understand something, we very quickly forget how we looked at the issue before we understood it.

### **Bias in a business negotiation**

This bias is the most common one during communication. A communication barrier can occur, and the other party may not understand what we are trying to explain. In this case, the most important thing is to make sure that the other party is following us. Asking for a brief summary can help to uncover misunderstood parts of the negotiation (questions such as: "Did you understand my explanation?", "Am I speaking clearly?", "Are you following me on this?", "Are you sure we can continue?", "Do you want me to repeat it for you?"). If we know that our negotiating partner is not as knowledgeable as we are, it is better to express ourselves in simple sentences and simple words (for example, avoiding abstract terms or professional language) that we are sure our partner also understands. Creating similar mental images can help the other party understand what we want to communicate to them. (Nantchev, 2016)

## **4.9 Status quo bias**

### **Understanding the bias**

Because of this bias, we prefer things to stay as they are. The status quo can be understood as an initial state of affairs that acts as an anchor or point that we do not want to abandon. If this initial state changes even a little bit, it has a negative impact on us and we consider it as a loss. (Kahneman et al., 1991)

### **Bias in a business negotiation**

Very rarely are we willing to undergo change. This is because change is more difficult than staying with what we are used to and requires more energy. There is also the risk that the change will not bring us anything better, which we want to avoid. In business negotiation we can see this after the contract is signed. If we manage to sign a contract with a company, there is a high probability that they will not cancel it and replace us with a competitor. It would cost them more energy than it would benefit them. However, this bias should be kept in mind. If we do not like the partner company for some reason, or the contract with them is significantly disadvantageous for us, it is a good idea, despite this bias, to either work together to find a solution that both parties are happy with, or in a serious case to consider a new partner. (Young, 2020)

#### **4.10 Planning fallacy**

##### **Understanding the bias**

When planning future events, we have tendency to incorrectly allocate time to each part of the event or to the whole project, whether for preparation, completion of the task, or length of the meeting. This tendency persists even though in the past we have equally underestimated how much time we need to complete a task, so even after experience we do not allocate enough time. This happens because we do not count on unexpected complications that may be encountered, but we trust that the tasks will go according to the best scenario. (Buehler et al., 1994)

### **Bias in a business negotiation**

As mentioned earlier in this thesis, preparation for negotiation is one of the most important stages. If we underestimate how much time it takes to prepare for a negotiation, we may turn away a potential client or a cooperation partner. In case we have set aside more time for preparation, and we are completely done with it, we can use this time for another activity that will be useful to us during the negotiation. For example, we can double check the information we have found about the partners or look for something to learn more about. (Nantchev, 2016)

There is a possibility that our partners may be affected by bias just as us and thus misallocate their time. In such a situation, we can be helpful to the partner and give them more

time to contact us, to think about the terms of the contract or to schedule the next negotiation. Our partner will then see our efforts to help them, which can have a significant impact on the next joint negotiation. (Young, 2020)

In order to avoid allocating not enough time for our tasks, we can also create a timetable of our past activities and tasks and measure the time we needed to complete them. Once we create big enough sample size, we can look back on our past tasks and compare the actual time we needed to complete it, to better estimate how much time we need for our future tasks and activities. We can also break down our tasks to smaller milestones. That should help us focus on meeting the deadlines.

#### **4.11 Choice-supportive bias**

##### **Understanding the bias**

We perceive and view our previous choices in a positive light, while we tend to condemn the choices we did not make or consider them wrong anyway. This happens regardless of rational factors. We consider the option we have chosen to be the right one and try to defend our decision. For example, we may ignore the imperfections of the option. We may look for flaws in the option we did not choose that may not really be there at all. (Lind et al., 2017)

##### **Bias in a business negotiation**

During a negotiation, we often encounter new or disagreeing ideas or thoughts that our partners represent. If it becomes apparent that one party has made a mistake in previous decisions, it is good to acknowledge it, analyse it and learn from it. If we can see that the partner stands by their previous decision even though it is disadvantageous to them, and we help them to resolve the issue, it will greatly improve the relationship and therefore the chances of success. Reflecting on our decisions from time to time can help us identify unfavourable decisions that we can then correct. (Nantchev, 2016)

## 4.12 Conservatism bias

### Understanding the bias

The effect of this bias makes it difficult for us to rewrite old information and write new information when we come across it. We tend to prefer information, thoughts, ideas, or opinions we already had before adopting new ones. If we already have an opinion about an issue, we consider the new one less important and lean toward the old one. Therefore, we often under-react to extraordinary events. (Kahneman et al., 1982)

### Bias in a business negotiation

This bias is related to the human negative perception of change. If we send the initial contract details to the partner before the negotiation and then we change them, the partner will perceive it negatively. It is important not to overdo it with changes during negotiations. We need to think properly and early about what we are willing to offer to our partners. Let us imagine we expect a partner company to come for a negotiation. Everything is settled on, but we change the place of negotiation at the last minute. Unfortunately, our partner arrives one day early due to travel. If we let him know about the change of place this late, it could seriously damage the relationship between the companies, and we lose out on potential profit. (Young, 2020)

Dealing with such situation can pose a challenge. If there is no avoiding changing the place this late, we should start with a positive message. In order to see it as a positive change, try to arrange a bigger conference room with better equipment for presentation and negotiation or arrange a premium room for their stay. This will lower the chance of negative perception of the change.

## 4.13 Social-desirability bias

### Understanding the bias

When we talk to others, express our opinions, or answer someone's questions, we tend to be mindful of how we will be perceived for our answers or opinions by others. We try to have our opinions and answers validated by others, after the event, to be agreeable. Our answers are thus based on the opinions of those around us. (Edwards, 1957)

### **Bias in a business negotiation**

If we start asking our partner questions during the negotiation, their answers may be biased and based on our opinion of them. Thus, our partners may not tell the complete truth in order to maintain or improve the image we have of them. The same can happen to us. When we receive a question from a partner, we need to think about whether our answer is honest or based on the partner's image of us. In such a situation, it is better to describe things as they are and not to obfuscate the answers unnecessarily, as this can ultimately pose a much greater threat than telling the truth outright. (Young, 2020)

## 5 Conclusion

Cognitive biases are among the most common mistakes we make in the decision-making process. They are systematic and regular errors that affect the results of our decision making. In this thesis, we have discussed cognitive biases in business negotiations because it is an increasingly relevant topic in the contemporary business sphere. Relationships between companies and individuals are taking on international dimensions and we should be prepared for this in our business negotiations. If we underestimate the preparation for a negotiation and let ourselves be influenced by our biases, it can have a negative impact and we may not be able to handle the negotiation. No two negotiations are the same and we should approach each negotiation and our preparation for it individually and professionally. However, there are many factors that affect the negotiation, some of which are cognitive biases.

In the practical part of the bachelor thesis, we have discussed each bias, described them, and given an example to serve as one of the negotiator's tools to better prepare for the negotiation. It is meant to help the negotiator to understand the biases, to become familiar with them, to identify them, how to prepare for them, and what to do in a situation where we spot their influence.

The information we have obtained from the theoretical and practical part can serve as a guide for a more detailed understanding of the issue of cognitive biases, especially in business negotiations. However, we should remember that purely theoretical knowledge does not guarantee that we will handle a business negotiation perfectly. The knowledge we have acquired needs to be applied to practice, which we can only be done by participating in a large amount of business negotiation.

As a result of this thesis and in an effort to make this negotiator's handbook available for everyone, and to be easy to use, in the appendix of this thesis we created a brief list of biases we described in the practical part. It is divided into three columns. Names of biases from practical part can be found in the first column. Brief summary of the explanation is in the second column, and in the final column are helpful notes to overcome the bias, or a possible scenario in which we might encounter the bias. Writing this bachelor thesis has made us aware of what a business negotiation is, what stages it has, why preparation is so important for us, what factors influence a negotiation, but also what cognitive biases are, how we divide them, and finally if and how we can

overcome them. We believe that the newly acquired information can make it easier for us to prepare for and manage the negotiation.

## 6 Resumé

Táto bakalárska práca sa zaoberá témou kognitívne skreslenia v obchodných rokovaníach (Cognitive biases in business negotiation). Pri vypracovávaní sme pracovali tak so slovenskými zdrojmi, ako so zahraničnými, najmä anglickými. Táto téma patrí medzi veľmi aktuálne, pretože globalizácia sveta a biznisu je čo raz výraznejšia, a my sa musíme rozhodovať medzi viac a viac možnosťami. Problematike kognitívnych skreslení sa ako prvý venoval profesor Daniel Kahneman, ktorý v roku 2002 dostal za svoju prácu v oblasti ekonómie Nobelovu cenu. Dnes poznáme vyše 180 kognitívnych skreslení a heuristik. Tento zoznam sa každým rokom rozširuje o nové, dosiaľ nespoznané skreslenia, ktoré nás ovplyvňujú počas každodenného rozhodovania. Vedci dokonca zistili, že ani stroje, ako napríklad počítače, nie sú imúnne voči skresleniam. Cieľom tejto bakalárskej práce je vytvoriť nástroj alebo pomôcku, ktorá bude nápomocná v prípravnej fáze obchodného rokovania, ale aj počas samotného rokovania, pre vyjednávačov či už začínajúcich alebo skúsených. V prvom rade im má pomôcť získať informácie čo je to obchodné rokovanie, z akých fáz pozostáva, a na čo si pri obchodnom rokovaní dať pozor. Tiež ich má naučiť čo sú kognitívne skreslenia, ako ich identifikovať alebo odhaliť, ako sa prejavujú počas obchodného rokovania, a či a ako s nimi vieme pracovať, prekonať ich.

Prvá kapitola je venovaná obchodným rokovaniam. Samotné rokovanie predstavuje proces výberu jednej možnosti z viacerých, s úmyslom niečo získať. Aj keď si to niekedy neuvedomujeme, každý deň sme súčasťou nejakého rokovania. Nejde však o veľké politické alebo obchodné rokovania. Aj jednoduchý rozhovor v ktorom sa potrebujeme na niečom dohodnúť sa považuje za rokovanie. Zjednávanie ceny s predavačom na tržnici, dohadovanie sa s partnerom kto bude daný deň robiť domáce práce, žiadanie šéfa o predĺženie termínu na dokončenie stanovenej práce alebo stanovenie cieľov vyučovacej hodiny medzi učiteľom a žiakmi. Všetky tieto aktivity sú istou formou rokovania, inými slovami vyjednávania. Už z týchto príkladov je jasné, že rokovanie nemôže prebiehať čisto len medzi jednou stranou. Na rokovanie musia byť prítomné vždy aspoň dve strany. Firma ako celkom nemôže rokovať sama so sebou, ale jednotlivé oddelenia v rámci firmy už rokovať medzi sebou môžu.

Ďalej sme rozdelili obchodné rokovania podľa fáz. Za najdôležitejšiu fázu pre túto tézu považujeme časť prípravy (preparation). Je to preto, že práve v tejto fáze máme najviac čas

pripraviť sa na skreslenia, s ktorými sa môžeme počas rokovania stretnúť. Rokovanie sme rozdelili do štyroch hlavných fáz. Spomínaná prvá fáza je fáza prípravy na rokovanie, ktorá začína ešte pred samotným rokovaním. Po príchode na miesto kde sa má rokovanie odohrať, nastáva fáza otvorenia rokovania. V tejto fázy sa zúčastnené strany predstavujú a zoznamujú. Fáza rokovania, alebo jadro rokovania, nastáva po tom, ako sa skončí otvárací ceremoniál. Rokovanie môže byť ukončené niekoľkými tipmi dohody.

Posledný bod v ktorom sa venujeme obchodným rokovaniám sú faktory ovplyvňujúce obchodné rokovania. Existuje mnoho pohľadov a názorov na faktory, ktoré majú na rokovanie vplyv. V práci sme vybrali faktory, ktoré sa dotýkajú aktuálnych interkultúrno-komunikačných otázok, ako napríklad kultúra alebo osobnosť vyjednávača. Medzi faktory sme zaradili aj kognitívne skreslenia, ktoré majú na jednanie veľký vplyv. Keďže sme počas rokovania nútený robiť mnoho rozhodnutí, z čoho niektoré môžu mať obrovskú váhu na firmu ktorú zastupujeme, mali by sme mať na pamäti, že aj skreslenia patria medzi takéto faktory.

V druhej kapitole sa zaoberáme kognitívnymi skresleniami. Sú to chyby ktoré robíme počas rozhodovacie procesu, ale aj počas myslenia. Tieto chyby sú opakované, systematické a nedokážeme sa ich úplne zbaviť. Robíme ich aj napriek tomu, že o nich vieme, že sme ich už spravili a že sme o nich boli poučení. Kognitívne skreslenia majú významný súvis s heuristikami. Sú to mentálne skratky ktoré náš rozum používa aby ušetril energiu a čas a uľahčil tak rozhodovanie. Tieto mentálne skratky boli v minulosti pre naše prežitie nevyhnutné. Naši predkovia sa museli rozhodovať rýchlo a pod tlakom. V dnešnej dobe nám však pri bežnom rozhodovaní nejde o život, a preto tieto heuristiky a skreslenia často zhoršujú alebo skresľujú kvalitu a presnosť našich rozhodnutí a úsudkov.

Kognitívne skreslenia sme si ďalej rozdelili do štyroch kvadrantov. Skreslenia v každom kvadrante sú rozdelené podľa mentálneho problému, ktorý sa snažia skreslenia orientovať. Môže ísť o jeden z týchto problémov: Nadmerné množstvo informácií, nedostatočný význam, potreba sa okamžite rozhodnúť a triedenie informácií, ktoré si treba zapamätať. Každý kvadrant sme ďalej popísali čo je preň špecifické, ako sa odlišuje od ostatných a uviedli príklad skreslení, ktoré spĺňajú charakteristiky daných kvadrantov.

V súčasnosti skreslenia nevieme úplne prekonať. Vieme však s nimi pracovať. Po tom čo sme si definovali a popísali skreslenia, pozreli sme sa na techniky a spôsoby ako minimalizovať

ich efekt. Už len to, že vieme o ich existencii znižuje ich vplyv na naše rozhodovanie. Ak sa spätne pozrieme na naše predošlé rozhodnutia a roanalyzujeme ich, opýtame sa na názor človeka, ktorý by nebol do problematiky alebo rozhodovania zainteresovaný, spochybníme svoje vlastné argumenty pre rozhodnutie a vyhneme sa robeniu rozhodnutí pod stresom alebo vo veľmi krátkom čase, nám môže pomôcť prekonať kognitívne skreslenia ktoré môžeme mať.

V poslednej časti sme sa venovali jednotlivým skresleniam. Praktická časť má formu manuálu skreslení. Vybrali sme si trinásť skreslení, ktoré sme podrobnejšie popísali. V manuáli sa nachádza názov každého skreslenia, jeho definícia a príklad prejavu skreslenia počas obchodného rokovania, alebo ilustračná situácia ako zvládnuť situáciu s kognitívnym skreslením.

Ako výsledok práce sme vytvorili krátky zoznam skreslení, ktorý má slúžiť ako pomôcka pre začínajúcich, ale aj pokročilých vyjednávačov. Zoznam je vytvorený z troch stĺpcov v ktorých sú názov skreslenia, stručná charakteristika skreslenia a vzorová situácia alebo odporúčanie ako skreslenie zvládnuť.

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## 8 Appendix

<b>Bias</b>	<b>Short description</b>	<b>Possible outcomes / solutions</b>
Present bias	<ul style="list-style-type: none"> <li>• Present is more important than future</li> </ul>	<ul style="list-style-type: none"> <li>• Do not postpone the negotiation for later</li> </ul>
Liking bias	<ul style="list-style-type: none"> <li>• We agree more with people we like</li> </ul>	<ul style="list-style-type: none"> <li>• They are more likely to agree with us if they like us</li> </ul>
Disliking bias	<ul style="list-style-type: none"> <li>• We disagree more with people we dislike</li> </ul>	<ul style="list-style-type: none"> <li>• They are less likely to agree with us if they don't like us</li> </ul>
Framing effect	<ul style="list-style-type: none"> <li>• Positive or negative context changes perception of an information</li> </ul>	<ul style="list-style-type: none"> <li>• We can view risk positively or negatively depending on the context</li> </ul>
Loss aversion	<ul style="list-style-type: none"> <li>• It is more important not to lose than gaining something</li> </ul>	<ul style="list-style-type: none"> <li>• We can create a list of things our partners will lose if they don't cooperate with us</li> </ul>
Overconfidence effect	<ul style="list-style-type: none"> <li>• We overestimate our skills and capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Be honest with yourself and dedicate more time for your tasks than you think you will need</li> </ul>
Halo effect	<ul style="list-style-type: none"> <li>• After seeing one positive characteristic, we tend to give credit to other characteristics as well that could be neutral or mediocre</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate every characteristic on its own</li> <li>• Do not assume that other characteristics are positive after seeing only one of them</li> </ul>
Curse of knowledge	<ul style="list-style-type: none"> <li>• We think everyone is experienced in the field we are talking about</li> </ul>	<ul style="list-style-type: none"> <li>• Ask revision question</li> <li>• Use simple terms</li> <li>• Ask for summary to make sure the other party is following</li> </ul>
Status quo bias	<ul style="list-style-type: none"> <li>• We prefer things to stay the way they are</li> </ul>	<ul style="list-style-type: none"> <li>• Once you win your partner over, they are likely to stick with the contract</li> </ul>
Planning fallacy	<ul style="list-style-type: none"> <li>• We assign not enough time for our tasks</li> <li>• We do not count with complications</li> </ul>	<ul style="list-style-type: none"> <li>• Don't underestimate how long things take to complete</li> <li>• Assign more time for your task in case there are unexpected complications</li> </ul>
Choice-supportive bias	<ul style="list-style-type: none"> <li>• We consider our past decisions positive</li> </ul>	<ul style="list-style-type: none"> <li>• Re-evaluate your past decisions occasionally and try to be objective</li> </ul>

Conservatism bias	<ul style="list-style-type: none"> <li>• It is hard to update information when presented with new one</li> </ul>	<ul style="list-style-type: none"> <li>• Do not change conditions and circumstances of negotiation very often and too much</li> </ul>
Social-desirability bias	<ul style="list-style-type: none"> <li>• We answer based on other's opinion</li> </ul>	<ul style="list-style-type: none"> <li>• Be honest and speak your mind</li> <li>• Make sure your partner is also speaking truth</li> </ul>